

This document is an unofficial English translation of a part of the Japanese original text of the Notice of the 100th Annual General Meeting of Shareholders of H₂O RETAILING CORPORATION. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this English translation and the Japanese original, the latter shall prevail.

(Securities Code 8242)
May 29, 2019

Atsushi Suzuki
President and Representative Director
H₂O RETAILING CORPORATION
8-7 Kakuda-cho, Kita-ku, Osaka

Dear shareholders:

Notice of the 100th Annual General Meeting of Shareholders

You are cordially invited to attend the 100th Annual General Meeting of Shareholders the details of which are given below.

If you are unable to attend the meeting, please exercise your voting rights by mail or via the Internet or similar means. You are kindly requested to read the “Information regarding Exercising Voting Rights” (pp.3-4), and exercise your voting rights by 6:00 p.m. on Wednesday, June 19, 2019.

Basic Philosophy of the H ₂ O RETAILING GROUP	To remain indispensable to the local communities through our activities of providing a model of lifestyle to local residents
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Details

1. **Date and Time:** Thursday, June 20, 2019, 10:00 a.m.

2. **Venue:** Main Hall, Umeda Arts Theater
19-1 Chayamachi, Kita-ku, Osaka

3. **Agenda of the Meeting:**

Matters to be Reported

1. Reports on the Business Report, Consolidated Financial Statements, and Financial Statements for the 100th fiscal term (from April 1, 2018 to March 31, 2019)
2. Report on the audit results of the Consolidated Financial Statements by the accounting auditor and the audit and supervisory committee

Matters to be Resolved

Proposal No. 1: Partial Changes to the Articles of Incorporation

Proposal No. 2: Election of Six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)

Proposal No. 3: Payment of Bonuses to Directors

Proposal No. 4: Revision of Remuneration Amounts with regard to Stock Options as Stock Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members)

Proposal No. 5: Determination of Remuneration Amounts with regard to Stock Options as Stock Remuneration for Directors who are Audit and Supervisory Committee Members

4. **Notes Regarding How to Exercise Voting Rights:**

Please refer to the "Information regarding Exercising Voting Rights" (pp.3-4).

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- ◎ When attending the meeting, please submit the enclosed voting card to a receptionist at the venue of the meeting.
 - ◎ "Matters concerning the Company's stock options, etc." in the business report, "notes to consolidated financial statements" in the consolidated financial statements and "notes to financial statements" in the financial statements are posted on the Company's website (<http://www.h2o-retailing.co.jp/soukai/>) based on the provisions of laws and regulations and Article 16 of the Company's articles of incorporation. Therefore, such information is not included in the documents attached to this convocation notice. The business report, the consolidated financial statements and the financial statements which are audited by the audit and supervisory committee and the accounting auditor include the documents mentioned in those attached to this convocation notice, and the matters stated in the Company's website as above.
 - ◎ If necessity arises to amend the reference document for the shareholders meeting, the business report, the consolidated financial statements, or the financial statements by the day prior to the shareholders meeting, any matters amended will be posted on the following website <<http://www.h2o-retailing.co.jp/soukai/>>.
 - ◎ **Since last year we have abolished the distribution of gifts to shareholders who attend our Annual General Meeting of Shareholders. Your understanding would be appreciated.**

Information regarding Exercising Voting Rights

You can exercise your voting rights by any of the following means.

<p>▶ Exercising voting rights by attending the Annual General Meeting of Shareholders Please submit the enclosed Voting Card at a receptionist at the venue of the Meeting. Please bring this convocation notice with you.</p>
<p>▶ Exercising voting rights by mail Please return the enclosed Voting Card (with approval or disapproval indicated for each proposal) to reach us before the exercise time limit. Any vote without approval or disapproval indicated for a particular proposal will be counted as a vote for approval of the pertinent proposal.</p> <p>Exercise time limit: 6:00 p.m. on Wednesday, June 19, 2019</p>
<p>▶ Exercising voting rights via the Internet or similar means Please access the voting website which is designated by the Company either by entering the URL (https://evote.tr.mufg.jp/) or by scanning the QR code on the Voting Card with your smartphone and exercise your voting rights before the exercise time limit. If you have any questions, etc., please contact the Help Desk.</p> <p>Exercise time limit: 6:00 p.m. on Wednesday, June 19, 2019</p>

■ Handling of multiple votes cast by the same shareholder

- (1) If a voting right is exercised both by mail and via the Internet or similar means, the vote cast via the Internet will be considered to be the valid vote.
- (2) If a voting right is exercised via the Internet twice or more, the last vote cast will be considered to be the valid vote. If a voting right is exercised via personal computer, smartphone, and/or mobile phone, the last vote cast will be considered to be the valid vote.

■ Information regarding the Electronic Voting Platform

For nominee shareholders (including their standing proxies), such as trust banks or custodian banks, the Electronic Voting Platform is also available if they sign up in advance. The platform is operated by ICJ, Inc., a joint venture company established by Tokyo Stock Exchange, Inc. and other companies.

- ◎ **If you are able to attend the annual general meeting of shareholders, it is not necessary to follow the procedures to exercise voting rights by mail or via the Internet or similar means.**
- ◎ **If you choose to exercise your voting rights by proxy, the proxy will be requested to submit a letter of proxy and a Voting Card to a receptionist at the venue of the Meeting. Only a shareholder who has voting rights at the meeting can serve as a proxy.**

■ Exercising voting rights via the Internet or similar means

Scanning the QR code with your smartphone

- (1) Scan the QR code.
Use your smartphone to scan the login QR code found at the bottom right of the enclosed Voting Card.

- (2) Choose the method you wish to use to exercise your voting rights.
A screen asking you to choose how you wish to vote on proposals will be displayed. Choose your desired method.
- (3) Vote on each proposal.
Follow the instructions on the screen to vote on each proposal to complete the process.

You may scan the QR code to exercise your voting rights only once. If you attempt to log in again, you will need to enter the login ID and temporary password as mentioned on the right column .

Entering your login ID and temporary password

- (1) Access the voting website.
<https://evote.tr.mufg.jp/>
- (2) Enter the login ID and temporary password found on the Voting Card.
- (3) After entering a new password and then reentering the same password to confirm, follow the instructions on the screen to vote for each proposal to complete the process.

*Costs arising from accessing the voting website (e.g. Internet connection fees, packet charges) will be borne by shareholders who access the website.

*The voting website will not be available for use from 2:00 a.m. to 5:00 a.m. daily.

For inquiries about the system etc., please contact:

Securities Business Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation
Tel. (toll-free): 0120-173-027 (available from 9:00 a.m. to 9:00 p.m.)

Reference Document for the Shareholders Meeting

Proposals and reference matters

Matters related to director nomination and remuneration

With the aim of ensuring fairness and transparency in nominating the Company's directors and deciding directors' remuneration and other matters, the Company has established, as a voluntary advisory committee for the board of directors, the nominating and remuneration advisory committee which consist of several independent outside directors including audit and supervisory committee members and the President. Proposals concerning the nomination of director candidates and the remuneration for directors, etc. are examined and recommended to the board of directors by the committee and then decided by the board, in view of the basic principles stipulated by the Company.

The audit and supervisory committee reviewed the proposals on the remuneration referred to this Meeting and confirmed the administration method, etc., of the nominating and remuneration advisory committee and found nothing to point out in particular.

In accordance with the basic principles, the nomination standards for director candidates—the “concept of diversity and balance of the board of directors” and “standards of independence of outside directors”—have been defined as described below.

(For your reference)

“Concept of diversity and balance of the board of directors”

Internal director candidates will be nominated among the persons in the Company's group who have appropriate capabilities, experience and knowledge concerning planning and execution of the group's management strategies, financing and accounting, and compliance matters and the persons who are representatives of main subsidiaries, while outside director candidates will be nominated among persons experienced in the corporate management in any industry, attorneys at law, and persons who have expertise useful for the Company Group's business, etc., so that the board of directors will maintain an appropriate size to keep its diversity and balance as well as to enable rapid decision-making. At least one director who is audit and supervisory committee member will be nominated among persons who have profound experience and extensive knowledge concerning financing and accounting.

“Standards of independence of outside directors”

The Company's outside directors will be determined to be independent, unless they fall under any of the following items:

1. Any person who conducts transactions with the Company and its subsidiaries (hereinafter the “Company Group”) as main clients (see Note 1), its executive director, executive officer or equivalent, manager or other employee (hereinafter the “Executive Person”);
2. Any person who is a main client of the Company Group (see Note 2) or its Executive Person;
3. Professionals, including attorney at law, certified public accountant, tax accountant or consultant, who receives money or other property benefits in excess of certain amount (see Note 3), in addition to the remuneration as director or corporate auditor given by the Company Group;
4. Any person who belongs to the audit corporation which is an accounting auditor of the Company Group and actually performs the audit work;
5. The Company's main shareholder (the person holding 10% or more of the voting rights, including indirect holding) or its Executive Person;
6. Any Executive Person of a company of which the Company Group is a main shareholder;
7. In the case where the Company Group's executive director, director who is a full-time audit and supervisory committee member or full-time corporate auditor concurrently works as outside director or outside corporate auditor of other company, any Executive Person of the company;

8. Any Executive Person of the Hankyu Hanshin Toho Group (including the Company Group);
9. Any person who is granted donation by the Company Group in excess of certain amount (see Note 4), or in the case where any organization, including corporation and association, is granted such donation, its Executive Person;
10. Any person who has fallen under any of above items 1 through 9 during the past five years (in the case of the Company Group's Executive Person in above item 8, during the past 10 years);
11. Any person whose spouse or relative within the second degree falls under any of above items 1 through 10 (excluding items 3 and 4, limited to the Important Person (see Note 5)); and
12. Any person for whom it is found that there are specific reasons to cause a conflict of interest between the person and the Company.

Note 1: "Any person who conducts transactions with the Company Group as main clients" means the Company Group's client who provides products or services to the Company Group and the amount of the client's transactions with the Company Group in the latest business year exceeds 100 million yen or 2% of the client's consolidated annual sales, whichever is larger.

Note 2: "Any person as main client of the Company Group" means: (1) a client to whom the Company Group provides products or services and the amount of the Company Group's transactions with the client in the latest business year exceeds 2% of the Company's consolidated annual sales; or (2) a client to whom the Company Group owes debts and who loans more than 2% of the Company Group's consolidated total assets to the Company Group as of the end of the latest business year.

Note 3: "Certain amount" means: (1) in the case where an individual personally provides the Company Group with professional services and receives consideration (excluding remuneration as director or corporate auditor) from the Company Group in the latest business year, 10 million yen a year; or (2) in the case where the individual belongs to the organization, including corporation and association, which provides the Company Group with services and receives consideration from the Company Group in the latest business year, 2% of the organization's annual total revenues.

Note 4: "Certain amount" means 10 million yen a year in the latest business year.

Note 5: The "Important Person" means an executive person who is a director, executive officer of a company with nominating committee, executive officer or general manager or higher ranking position, or an executive person who has the authority equivalent to that of the foregoing persons.

Proposal No. 1: Partial Changes to the Articles of Incorporation

1. Reason for proposal

This proposal is made in order to add business purposes in order to accommodate the diversification of businesses of the Group and to remove provision related to the appointment of adviser in order to enhance the transparency of corporate governance system.

2. Description of change

The proposed changes are described below, along with the corresponding text of the existing Articles of Incorporation.

(Underlined text indicates changes.)

Existing Articles of Incorporation	Proposed changes
<p style="text-align: center;">Chapter 1. General Provisions</p> <p>Article 1. [Omitted]</p> <p>Article 2. Purpose The Company is established in order to conduct the following businesses:</p> <p>(1) To control and manage the business activities of companies that conduct the following businesses as well as overseas companies that conduct equivalent businesses through ownership of shares or equity:</p> <p>1. through 7. [Omitted]</p> <p>8. Manufacture, processing, and sale of food products <u>as well as the wholesale and retail of alcoholic beverages</u></p> <p>9. through 30. [Omitted]</p> <p>(2) through (4) [Omitted] (New paragraph)</p> <p><u>(5) [Omitted]</u></p> <p>Article 3 to Article 21 [Omitted]</p> <p>Article 22. Chairman of the Board of directors and President, etc.</p> <p>(1) The Board of Directors may by resolution elect one chairman, one president and a small number of vice-presidents from its member directors (excluding directors who are members of the audit and supervisory committee).</p> <p><u>(2) The Board of Directors may by resolution appoint one or more advisors.</u></p> <p>Article 23 through Article 41 [Omitted]</p> <p>Additional Provisions [Omitted]</p>	<p style="text-align: center;">Chapter 1. General Provisions</p> <p>Article 1. [Unchanged]</p> <p>Article 2. Purpose The Company is established in order to conduct the following businesses:</p> <p>(1) To control and manage the business activities of companies that conduct the following businesses as well as overseas companies that conduct equivalent businesses through ownership of shares or equity:</p> <p>1. through 7. [Unchanged]</p> <p>8. Manufacture, processing, and sale of food products; <u>wholesale and retail of alcoholic beverages; and operation of convenience stores</u></p> <p>9. through 30. [Unchanged]</p> <p>(2) through (4) [Unchanged]</p> <p><u>(5) childcare service</u></p> <p><u>(6) [Unchanged]</u></p> <p>Article 3 to Article 21 [Unchanged]</p> <p>Article 22. Chairman of the Board of directors and President, etc.</p> <p>(1) The Board of Directors may by resolution elect one chairman, one president and a small number of vice-presidents from its member directors (excluding directors who are members of the audit and supervisory committee).</p> <p>[Deleted]</p> <p>Article 23 through Article 41 [Unchanged]</p> <p>Additional Provisions [Unchanged]</p>

Proposal No. 2: Election of Six (6) Directors (excluding directors who are Audit and Supervisory Committee Members)

The terms of office of all seven (7) directors (excluding directors who are audit and supervisory committee members; hereinafter the same in this proposal) will expire at the conclusion of this Annual General Meeting of Shareholders. It is hereby proposed that six (6) directors will be elected.

The director candidates are given below.

Candidate No.	Name	Present position in the Company
1	Atsushi Suzuki	President and Representative Director <input type="checkbox"/> Subject to re-election
2	Naoya Araki	Representative Director <input type="checkbox"/> Subject to re-election
3	Katsuhiro Hayashi	Representative Director and Executive Vice President <input type="checkbox"/> Subject to re-election
4	Makoto Yagi	Outside Director <input type="checkbox"/> Subject to re-election <input type="checkbox"/> Outside Director <input type="checkbox"/> Independent Officer
5	Kazuo Sumi	Director <input type="checkbox"/> Subject to re-election
6	Tadatsugu Mori	Director Managing Executive Officer <input type="checkbox"/> Subject to re-election

Candidate No.	1	
Atsushi Suzuki		(Date of birth: April 5, 1956)
Subject to re-election	Number of company shares held by the candidate:	20,100
Brief history of positions and duties		
April 1980	Joined Hankyu Department Stores, Inc.	
October 2000	Executive Manager, SC Division, Hankyu Department Stores, Inc.	
April 2003	Representative Director and Senior Managing Executive Officer, Hankyu Shopping Center Development Co., Ltd.	
April 2006	Executive Officer, Hankyu Department Stores, Inc.	
October 2008	Executive Officer, Hankyu Hanshin Department Stores, Inc.	
April 2013	Director and Managing Executive Officer, Hankyu Hanshin Department Stores, Inc.	
March 2014	Director, H ₂ O RETAILING CORPORATION	
April 2014	President and Representative Director, H ₂ O RETAILING CORPORATION (present position)	
Reason that he is nominated as director candidate		
Mr. Atsushi Suzuki has profound experience and broad knowledge as management executive. At present, he as president plays a leading role in implementing the Company's group management strategy, and we have determined that he was appropriate for the sustainable improvement of the Group's corporate value. Therefore, he continues to be nominated as director candidate.		

Candidate No.	2	
Naoya Araki		(Date of birth: May 14, 1957)
Subject to re-election	Number of company shares held by the candidate:	10,800
Brief history of positions and duties		
April 1981	Joined Hankyu Department Stores, Inc.	
April 2003	General Manager, Suburban Store Development Office, Hankyu Department Stores, Inc.	
April 2004	Executive Officer, Hankyu Department Stores, Inc.	
October 2008	Executive Officer, Hankyu Hanshin Department Stores, Inc.	
June 2010	Director and Executive Officer, Hankyu Hanshin Department Stores, Inc.	
March 2012	President and Representative Director, Hankyu Hanshin Department Stores, Inc. (present position)	
June 2012	Representative Director, H ₂ O RETAILING CORPORATION (present position)	
June 2012	In charge of the Department Store Business, H ₂ O RETAILING CORPORATION (present position)	
Status of concurrent important positions held		
President and Representative Director, Hankyu Hanshin Department Stores, Inc.		
Reason that he is nominated as director candidate		
Mr. Naoya Araki is currently president, Hankyu Hanshin Department Stores, Inc. as core company of the Company Group, and we have determined that he was appropriate for the sustainable improvement of the Group's corporate value based on his abundant experience, track record, and insight. Therefore, he continues to be nominated as director candidate.		

Candidate No.	3	
Katsuhiko Hayashi (Date of birth: January 20, 1958)		
Subject to re-election	Number of company shares held by the candidate:	11,200
Brief history of positions and duties		
April 1982	Joined Hankyu Department Stores, Inc.	
April 2002	General Manager, Public Relations Office, Hankyu Department Stores, Inc.	
April 2005	General Manager, Compliance Office, Hankyu Department Stores, Inc.	
June 2009	Director and Executive Officer, H ₂ O RETAILING CORPORATION	
June 2009	Executive Officer, Hankyu Hanshin Department Stores, Inc.	
April 2012	Director and Executive Officer, Hankyu Hanshin Department Stores, Inc.	
April 2014	Director and Managing Executive Officer, H ₂ O RETAILING CORPORATION	
April 2014	Director and Managing Executive Officer, Hankyu Hanshin Department Stores, Inc.	
April 2015	Representative Director and Senior Managing Executive Officer, H ₂ O RETAILING CORPORATION	
April 2015	In charge of the General Affairs and Human Resources Office, and the Public Relations Office, H ₂ O RETAILING CORPORATION (present position)	
April 2015	Representative Director and Senior Managing Executive Officer, Hankyu Hanshin Department Stores, Inc. (present position)	
April 2017	Representative Director and Executive Vice President, H ₂ O RETAILING CORPORATION (present position)	
Status of concurrent important positions held		
Representative Director and Senior Managing Executive Officer, Hankyu Hanshin Department Stores, Inc.		
Reason that he is nominated as director candidate		
Mr. Katsuhiko Hayashi has achieved excellent results in business administration and has good capabilities and knowledge concerning planning and implementation of compliance matters, and we have determined that he was appropriate for the sustainable improvement of the Group's corporate value based on his abundant experience, track record, and insight. Therefore, he continues to be nominated as director candidate.		

Candidate No.	4	Outside Director	Independent Officer
Makoto Yagi (Date of birth: October 13, 1949)			
Subject to re-election	Number of company shares held by the candidate:	2,300	
Brief history of positions and duties			
April 1972	Joined The Kansai Electric Power Company, Inc.		
June 2005	Director, The Kansai Electric Power Company, Inc.		
June 2006	Managing Director, The Kansai Electric Power Company, Inc.		
June 2009	Vice President and Representative Director, The Kansai Electric Power Company, Inc.		
June 2010	President and Representative Director, The Kansai Electric Power Company, Inc.		
June 2015	Director, H ₂ O RETAILING CORPORATION (present position)		
June 2016	Chairman and Representative Director, The Kansai Electric Power Company, Inc. (present position)		
July 2017	Outside Director, Nippon Life Insurance Company (present position)		
Status of concurrent important positions held			
Chairman and Representative Director, The Kansai Electric Power Company, Inc. Outside Director, Nippon Life Insurance Company			
Reason that he is nominated as outside director candidate			
Mr. Makoto Yagi actively delivers opinions, recommendations, etc. at the board of directors, etc. from the viewpoint of the Company's outside director based on his profound experience and broad-based knowledge concerning business administration as chairman of The Kansai Electric Power Company, Inc. We have determined that he would be able to contribute to a rise in the Group's corporate value by utilizing his experience, etc. in the supervision of the Company Group's management. Therefore, he continues to be nominated as director (outside director) candidate. Meanwhile, we regard him as independent officer because he satisfies the requirements specified in the "the standards of independence of outside directors."			

Candidate No.	5	
Kazuo Sumi		(Date of birth: April 19, 1949)
Subject to re-election	Number of company shares held by the candidate:	22,200
Brief history of positions and duties		
April 1973	Joined Hankyu Corporation (currently Hankyu Hanshin Holdings, Inc.)	
June 2000	Director, Hankyu Corporation	
June 2002	Managing Director, Hankyu Corporation	
June 2003	President and Representative Director, Hankyu Corporation	
October 2007	Director, H ₂ O RETAILING CORPORATION (present position)	
June 2017	Chairman and Representative Director, Group CEO, Hankyu Hanshin Holdings, Inc. (present position)	
Status of concurrent important positions held		
Chairman and Representative Director, Group CEO, Hankyu Hanshin Holdings, Inc. Chairman and Representative Director, Hankyu Corporation Outside Director, ASICS Corporation		
Reason that he is nominated as director candidate		
Mr. Kazuo Sumi has profound experience as Chairman and Group CEO of Hankyu Hanshin Holdings, Inc., and currently delivers various opinions, recommendations, etc., from the viewpoint of management strategy of the Hankyu Hanshin Toho Group. Therefore, he continues to be nominated as director (non-executive director) candidate so that his capabilities, experience, etc. will be utilized in the management of the Company Group.		

Candidate No.	6	
Tadatsugu Mori		(Date of birth: September 22, 1963)
Subject to re-election	Number of company shares held by the candidate:	6,400
Brief history of positions and duties		
April 1987	Joined Hankyu Department Stores, Inc.	
April 2004	General Manager, Management Policy Office, Hankyu Department Stores, Inc.	
April 2006	Executive Officer, Hankyu Department Stores, Inc.	
June 2006	Director and Executive Officer, Hankyu Department Stores, Inc.	
October 2007	Director, Hankyu Department Stores, Inc.	
October 2007	Director and Executive Officer, H ₂ O RETAILING CORPORATION	
October 2007	General Manager, Management Planning Office, in charge of System Planning Office, H ₂ O RETAILING CORPORATION (present position)	
March 2012	Director and Managing Executive Officer, H ₂ O RETAILING CORPORATION (present position)	
June 2013	Executive Officer, Hankyu Hanshin Department Stores, Inc. (present position)	
April 2014	In charge of Finance Office, H ₂ O RETAILING CORPORATION (present position)	
Status of concurrent important positions held		
Executive Officer, Hankyu Hanshin Department Stores, Inc. Outside Director (Audit and Supervisory Committee Member), Umenohana Co., Ltd.		
Reason that he is nominated as director candidate		
Mr. Tadatsugu Mori has achieved excellent results in management planning division, etc. and has good capabilities and knowledge concerning group management strategy, and we have determined that he was appropriate for the sustainable improvement of the Group's corporate value based on his abundant experience, track record, and insight. Therefore, he continues to be nominated as director candidate.		

Notes:

1. Mr.Kazuo Sumi (a candidate to be a director) holds a concurrent position as the Representative Director and Chairman of Hankyu Corporation. The Company has real estate lease contracts with Hankyu Corporation.
2. The Company has no special interest with other candidates.
3. Matters related to candidates to be outside directors:
 - (1)The number of years of service after having assumed the position of the Company's outside director
The number of years of service after Mr. Makoto Yagi assumed the position of outside director until the conclusion of this Annual General Meeting of Shareholders is four years.
 - (2)Outline of the liability limiting agreement
The Company has concluded with Mr. Makoto Yagi an agreement which limits his liabilities as specified in paragraph 1 of Article 423 of the Companies Act to the amount specified in laws and regulations. If this Proposal No. 2 is approved and he is reelected, the agreement will be renewed.
4. On October 1, 2007, our trade name changed from Hankyu Department Stores, Inc. to H₂O RETAILING CORPORATION in line with the transition to a holding company structure (based on the management integration with The Hanshin Department Store, Ltd.). At the same time, a company split was conducted to have the Department Store Business succeeded to a newly established company (Hankyu Department Stores, Inc.).
On October 1, 2008, Hankyu Department Stores, Inc. acquired The Hanshin Department Store, Ltd. through an absorption-type merger, and the trade name changed to Hankyu Hanshin Department Stores, Inc.

Proposal No. 3: Payment of Bonuses to Directors

It is hereby proposed that in consideration of the business performance for the current period, conventional bonuses to directors and other circumstances, a bonus in the total amount of 37.15 million yen will be paid to five (5) directors at the end of the current period (Atsushi Suzuki, Naoya Araki, Katsuhiko Hayashi, Haruya Shijo, and Tadatsugu Mori), and that the amount paid to each director will be left to the discretion of the board of directors.

Reference Material

Matters common to Proposal No. 4 and Proposal No. 5

Review of the stock remuneration plan

In order to provide incentives to enhance short, medium-, and long-term performance, the remuneration of the Company's executive directors and executive officers ("executive directors") combine monthly basic salary with annual bonus that reflects the performance of the Company over the last fiscal and stock remuneration that is based to the Company's share price, and the remuneration of outside directors and directors who are Audit and Supervisory Committee Members ("non-executive directors") is monthly basic salary only. We are taking advantage of the formulation of a new mid-term plan that starts in FY2019 to review the stock remuneration plan and its recipients based on the following policies:

- The plan should contribute to the sustainable growth and to the enhancement of medium- and long-term corporate value of the Company's Group.
- The plan should motivate the directors and officers who execute operations to achieve the objectives of the mid-term management plan.
- The plan should help the Company secure human resources who are capable of carrying out the Group's mission and of achieving sustainable growth.
- The plan should facilitate shared awareness with shareholders as well as an outlook that gives weight to the shareholder.

<Overview of the stock remuneration plan>

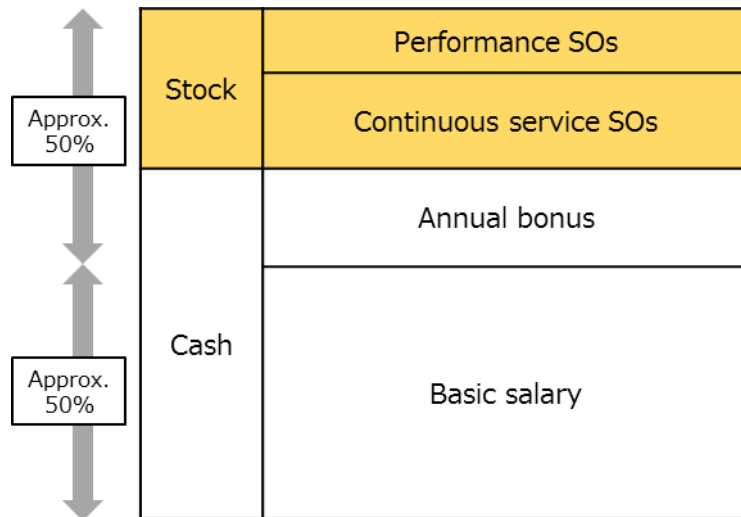
The Company will introduce two new types of stock remuneration: the continuous service-based stock options (continuous service SOs), which are granted according to positions and which can be exercised after retiring from office, only when the term of office is expired or another reason is recognized by the Company, and the performance-based stock options (performance SOs), of which number that can be exercised will be determined according to the level of achievement of the Company's performance targets. The specific nature of these stock options is described below. Following the introduction of this stock remuneration plan, we anticipate that the remuneration of the executive directors will consist of the following components: (1) monthly basic salary (approximately 50%) and (2) annual bonus, continuous service SOs, and performance SOs (approximately 50%).

Continuous service SOs: To grant the object persons the share options according their positions. The holder can exercise them only after retiring from office of all the positions as director or officer such as director of the Company and its subsidiaries (including the director who is a member of Audit and Supervisory Committee), company auditor, executive officers (when the term of office is expired or another reason is recognized by the Company).

Performance SOs: To grant the executive directors the share options, the number of

which can be exercised will be determined in the range of 0 ~100 % of the options granted, according to the level of achievement for the final year of the mid-term plan of the Company's indicators such as the management indicators shown in the plan or other targets set in advance by the Board of Directors (for example, consolidated sales, profit at each stage, ROE or ROIC).

<Overview of the components of executive remuneration (for executive directors)>



*The above figure has been simplified so as to depict executive remuneration in an easy-to-understand manner. The size of each segment is not intended to indicate the relative scale of each remuneration component.

<Eligibility>

Although current remuneration of non-executive directors is monthly basic salary only, we will introduce continuous service SOs as stock remuneration for non-executive directors as well in order to facilitate shared awareness with shareholders and an outlook that gives weight to the shareholders.

		Executive directors	Non-executive directors
Stock	Performance SOs	○	—
	Continuous service SOs	○	○
Cash	Annual bonus	○	—
	Basic salary	○	○

(Reference information)

If Proposal No. 4 and Proposal No. 5 are approved, besides the share options issued as stock remuneration for the directors of the Company approved in each proposal, we plan to issue, by the resolution of the board of directors under the provisions of the Companies Act, the share options as stock remuneration for executive officers who are not directors of the Company as well as directors, company auditors and executive officers of Hankyu Hanshin Department Stores, Inc, which is a subsidiary of the Company, in the same manner as we

issue them to the directors of the Company (company auditors are treated as same as directors who are members of the audit and supervisory committee).

Proposal No. 4: Revision of Remuneration Amounts with regard to Stock Options as Stock Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members)

The upper limit of the amount for stock options as stock remuneration for the Company's directors (excluding directors who are members of the audit and supervisory committee), as distinct from the limit for basic salaries, was set at ¥120 million per year at the 97th Annual General Meeting of Shareholders, which was held on June 22, 2016. Under the revamped executive remuneration plan, the upper limit will be set at ¥129 million per year (including ¥9 million for outside directors), as distinct from the limit for basic salaries, among which ¥93 million per year for continuous service SOs (including ¥9 million for outside directors) and ¥36 million per year for performance SOs.

In allocating share options as stock remuneration, we plan to grant remuneration credit of the same amount as one to be paid determined on the fair value to eligible directors. Instead of actual payment of the amount to be paid, the payment will be made by the offset between the remuneration credits and the payment obligation.

In the event Proposal No. 2 is approved as written, the Company will have six directors (excluding directors who are members of the audit and supervisory committee and including one outside director). Conditional on the approval of this proposal as written by the Annual General Meeting of Shareholders, stock option remuneration based on previous conditions governing the exercise of those options will be abandoned, although rights already granted will not be affected.

■ Continuous service-based stock options

The details of the share options granted as continuous service-based stock options to directors (excluding directors who are members of the audit and supervisory committee) is provided below.

(1) Total number of share options

The total number of share options issued during each business year shall not exceed 310.

(2) Type and number of shares for which share options are to be issued

One share option shall be issued for common shares which number is 100 ("number of shares granted"). However, in the event the number of shares granted needs to be adjusted, for example if the Company carries out merger, corporate split, share exchange, or share transfer, or if the Company carries out share split (including gratis allocation of shares) or consolidation of shares of the common stocks, the Company will make such adjustments as it deems necessary. The number of shares that may be granted due to exercise of share options issued during each business year shall not exceed 31,000, and in the event the number of shares granted is adjusted, the maximum number of shares that may be granted during each business year will be determined by multiplying the adjusted number of shares granted by the total number of share options listed in (1) above.

(3) Value of assets expended in order to exercise share options

The value of assets expended in order to exercise share options will be calculated by multiplying the number of shares granted by a pay-in amount of ¥1 per share to be granted through the exercise of each share option.

- (4) Period for exercise of share options
The period for exercise of share options shall be determined by the Board of Directors of the company and shall not exceed 30 years from the next day of the allocation of the share options.
- (5) Conditions governing the exercise of share options
The holder can exercise its share options, in the period stated in above (4), after retiring from office of all the positions such as director (including the director who is a member of Audit and Supervisory Committee), company auditor, executive officers of the Company and its subsidiaries (only when the term of office is expired or another reason is recognized by the Company). Other conditions governing the exercise of share options will be determined by the Company's Board of Directors.
- (6) Restriction on the acquisition of share options through transfers
Acquisitions of share options through transfers will require the approval of the Company's Board of Directors.
- (7) Other details of share options
Other details of share options will be determined by the Company's Board of Directors.

■ Performance-based stock options

The details of the share options granted as performance-based stock options to executive directors is provided below.

- (1) Total number of share options
The total number of share options issued during each business year shall not exceed 120.
- (2) Type and number of shares for which share options are to be issued
One share option shall be issued for common shares which number is 100 ("number of shares granted"). However, in the event the number of shares granted needs to be adjusted, for example if the Company carries out merger, corporate split, share exchange, or share transfer, or if the Company carries out share split (including gratis allocation of shares) or consolidation of shares of the common stocks, the Company will make such adjustments as it deems necessary. The number of shares that may be granted due to exercise of share options issued during each business year shall not exceed 12,000, and in the event the number of shares granted is adjusted, the maximum number of shares that may be granted during each business year will be determined by multiplying the adjusted number of shares granted by the total number of share options listed in (1) above.
- (3) Value of assets expended in order to exercise share options
The value of assets expended in order to exercise share options will be calculated by multiplying the number of shares granted by a pay-in amount of ¥1 per share to be granted through the exercise of each share option.
- (4) Period for exercise of share options
The period for exercise of share options shall be determined by the Board of Directors of the company and shall not exceed 30 years from the next day of the allocation of the share options.
- (5) Conditions governing the exercise of share options

The number of which can be exercised will be determined in the range of 0 ~100 % of the options granted, according to the level of achievement for the final year of the mid-term plan of the Company's indicators such as the management indicators shown in the plan or other targets set in advance by the Board of Directors. The holder can exercise its share options, in the period stated in above (4), after retiring from office of all the positions such as director (including the director who is a member of Audit and Supervisory Committee), company auditor, executive officers of the Company and its subsidiaries. Other conditions governing the exercise of share options will be determined by the Company's Board of Directors.

- (6) Restriction on the acquisition of share options through transfers
Acquisitions of share options through transfers will require the approval of the Company's Board of Directors.
- (7) Other details of share options
Other details of share options will be determined by the Company's Board of Directors.

Proposal No. 5: Setting of Remuneration Amounts with regard to Stock Options as Stock Remuneration for Directors who are Audit and Supervisory Committee Members

The upper limit of the amount of remuneration for the directors who are members of the audit and supervisory committee was set at ¥90 million per year at the 97th Annual General Meeting of Shareholders, which was held on June 22, 2016. Under the revamped executive remuneration plan, the upper limit of the amount of stock options as stock remuneration for directors who are members of the audit and supervisory committee will be set at ¥22.5 million per year, as distinct from the limit for the above remuneration.

In allocating share options as stock remuneration, we plan to grant remuneration credit of the same amount as one to be paid determined on the fair value to eligible directors. Instead of actual payment of the amount to be paid, the payment will be made by the offset between the remuneration credits and the payment obligation. The number of directors who are members of the audit and supervisory committee is 4.

■ Continuous service-based stock options

More information about share options granted as continuous service-based stock options to directors who are members of the audit and supervisory committee is provided below.

■ Continuous service-based stock options

The details of the share options granted as continuous service-based stock options to directors who are members of the audit and supervisory committee is provided below.

- (1) Total number of share options
The total number of share options issued during each business year shall not exceed 75.
- (2) Type and number of shares for which share options are to be issued
One share option shall be issued for common shares which number is 100 ("number of shares granted"). However, in the event the number of shares granted needs to be adjusted, for example if the Company carries out merger, corporate split, share exchange, or share transfer, or if the Company carries out share split (including gratis allocation of shares) or

consolidation of shares of the common stocks, the Company will make such adjustments as it deems necessary. The number of shares that may be granted due to exercise of share options issued during each business year shall not exceed 7,500, and in the event the number of shares granted is adjusted, the maximum number of shares that may be granted during each business year will be determined by multiplying the adjusted number of shares granted by the total number of share options listed in (1) above.

(3) Value of assets expended in order to exercise share options

The value of assets expended in order to exercise share options will be calculated by multiplying the number of shares granted by a pay-in amount of ¥1 per share to be granted through the exercise of each share option.

(4) Period for exercise of share options

The period for exercise of share options shall be determined by the Board of Directors of the company and shall not exceed 30 years from the next day of the allocation of the share options.

(5) Conditions governing the exercise of share options

The holder can exercise its share options, in the period stated in above (4), after retiring from office of all the positions such as director (including the director who is a member of Audit and Supervisory Committee), company auditor, executive officers of the Company and its subsidiaries (only when the term of office is expired or another reason is recognized by the Company). Other conditions governing the exercise of share options will be determined by the Company's Board of Directors.

(6) Restriction on the acquisition of share options through transfers

Acquisitions of share options through transfers will require the approval of the Company's Board of Directors.

(7) Other details of share options

Other details of share options will be determined by the Company's Board of Directors.