



THE EXPLANATION ON THE AGENDA OF ANNUAL GENERAL MEETING OF SHAREHOLDERS OF PT MATAHARI DEPARTMENT STORE Tbk

In relation to the Annual General Meeting of Shareholders (“**AGMS**”) plan of PT Matahari Department Store Tbk (the “**Company**”) which will be held at day/date Wednesday, 26 April 2017, the Company had announced via daily newspaper namely Investor Daily:

- The announcement of AGMS plan on 20 March 2017,
- The notice/invitation to attend AGMS on 04 April 2017.

Furthermore, with respect to Indonesia Financial Services Authority Regulation (“POJK”) Number 32/POJK.04/2014 juncto POJK Number 10/POJK.04/2017 on Plan and Implementation of the General Meeting of Shareholders of the Public Company and ASEAN Corporate Governance Scorecard issued by the ASEAN Capital Market Forum in relation to the rights of shareholders and the disclosure and transparency principles, the Company hereby submit the explanation on each AGMS agenda as follows:

Agenda 1

Report from the Board of Directors on the Company's operation and financial activites for the book year ended on 31 December 2016, as well as the approval for full release and discharge (acquit et de charge) to all members of the Board of Directors and the Board of Commissioners for the supervision and control during the year book.

1.1. Background

In compliance with Article 10 paragraph 4 point (a) and (b) and Article 10 paragraph 5 of the Company's Articles of Association, and the Law No.40 year 2007 regarding the Limited Liabilities Company (“Company Law”).

1.2 Explanation of Board of Directors and Board of Commissioners

Matahari continued to focus on strong execution and tight control of expenses in 2016. As a result, despite ongoing macroeconomic pressures that have kept the economy subdued, we delivered a healthy growth in sales and earnings. In addition, we took significant steps towards becoming an omni-channel retailer, as a key element of our platform for future growth.

Despite the challenging macro-economic environment in 2016, the Company posted a full year SSSG of 5.5%, in-line with the anticipated range of 5-6.5%. This in large part demonstrates the continued resilience of the middle income segment and the strength of the underlying business model.

On a more positive note, we exceeded our expansion targets, opening a total of nine new stores in 2016, instead of the six to eight originally anticipated a remarkable achievement given the operating conditions. We were particularly excited to open our new store in Kemang, in the center of Jakarta. This store, which showcases our most innovative fixtures and layout, has been very successful, and demonstrates the

potential for the Matahari brand to resonate with people from different demographics. As of December 2016, Matahari's network comprised 151 physical stores across the archipelago.

In anticipation of the emerging challenges in the retail sector, we began to lay the foundations for an important new strategic direction that we believe will reaffirm Matahari's position as Indonesia's preferred fashion retailer. Indonesia is undeniably moving to embrace e-commerce as more and more people gain access to high-speed internet and mobile devices.

Having made a successful exploratory move into online retail in 2015 with the purchase of a stake in MatahariMall.com, one of Indonesia's leading B2C e-commerce companies, we unveiled our omni-channel strategy last year. We believe that Matahari's unique advantages a nationwide presence, a powerful brand, local sourcing and a vast range of products that offer unrivalled value for money—offer tremendous opportunities in the e-commerce arena, particularly in the potential synergies between our 'brick-and-mortar' stores and an online operation. Our proposition has always been to offer customers an unparalleled choice of stylish products at great value; now we believe that we are in a position to deliver even greater value by offering Matahari customers the option of buying our merchandise in our stores, or online.

On the environmental front, after Having embarked on a project to progressively retrofit our existing stores with LED lighting in 2014 as well as installing LEDs in all new stores, the majority our outlets were using LEDs by the end of 2016. This has significantly reduced our energy consumption and costs as well as yielding important safety and aesthetic benefits. We have also maintained our strict policy, since 2011, of offering only biodegradable plastic shopping bags to customers.

On behalf of the Board, we would like to thank all our employees for their hard work and commitment to Matahari's vision. We'd also like to express my appreciation to the Board of Commissioners and the Board of Management, as well as to all our customers, suppliers and business partners, for their support. Exciting opportunities lie ahead for Matahari, and we are confident that together, we will continue to create value for the business and all our stakeholders.

2017 Business Plan

Our strategy going forward is to continue to deliver outstanding value to customers while leveraging the strengths and synergies offered by our online and physical store channels.

A key priority will be to strengthen our e-commerce presence through the continued development of MatahariStore.com. In the immediate future we will establish a small facility in Jakarta to fulfill online orders as an interim steps towards our ultimate aim of fulfilment from store, where our nationwide footprint will give us a significant advantage.

We will also maintain the principal strategic directions pursued in 2016, including our investment in managing and exploiting big data, and the ongoing expansion of our store network. We are targeting 6-8 new department store openings in 2017.

1.3 Supporting Data

The Company's Annual Report 2016 can be downloaded from the Company's website and has been available at the Company's Head Office since 04 April 2017. Annual Report 2016, which among others also includes the Financial Statements for the financial year 2016 and the Report of Supervisory Board of Commissioners, may be requested by the shareholders with a written request addressed to the Corporate Secretary of the Company by email to ir@matahari.co.id.

Agenda 2

The use of the Company's profit booked as at 31 December 2016.

2.1 Background

In compliance with the Article 10 paragraph 4 point (c) of the Company's Articles of Association and the Company Law, use of profits of the Company assigned if the Company has a balance of positive income from the recent passed book year and undistributed profits of the passed book years should be decided by the AGMS based on the Directors' proposal.

2.2 Explanation of Board of Directors and Board of Commissioners

The Company's dividend policy is as follow:

- Net income Rp 10 – 15 billion : Dividend ratio 10%
- Net income ≥ Rp 15 billion : Dividend ratio 15%

The Board of Directors' decision to recommend a dividend payment is based on several factors, including the amount of the Company's net profits, the availability of reserves, contractual restrictions, working capital requirements and capital expenditure requirements for the period concerned, and the Company's future prospects.

The objective of the Company's dividend policy is to establish a dividend rate that will, within the constraints of legal and regulatory requirements, provide the shareholders with a regular income stream, while allowing the Company to retain a substantial portion of its earnings for reinvestment in the business, largely through capital expenditure and repayment of debt.

The Company paid dividends for fiscal year 2015 amounting to Rp 1.25 trillion, or approximately 70% of the net profit, which were distributed as cash dividends on 2,917,918,080 shares, or Rp 427.30 per share.

The Company intends to maintain its final dividend at 70% of the net profit of fiscal year 2016, based on the recommendation of the Board of Directors and subject to the approval of the next AGMS.

2.3 Supporting Data

The profit disclosure of the Company can be accessed further at the Company's Annual Report 2016 which can be downloaded from the Company's website.

Agenda 3

The appointment of Public Accountant for the year book of 2017, and granting of authority to the Board of Directors and the Board of Commissioners, and determine the accountant's fee and terms of appointment.

3.1 Background

In compliance with Article 10 paragraph 4 point (d) of the Company's Articles of Association juncto Article 68 of the Company Law, the Board of Directors is obliged to submit the financial statements to the public accountant, which had been appointed by the AGMS for audit. OJK regulation (ex Bapepam-LK) No.VIII.A.2 regarding the Independence of the Accountant Providing Services in Capital Markets governs the procedures and requirements for the selection of Certified Public Accountants and limit the assignment period, to maximum 6 (six) consecutive years for a public accountant firm and maximum 3 (three) consecutive years for an accountant.

Furthermore, the Article 10 paragraph 4 point (d) of the Company's Articles of Association juncto Financial Services Authority's Regulation No. 10/POJK.04/2017 provides that the appointment of a public accountant can be delegate to the Board of Commissioners on behalf of the AGMS with the criterias determined by the Company, and also delegate the authority to the Board of Directors to set the remunerations and other terms of the appointment.

3.2 Explanation of Board of Directors and Board of Commissioners

Public Accountant Firm auditing the Company's financial statements for the book year 2016 was Public Accountant Tanudiredja, Wibisana, Rintis dan Rekan (PricewaterhouseCoopers global network member), which has changed its name from Public Accountant Tanudiredja, Wibisana, dan Rekan (PricewaterhouseCoopers global network member).

The Public Accountant Firm and its Accountant has been appointed for 2 (two) consecutive years.

Agenda 4

The change and/or the affirmation of the Board of Directors and the Board of Commissioners structure including Commissioner Independent, and determination of salaries/honorarium and/or other allowances to the Board of Directors and the Board of Commissioners.

4.1 Background

Pursuant to Article 3 POJK number 33/POJK.04/2014, Article 10 paragraph 4 point (e), Article 13 paragraph 3 and Article 16 paragraph 8 of the Company's Articles of Association, provides that the members of the Board of Directors and Board of Commissioners are appointed and dismissed by the AGMS. The appointment is effective from the date specified in the AGMS where he/she/they are appointed and ends at the conclusion of the 3rd AGMS after their appointment date.

In accordance with Article 10 paragraph 4 point (e), Article 13 paragraph 6 and Article 16 paragraph 11 of the Company's Articles of Association juncto Article 96 and Article 113 of the Company Law, the AGMS determine the salary and allowances and/or other income of the members of the Board of Directors and the salary or honorarium and other allowances of the member of the Board of Commissioners.

4.2 Explanation of Board of Directors and Board of Commissioners

In connection with the expiration of the term of office of the Board of Commissioners and Board of Directors in the fiscal year 2016, the Board of Commissioners has received the recommendation letter from the Nomination and Remuneration Committee dated 03 April 2017 concerning the proposed structure of the Board of Commissioners and the Board of Directors as follows:

Board of Commissioners:

President Commissioner - Independent	:	John Bellis
Commissioner - Independent	:	Jonathan Limpong Parapak
Commissioner - Independent	:	Herbert Stepic
Commissioner	:	Sigit Prasetya
Commissioner	:	Henry Jani Liando
Commissioner	:	William Travis Saucer
Commissioner	:	John Riady
Commissioner	:	Niel Byron Nielson
Commissioner	:	Johanes Jany

Board of Directors :

President Director	:	Bunjamin Jonatan Mailool
Vice President Director	:	Richard Thomas Gibson
Director - Independent	:	Andre Rumantir
Director	:	Eddy Harsono Handoko
Director	:	Christian Kurnia

In accordance with Article 10 paragraph 4 point (e), Article 13 paragraph 6 and Article 16 paragraph 11 of the Company's Articles of Association juncto Article 96 and Article 113 of the Company Law, the Company propose the remuneration including salary and/or honorarium and allowances or other remuneration for the members of Board of Commissioners with a basis of formulation based on performance oriented formula, market competitiveness, and alignment of the Company's financial capacity, and other things necessary with maximum collective amount of 0.2% (zero point two percent) of the Company's net sales.

The AGMS will also give authority to the Board of Commissioners to design, establish and enforce the remuneration system, including honorarium, allowances, salaries, bonuses and other remuneration to the members of the Board of Directors of the Company with a basis of formulation based on a performance oriented formula, market competitiveness, and alignment of the Company's financial capacity to meet them, as well as the other necessary things.

4.3 Supporting Data

The profile/curriculum vitae of the candidate of Board of Directors and Board of Commissioners can be downloaded from the Company's website since 04 April 2017, concurrently with the date of AGMS' Notice.

Jakarta, 04 April 2017
PT Matahari Department Store Tbk
Board of Directors