

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 Thursday, 26 May 2016, the Company had announced via daily newspaper namely Investor Daily:

- The announcement of AGMS plan on 19 April 2016,
- The notice/invitation to attend AGMS on 4 May 2016.

Furthermore, with respect to Indonesia Financial Services Authority Regulation Number 32/POJK.04/2014 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 activities for the book year ended on 31 December 2015, 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

Against a backdrop of macroeconomic volatility, the Company delivered record earnings growth in 2015, backed by the strength of its business model and the resilience of its target market, Indonesia’s middle-income consumers.

The Company had to contend with several challenging economic headwinds during the year. Under pressure from a slowdown in China, plunging commodity prices and the continued weakening of the Rupiah, Indonesia’s GDP growth slowed to 4.7% in 2015. However, although consumer confidence was severely dented and overall consumption weakened, the Company’s target middle income segment was the least impacted by the turmoil.

Having targeted 10% Same-Store Sales Growth (SSSG) at the start of the year, we soon had to factor in a slowing economy, particularly in commodity-driven areas like Kalimantan, and revise our targets down. Even in this adverse environment, however, we managed to drive improvements in store productivity, and closed the year with a 6.8% same store sales growth.

Throughout 2015, we opened 11 new stores, a strong result in a year that saw very little expansion in the department store sector in general. This brings our network to 142 stores, giving us 931,700 square meters of retail space, an increase of 9.1% compared to the end of the previous year. We were particularly pleased to be able to open two new stores in Jakarta, as well as extending our footprint to four new cities.

The new store openings and productivity increases delivered sales of Rp 16,020 billion, growing 10.8% from Rp 14,460 billion in 2014. SSSG was 6.8%.

As a retailer, our sustained growth is also dependent on the presence of a prosperous, healthy society. We are therefore committed to seeing the communities in which we work grow and prosper. We believe that our store operations benefit the communities they serve by creating jobs and contributing to local economies. In addition, with a predominantly local supplier base, we are directly supporting the growth of the country's SME sector, which is one of the country's key engines of growth.

Throughout the year we continued to partner with local non-profit organizations on a range of education, health, social welfare and disaster relief programs throughout the country. Many of our people are also actively engaged in community outreach and support organized by our local employees' associations, and we are proud to support these initiatives.

On the environmental front, we are actively reducing our carbon footprint by installing LED lighting in all our new stores. This energy-saving technology not only contributes to reducing our emissions and improving our cost profile but also gives us the flexibility to create a more dynamic ambiance in our stores. Over the last two years, as part of our store refurbishment program, we have been retrofitting the traditional lighting fixtures in our existing stores with energy efficient LED lighting. We expect to retrofit the remaining stores and the distribution center by the end of 2016 to further reduce energy consumption.

As we look forward to 2016, we would also like express the Board's deep appreciation to those that have helped to deliver another strong year for Matahari, to the Board of Commissioners for their guidance, to the Board of Management for their expertise and skilful execution of our strategy, to our employees for their dedication and enthusiasm, and to all our customers, suppliers and business partners for continuing to trust us. We look forward to earning your continued support.

Rencana Kerja Tahun 2016

Although we expect the current macroeconomic challenges to persist into the early part of the year, we view this volatility as temporary, and we anticipate some improvement in the second half of 2016. Our strategies will therefore continue to focus on expanding our store network and meeting the needs of our customers. Going into 2016, Matahari will continue to see benefits from strong tailwinds that will keep us on course for future growth. Firstly, the growth in the middle income segment in Indonesia, in terms of disposable income as well as numbers, is driving consumption growth. Secondly, the trend of increasing urbanization backed up by infrastructure development, particularly in the eastern part of the country, is opening up new market potential, as is the ongoing shift from traditional to modern retail channels.

Alongside these positive trends, we have put in place several initiatives to improve operational efficiency over the last two years and will continue to optimize our operations going forward. We therefore envisage continued improvement in the performance of our existing stores and we are looking forward to adding 6 to 8 new stores to our network in 2016. As a result, we believe that we have enhanced our resilience in the event of a further deterioration in the economy, and are strongly positioned to take advantage of opportunities when the economic upturn gets under way.

1.3 Supporting Data

The Company's Annual Report 2015 can be downloaded from the Company's website and has been available at the Company's Head Office since 26 April 2016. Annual Report 2015, which among others also includes the Financial Statements for the financial year 2015 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.

Agenda 2

The use of the Company's profit booked as at 31 December 2015.

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 \geq Rp 15 billion : Dividend ratio 15%

The decision of the Board of Directors to recommend a dividend payment is subject to a number of factors which include, among others, the Company's net profits, availability of reserves, contractual restrictions, working capital requirements and capital expenditure requirements for the applicable period and future prospects.

Within the constraints of legal and regulatory requirements, the Company intends to establish a dividend rate that will provide its shareholders with a regular income stream, while allowing the Company to retain a substantial portion of its earnings for reinvestment into its businesses, principally by way of capital expenditure and repayment of indebtedness.

The Company issued dividend payments for fiscal year 2014 amounting to Rp 851.4 billion, or approximately 60% of the Net Profit, to be distributed as cash dividend to 2,917,918,080 shares or Rp 291.8 per share. The Company intends to raise its final dividend to 70% of Net Profits of fiscal year 2015, subject to approval at the next Annual General Meeting of Shareholders, and based on a recommendation from the Board of Directors.

2.3 Supporting Data

The profit disclosure of the Company can be accessed further at the Company's Annual Report 2015 which can be downloaded from the Company's website.

Agenda 3

The appointment of Public Accountant for the year book of 2015, 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 provides that the appointment of a public accountant, its fees and terms of appointment shall be made by AGMS and the authority held by AGMS can be delegate to the Board of Commissioners and/or Board of Directors of the Company on behalf of the AGMS.

3.2 Explanation of Board of Directors and Board of Commissioners

Public Accountant Firm auditing the Company's financial statements for the book year 2015 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 1 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

The Board of Commissioners has received the recommendation letter from the Nomination and Remuneration Committee dated 28 April 2016 concerning the proposed candidates of the Board of Directors and the Board of Commissioners as follows:

- Johanes Jany as a Commissioner
- Eddy Harsono Handoko as a Director

Therefore, the Board of Commissioners will propose to the AGMS the appointment of Johanes Jany as a Commissioner of the Company and the appointment of Eddy Harsono Handoko as a Director of the Company. Thus the composition of the Company's Board of Directors and the Board of Commissioners will be as follows:

Board of Commissioners:

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

Board of Directors :

President Director	: Benjamin Jonatan Mailool
Vice President Director	: Larry Michael Remsen
Director	: Andy N. Purwohardono
Director	: Andre Rumantir
Director	: Eddy Harsono Handoko

Under the provisions of Article 13 paragraph 5 and Article 16 paragraph 10 of the Company's Articles of Association, the term of office of the Board of Directors and the Board of Commissioners appointed in this AGMS will expire simultaneously with the expiration of the term of office of the last Board of Directors and the Board of Commissioners appointed. Therefore, the term of office of the Board of Directors and the Board of Commissioners composition above will be expired at the AGMS in 2018.

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 May 2016, concurrently with the date of AGMS' Notice.

Jakarta, 04 May 2016
PT Matahari Department Store Tbk
Board of Directors