



三越伊勢丹ホールディングス



Isetan Mitsukoshi Holdings Ltd.

Annual Report 2017



MITSUKOSHI



ISETAN

Group slogan

Interfacing with Excellence

Group vision

To become the indispensable department store for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in the many different aspects of their lives. By doing so, we aim to become the world's foremost retail services group with high profitability and sustained growth.

At the Isetan Mitsukoshi Group, we identify customer needs through sales activities, reflect these needs in the future selection of goods and services we offer, and thereby continue to create new customer value. It is these activities that make our existence meaningful. We aim to satisfy and impress customers and be

essential for them by combining our selection of goods with our services including environment and spaces and by providing products and services with very high levels of quality and freshness. Moving forward, we will remain committed to deepening trust with customers through experiences at our points of contact with them.



**We will rebuild our
corporate infrastructure and
all of our stores toward a
new growth phase.**

Toshihiko Sugie
President and CEO



Changes to make for achieving the Group Vision

My name is Toshihiko Sugie. I was appointed president in April 2017. During my first three months as president, I spent a lot of time in discussions with employees. I did that because I was concerned that, while both Isetan and Mitsukoshi have long histories, internal discussions for moving to a new stage were insufficient. My discussions with the middle management at head office and stores, as well as with union members, have revealed a number of issues that had not surfaced before.

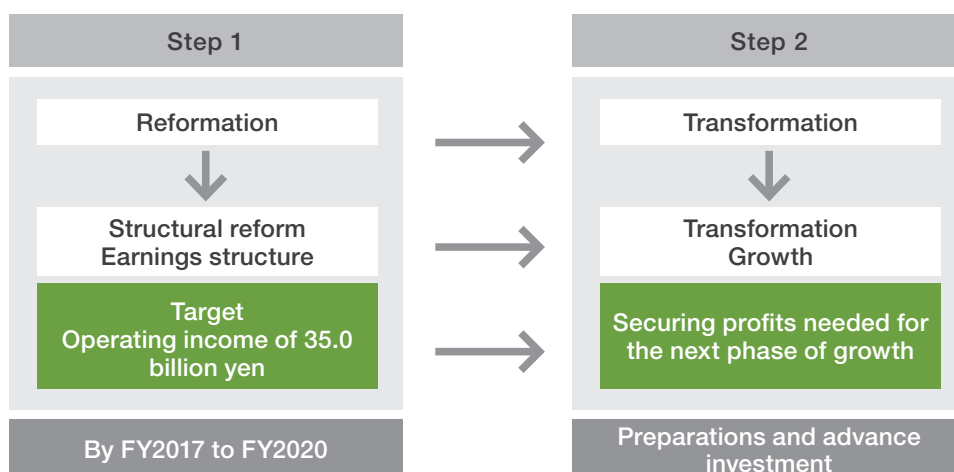
Regarding our future direction, the management team began discussions immediately after I took office. The most important task is to identify and dispose of underperforming businesses. We will do our best to complete this task within the current fiscal year. Concerning the Group Vision of “continually creating high quality, new lifestyles,” I believe we need to change the way we work on it. For example, the Group Vision also says “we aim to become the world’s foremost retail services group with high profitability and sustained growth” but indicators related to profits are not managed in detail on a shop-by-shop basis. We used to believe that we had only to work hard to satisfy customers and increase the sales of the overall store, making profits as a result of these efforts. I think we need to visualize these indicators to make the overall Group more profit-oriented and improve employee motivation.

Medium- and long-term direction Starting by rebuilding our corporate infrastructure

As a result of internal discussions of our next 3-year plan (FY2018 to FY2020), we have decided to work on reformation (the reinforcement of the earnings structure) and transformation (the transformation of the business structure). We will start by working on reformation, but we believe that laying the foundation also has high priority.

Our current management system has been operated by combining the best of Mitsukoshi’s and Isetan’s systems. Nine years after the integration, however, many parts of the system have fallen out of step with the times. For example, while profit indicators are shown on company-by-company and store-by-store bases, we have yet to develop systems for units below those. Therefore, we will create a system for visualizing the profits made by each business, each floor, each shop, and each event, and build an infrastructure that will permit a sufficient check and correction of each measure. I believe this will lead people in the frontlines to devise creative measures, making the overall Group profit-oriented. Regarding the personnel system, old elements derived from the job rank system, which existed at Isetan before the integration, has begun to be apparently problematic. We will correct them promptly.

Reformation and Transformation



During the period from the integration of the two companies in 2008 until FY2011, emphasis was placed on the development and integration of systems in the field and the promotion of structural reform rather than on development of infrastructure of management system. Since 2012, we have believed it important to review our foothold thoroughly because we are working under a new management system, while we could not work fully on the development of an infrastructure system, partly because we gave priority to initiatives on new businesses. Fortunately, recent years have seen remarkable technological innovations such as the cloud^{*1} and IoT^{*2}, allowing us to consider building a cutting-edge infrastructure system at a much lower cost than just a few years ago.

^{*1}: The cloud is known formally as cloud computing. It is a collective term for services that permit use of various resources via the internet, such as software, hardware, database, and servers.

^{*2}: IoT stands for Internet of Things. It is a collective term for new services and business models enabled by connecting various things via the internet or element technologies that enable the connection.

Rebuilding the department store business Remodeling stores one by one

I think that the department store as a retail format was a highly sophisticated business model that has survived since the Department Store Declaration by Mitsukoshi in 1904. However, it is no longer optimal for “continually creating high quality, new lifestyles” and suggesting them to customers. I think it is time to rethink the traditional, uniform style of department stores. All theories aside, our strength lies in the fact that we have stores in prime locations in major cities of Japan. Taking advantage of this strength, we will remodel our stores in more than 20 locations in Japan in such a way that each one of them will be suitable for customer needs, status of competition, and scale. Among the locations of our three flagship stores, the Shinjuku area features a high level of household income relative to other cities in the world and attracts a high level of information. We will take full advantage of this location to create a store that can offer the world’s greatest selection of goods and the world’s greatest fashion information. We will strive to make Mitsukoshi Nihombashi Main Store a new form of department store that is there for each and every customer and offers goods and events for a high-quality life with the best hospitality in Japan. Ginza attracts people from all over the world. Just visiting this town is a special event for them and many people shop there for the memories. We will aim to have the Mitsukoshi Ginza Store attract such people as the flagship store of Ginza. Regarding our regional stores, we will operate Iwataya, our primary store in Kyushu, under a concept similar to that of Isetan Shinjuku Main Store. On the other hand, Hiroshima and Matsuyama have major department stores. Therefore, we will not compete directly with such

stores but pursue a strategy of targeting the niche market. We will identify the needs of local customers and take measures such as placing the food department on the first floor and reducing the number of brands on the cosmetics floor to widen the space for customer service. We will thus take different measures for different stores, trying again to increase net sales.

Focusing on flagship stores, real estate redevelopment, digital transformation, and overseas business as growth fields

We will work on reforming our business structure and recovering earnings strength, and will then transform our business structure by focusing on fields where we can take advantage of the strength of our management resources toward growth. The Isetan Mitsukoshi Group owns excellent properties all over Japan and earns rent of more than 6 billion yen every year. We would like to make more efficient use of these properties by negotiating with local companies and governments to expand our real estate business as a growth business. The card business produces an annual profit of approximately 5 billion yen. I believe that both our company and the market still have great growth potential. Moving forward, we will also issue proper cards and focus our efforts on cash advances and revolving payment as well. In October 2016, we launched a co-branded credit card with Nomura Real Estate Development, which was the first card of this kind between a real estate company and a department store. We believe that Isetan Mitsukoshi has high affinity with customers of real estate companies, luxury car manufacturers, insurance companies, and others. We therefore plan to launch more co-branded cards with companies from other industries. Our e-commerce business, which we have been operating with a focus on sales of goods from our department stores, has yet to produce adequate results. We will rebuild its platform to benefit from the market growth. We will plan unique services based on our strengths by cooperating more closely with our business partners. One example is to deliver bottles of wine by unpacking them instead of delivering cardboard boxes containing the bottles.

Giving priority to pushing through the structural reform and then investing in the strengthening of flagship stores and others

In the current and next terms, we will first make investment related to structural reform, such as

consolidation of underperforming businesses, taking a thorough approach. We will do our best to complete such investments within the current fiscal year, without setting a budget, and then begin to shift to investment in growth. We will make growth investments intensively because, as I mentioned above, our flagship stores are believed to have excellent growth potential. Among them, for Mitsukoshi Nihombashi Main Store, we will make major investments in the salon for executives and other measures in FY2018. We will also remodel our regional stores one by one. In this process, we will of course compare our sales increase plan and cost reduction plan and scrutinize profitability.

Reviewing KPIs towards the new growth phase

When we were aiming to achieve 50 billion yen in consolidated operating income, we assumed cash flows from operating activities at approximately 70 billion yen. We were assuming that this amount was large enough for us to maintain our stores, make growth investments, and continue to repay debt and purchase own shares. This assumed amount remains unchanged at present. Regarding long-term key performance indicators (KPI), we are studying those related to cash flow or earnings before interest, taxes, depreciation and amortization (EBITDA) and net income, which is also an element of return on equity (ROE), instead of operating income. Separate from this, we would like to set indicators related to cost reduction, such as the SG&A ratio, which is an issue for us, as KPIs for the coming few years. Improving ROE is another issue. We must increase ROE to move out of the current situation in which our price book-value ratio (PBR) is below 1.0. However, we don't think purchasing a large number of our own shares by increasing borrowings, just to increase ROE, is a fundamental solution. We will aim to improve ROE only by improving profitability.

Confident in our governance system Taking further initiatives to improve transparency

Our new management team was set up after the General Meeting of Shareholders in June. To explain the roles of the two representative directors, I am responsible for the business performance and overall management while our chairman Mr. Akamatsu is mainly in charge of governance and external affairs. The renewal of the management system was realized only because the check function of our Board of Directors is working effectively. I am proud that our



corporate governance system is among the best in Japan. To strengthen this system further, we are planning to evolve our business administration system and improve the transparency of our decision-making process further in the coming year or so, by making full use of the Risk Management Office that we established several years ago.

Aiming to improve corporate value while maintaining stable returns to shareholders

Our basic approach to shareholder returns is to maintain stable dividends. Concerning dividends, we would like to avoid year-on-year fluctuations that might be caused by fluctuations in net profit. We forecast a year-on-year decline in profit for FY2017 but we are planning to pay a cash dividend per share of 12 yen, which is equivalent in amount to the cash dividend for the previous fiscal year. We would like to maintain the dividend even if net income declines further, reflecting expenses for structural reform and other factors. We would aim to conduct consistent share repurchases. We position the period until FY2020 as a time for strengthening our earnings structure. In the next step, we will make investments that are necessary for transformation and growth with the aim of maximizing profit. Under the new management team, we will review the raison d'être and strengths of the Isetan Mitsukoshi Group once again, and fully harness our management resources to improve our corporate value. I respectfully ask our shareholders and other stakeholders for their continued support.

Future direction of the Group under the new system

In the next 3-year period, we will focus on reinforcing the earnings structure and transforming the business structure as our strategy.

Reinforcement of the earnings structure and transformation of the business structure

We will recover our earnings strength by working on reforming our business structure. Then, to achieve growth, we will implement business structure transformation by focusing on the following measures for which we can take advantage of the strength of our management resources.

1. Revitalization of flagship stores
2. Real estate redevelopment
3. Digital transformation
4. Overseas business



Future directions

We will implement structural reform promptly.

We will first implement reformation through structural reform. We will recover the record high consolidated operating income of 35.0 billion yen by FY2020.

Reformation Strengthening earnings structure

Reform of underperforming businesses

Reform of cost structure

Staff policy

Handling risks in advance

Recovering and increasing earnings strength

Transforming business structure toward growth

In the next step, we will proceed with preparations and advance investment toward transformation aimed at growth. We will thus secure profits that are needed for the next phase of growth.

Transformation Business structure transformation

Revitalization of flagship stores

Real estate redevelopment

Digital transformation

Overseas business

Growth



Reformation

Reform of underperforming businesses

- With regard to branches, we announced the closure of Isetan Matsudo Store. Moving forward, we will formulate a specific plan for each of our stores.
- Concerning overseas stores, we will continue to implement cost reduction measures including rent negotiations.
- For related business, we will continue to make specific decisions on structural reform, such as the liquidation of mammina, the reconstruction of Isetan Mitsukoshi Food Service using funds and other resources, and the closure and liquidation of T's Trading.

1. Branches and regional stores

2. Small- and medium-sized stores

3. Overseas stores

4. Affiliates

Cost reductions

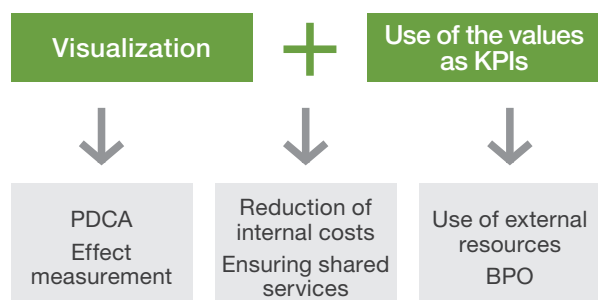
Resizing

Transformation of retail formats

Withdrawal

Reform of cost structure

We will visualize the income and expenditure on floor-by-floor, event-by-event, and project-by-project bases, which we were unable to do previously. We will use the values as performance indicators, thereby proceeding with efficiency improvement, such as strengthening measures for implementing the PDCA cycle and reducing internal costs.



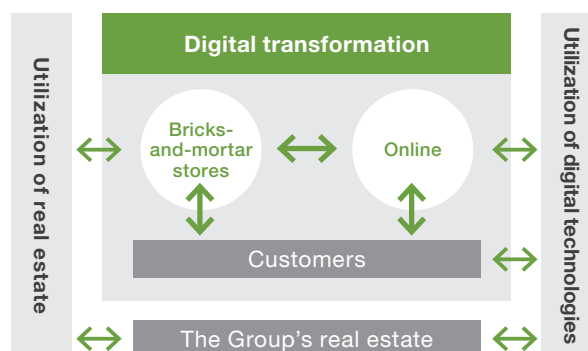
Transformation

Achieving customer satisfaction by integrating department stores, digital technologies, and real estate

We will strive to maximize the profit of the overall Group by combining department stores, digital technologies, and real estate on a brand-by-brand or store-by-store basis, thereby focusing further on retailing, and transform our business model into one that makes effective use of our real estate assets in prime locations that we own.

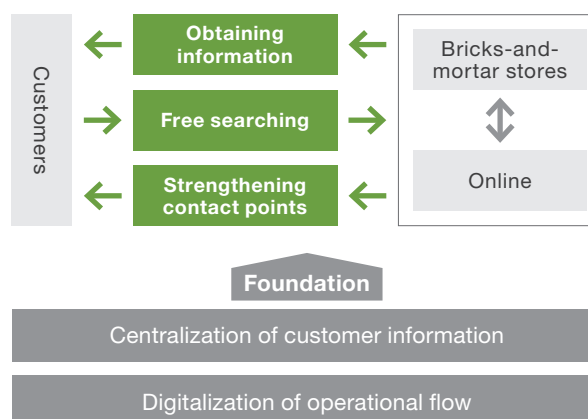
We will also promote the integration of bricks-and-mortar stores with digital technologies and strive to improve customer satisfaction with ICT for more pleasant shopping experiences at bricks-and-mortar stores and attractive unique services.

The Isetan Mitsukoshi Group's Vision



Digital transformation

We will integrate our bricks-and-mortar stores with online stores by centralizing customer information and digitalizing our operational flows. This will enable customers to obtain information both at bricks-and-mortar stores and online and search digital information any time without restrictions. At the same time, we will build high-touch customer contact points as a strength of department stores.



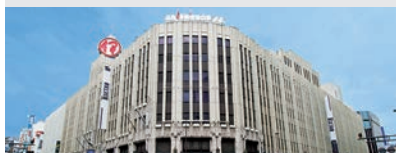
Card business

We have been focusing on the acquisition of customers at department stores, with special offers at storefronts provided as incentives, in our efforts to increase sales in stores. Hereafter, we will aim to improve the profitability of the card business itself by promoting measures including the expansion of the membership size through the proactive issuance of co-branded cards and proper cards and the enhancement of financial services such as revolving and installment payments, instead of aiming to increase sales at stores.



Revitalization of flagship stores

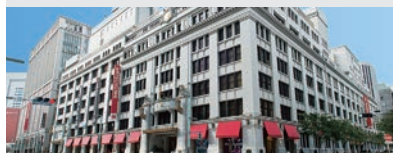
Isetan Shinjuku Main Store



**Providing something new every day
as a fashion museum**

We regard overall daily life as fashion, and suggest fashions that satisfy the minds of customers. We will respond to changes sensitively and remain half a step ahead in implementing initiatives for customers.

Mitsukoshi Nihombashi Main Store



**Specialty store that offers the best
hospitality in Japan**

We will strive to make Mitsukoshi Nihombashi Main Store a new form of department store that is there for each and every customer and offers goods and events for high quality life with the best hospitality in Japan. We will first remodel the first floor of the main building and the first floor of the annex building toward the autumn of 2018.

Mitsukoshi Ginza Store



**Creating high quality daily life as the
landmark of Ginza**

For ladies and gentlemen who come to Ginza in pursuit of high quality daily life, this store proposes elegant, sophisticated lifestyles with a selection of goods that are genuine and highly distinctive while also being innovative.

Real estate redevelopment

In April 2017, we established the Real Estate Development Headquarters for the purpose of increasing profit through the effective utilization of our flagship stores in Tokyo, stores all over Japan, and our real estate assets surrounding the stores, and the operation of commercial real estate carried out by utilizing our expertise in tenant leasing. We will study the strengthening and expansion of our real estate business.

Above all, at Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store, we will work earnestly on urban development by making effective use of our properties in the surrounding area, in addition to our existing initiative for increasing the attractiveness of department stores. We will thereby promote the planning of business models that will enable the stores to grow together with the local communities.

The Group's real estate

Area around
the East Exit of
Shinjuku Station

Area around
Nihombashi

Others

FY2017 and onward

Operation of commercial facilities

Kokubunji

Yokohama

Others

Trials & verification

Overseas initiatives

Overseas, we will work on the joint real estate development of dwellings for sale and commercial facilities in the Philippines, which is expected to achieve high growth, by working together with Nomura Real Estate Development Co., Ltd. and Federal Land Incorporated. This project combines the development of four condominium towers and commercial facilities on their lower level floors. It is the first joint project in the Philippines that involves a Japanese developer and a Japanese retail company.

Schedule

- 2018: Start of construction
- 2020: Opening of the commercial facilities
- 2025: Completion of the project (four condominium towers)



Value Creation and Outcome

Based on global issues and requests from our stakeholders, we will create social and economic values through activities based on strategies that make maximum use of our strengths, with the department store business positioned at the core.

Social issues and needs

Acceleration of decline in birthrate and aging of the population

Decreased communication

Inheriting the good traditional culture of Japan

Customer needs

Highly safe, secure products and services

Diversification of purchase needs, values, and channels

Business activities

Group Vision

To become the indispensable department store for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in the many different aspects of their lives.

By doing so, we aim to become the world's foremost retail services group with high profitability and sustained growth.

Strategy

Making them loyal customers



Outcome

Unique points

Relationships with customers

Stores

As department stores



Providing places for solving social issues and satisfying customer needs

Expansion all over Japan



Operating approx.

190 stores

25 department stores in Japan*
*Including JR Kyoto Isetan

138 small and midsize stores
31 overseas department stores
*Including 13 stores of SHIN KONG
MITSUKOSHI DEPARTMENT STORE
CO., LTD., an equity method affiliate

Ability to attract customers

Annual customer traffic

more than **200** million
(Total for the Group)

Business partners

Approx.

23,000 companies

MI CARD



Membership Approx. 2.7 million accounts

Card utilization rate 82.7%

(Many customers with high rate of utilization)

Ratio of sales to sales at department stores 57.0%

External transaction volume ¥445.0 billion

(Share of external transaction volume: 41.3%)

Social value

Proposing new products and values/ arrangement

Unique products (NUMBER TWENTY-ONE*1),
Shop arranged on our own (ReStyle*2)

Rediscovery and succession of good old culture of Japan

JAPAN SENSES, cultural exhibitions

Providing a safe, secure, comfortable environment for shopping

Revitalizing areas and towns where our stores are located

Events we hold by cooperating with local communities

Economic value

Profits and cash generated from business activities

Good investments for the continued growth of the company
¥34.2
billion

FY2016

Optimal shareholder returns reflecting the situation
¥7.6
billion

(Dividend: ¥4.6 billion/
Purchase of own shares: ¥3.0 billion)
FY2016

Profits and cash newly generated from business activities

*1: A brand of women's shoes designed by reflecting customers' voices and offered in collaboration with a shoe factory in Asakusa

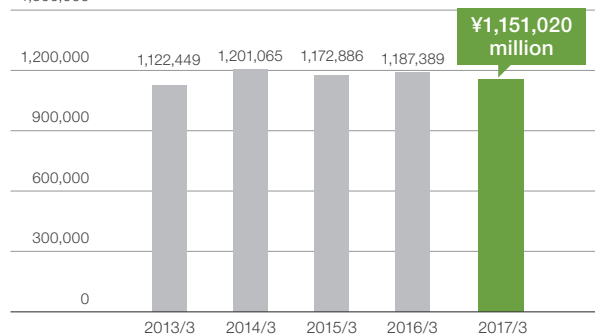
*2: A shop arranged on our own to suggest styles to sophisticated adult women

Department Store Business

To make our department stores what they should be as department stores, we have been striving to improve customer satisfaction through measures such as promoting the development of highly unique or profitable products and running highly creative campaigns. At the same time, we have been increasing customer contacts by strengthening our e-commerce business and opening small and midsize stores. However, our overall department store business faced severe circumstances on the whole, due in part to the slow sales of our mainstay clothing products and high-end products such as jewelry goods and watches as well as the downward trend in purchase unit prices.

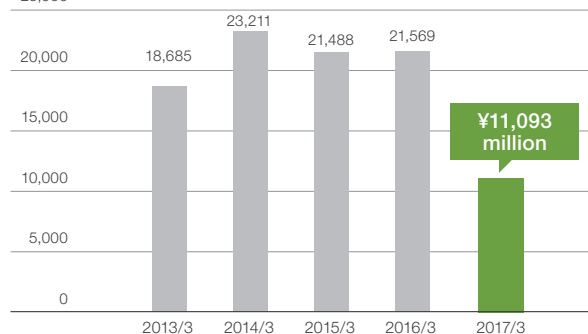
Net sales

(Millions of yen)



Operating income

(Millions of yen)



Businesses

•Department stores in the Tokyo Metropolitan area

- Increased products created by applying traditional techniques or reflecting the sensibility of creators
- Expanded the trade of women's shoes of the NUMBER TWENTY-ONE brand in Japan and to other countries
- Nationwide expansion of the "JAPAN SENSES" campaign, under which we reaffirm the value emanating from Japan's traditions, culture, and sense of beauty and offer new value

•Regional department stores

- Improved customer satisfaction by remodeling the stores
Nagoya Mitsukoshi Sakae Store: Expansion of watch and jewelry department/ Making progress in the building of the Sakae Fashion Mall

•E-commerce business

- Ran a project featuring collaboration between department stores and online stor
- Opened the NOREN NOREN ISETAN MITSUKOSHI, an online luxury goods store
- Opened a store at Tmall Global, a cross-border e-commerce site operated by the Alibaba Group

•Small and midsize stores

- Proposed high-quality products and lifestyles to consumers in the surrounding area
- Opened the ISETAN CENTRAIR STORE in Central Japan International Airport
- Opened atre Ebisu Store and LUMINE Ogikubo Store of ISETAN MIRROR Make & Cosmetics

•Overseas department stores

- Opened specialty stores, which present outstanding products and culture of Japan, in Paris and Kuala Lumpur
- Imposed stringent cost controls through structural reform

Key points of financial results

1

Net sales:
¥1,151.0 billion
(Down 3.1% year on year)

2

Operating income:
¥11.0 billion
(Down 48.6% year on year)

3

Asset value:
¥1,093.9 billion
(Up 0.1% year on year)

Paths to value creation

- Maximizing the profit of flagship stores through comprehensive measures for increasing their earnings strength and clarifying the direction of each store
- Rebuilding business models individually and reducing cost comprehensively based on the location, competition, and environment of each branch, regional store, and overseas store
- Changing the business models of small and midsize stores and overseas stores to highly profitable models, while consolidating underperforming stores
- Changing events and contents into a business that complements the department store business (Concentrating on restaurants, travel, and beauty care)

Growth factors

- Reputation of Isetan as a department store that is strong in fashion
- Advantageous locations of the flagship stores
- Ability to develop products, an example of which is NUMBER TWENTY-ONE
- The established earnings model of ISETAN MIRROR small and midsize stores
- Increase in customers from all over the world due to the 2020 Summer Olympics in Tokyo

Risk factors

- Deterioration of economic conditions, including economic trends and consumer spending, in Japan and overseas (consumption tax hike, decline in share prices)
- Shrinking of the domestic market due to population decline
- Emergence of new competitors such as e-commerce operators
- Geopolitical risk

Social contribution through business activities

Passing down Japan's excellent tradition, culture, and sense of beauty JAPAN SENSES

In FY2011, the Isetan Mitsukoshi Group began to run a campaign called JAPAN SENSES, under which we introduce initiatives that encourage people to reaffirm what Japan can present to the world as new values. As the initiative under JAPAN SENSES for March 2017, we held events at 12 Group stores including Isetan Shinjuku Main Store, Mitsukoshi Nihombashi Main Store, and Mitsukoshi Ginza Store. In these events, which were launched on March 29, we introduced valuable elements of Japan by highlighting Kyushu. At Isetan Shinjuku Main Store, we held an event named STAND Kyushu by collaborating with BEAMS Co., Ltd. Held under the theme of "Supporting Local Youth," this event included collaborative projects with next-generation designers, creators, craftspeople, and other young people working hard in Kyushu. We thus suggested new values, which were received well. As an initiative for regional development, we also introduced Oshima Tsumugi, one of the best known Japanese traditional crafts, using a highly fashionable approach through the filter of Isetan Mitsukoshi, thereby introducing attractive new aspects of Oshima Tsumugi to customers.

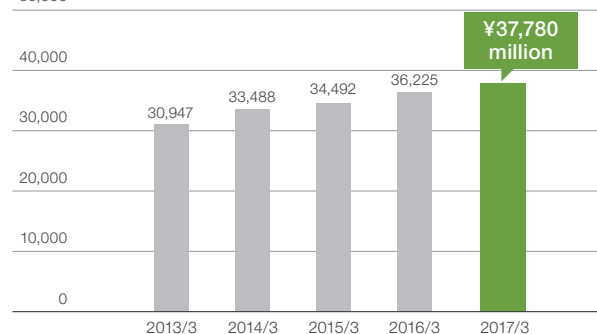


Credit, Finance, and Fellowship Businesses

In April 2016, MI CARD Co., Ltd. began to provide members with bonus points instead of discounts as benefits for purchases at department stores. It has thus strengthened partnerships with other companies and facilitated shopping at multiple stores of the Isetan Mitsukoshi Group. At the same time, the company has been striving to improve the operating structure in an effort to build a highly profitable management base. This has led to an increase in fees from external affiliated stores and orders for marketing business. However, fees from department stores were down from the previous fiscal year's level due to the decline in sales of department stores.

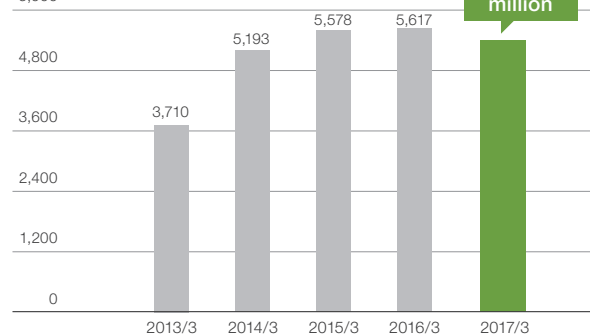
Net sales

(Millions of yen)
50,000



Operating income

(Millions of yen)
6,000



Key points of financial results

- 1 Net sales: ¥37.7 billion**
(Up 4.3% year on year)
- 2 Operating income: ¥5.3 billion**
(Down 4.2% year on year)
- 3 Shopping transaction volume: Approx. ¥1,070.0 billion**
 - Volume of transactions at department stores: ¥630.0 billion
 - Volume of transactions at external affiliated stores: ¥440.0 billion
- 4 Asset value: ¥230.3 billion**
(Up 0.5% year on year)

Growth factors

- Expansion of use of bonus points (depositing and spending them) all over the Group
- Enhanced alliance with external companies in bonus points
- Enhanced services for card members with various types of cards offered to them
- Increased use of the card at stores affiliated with VISA or AMEX brand

Risk factors

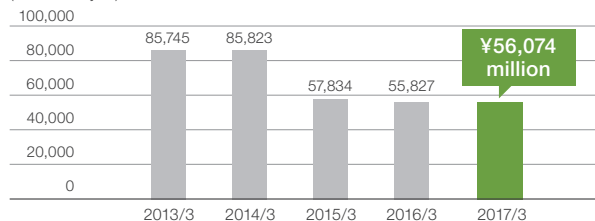
- Reduction in revenues from fees attributed to the slump in sales of department stores
- Reduction in external use of the card attributable to the deteriorated economic environment



Other Retail & Specialty Store Business

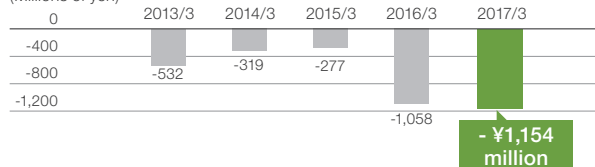
Net sales

(Millions of yen)



Operating income

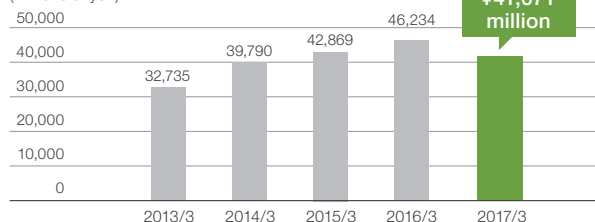
(Millions of yen)



Real Estate Business

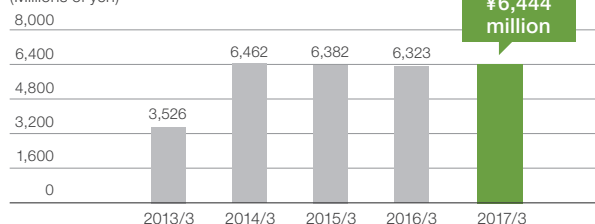
Net sales

(Millions of yen)



Operating income

(Millions of yen)



Isetan Mitsukoshi Food Service, Ltd. took measures including supply chain management and infrastructure investment in the new POS system at Queen's Isetan, as well as the temporary closure of stores for remodeling and initial investments for the remodeling. Last year, three stores in Sengawa, Shinagawa, and Motoyawata were reopened after remodeling. We aim to make these stores places for proposing new lifestyles based on food to customers who are interested in food.

Operating income increased at MAMMINA Co., Ltd. and Isetan Mitsukoshi Direct Shopping Ltd. but operating income of the overall segment declined.

Growth factors

- Further increase in number of customers resulting from remodeling of existing stores and opening of new stores
- Increase in number of customers shopping at multiples stores within the Group thanks to MI points
- Differentiation from competitors with unique products

Risk factors

- Slowdown in consumer spending attributed to the delay in economic recovery
- Competition with other companies highlighting low prices

To secure stable profit, we have been encouraging commercial use of real estate owned by the Group. In addition, Isetan Mitsukoshi Property Design Ltd. participated proactively in projects for the Olympics, including hotel development and designing of commercial facilities. In November 2016, the company opened the ALTA THEATER in the building that was formerly used by STUDIO ALTA. Isetan Mitsukoshi Real Estate Co., Ltd. sought to expand its rental business, and at the same time, promoted joint real estate sales with Nomura Real Estate Development Co., Ltd., its capital and business alliance partner.

Growth factors

- Efficient use of real estate properties with a focus on those in Shinjuku and Nihombashi areas
- Increase of the Group's earnings attributable to an increase in the number visitors to the towns after the redevelopment

Risk factors

- Consensus with local residents through negotiations
- Hike in the redevelopment cost



Directors

1 Chairman and Representative Director **Ken Akamatsu** Born September 5, 1952

Jun. 1975 Joined Mitsukoshi, Limited

Apr. 2013 Director, Managing Executive Officer, and General Manager of Administration Headquarters, Isetan Mitsukoshi Holdings Ltd.
Director, Managing Executive Officer, and General Manager of Administration Headquarters, Isetan Mitsukoshi Ltd.

Jun. 2016 Vice Chairman, Shin Kong Mitsukoshi Department Store Co., Ltd. (present post)

May 2017 Consultant, Isetan Mitsukoshi Holdings Ltd.
Chairman, Japan Department Stores Association (present post)

Jun. 2017 Chairman and Representative Director, Isetan Mitsukoshi Holdings Ltd. (present post)
Chairman and Representative Director, Isetan Mitsukoshi Ltd. (present post)

4 Director, Managing Executive Officer, and General Manager of Administration Headquarters **Hideharu Wada** Born January 4, 1956

Jun. 1978 Joined Mitsukoshi, Limited

Apr. 2016 Managing Executive Officer and General Manager of Administration Headquarters and Administration of Property Division, Isetan Mitsukoshi Holdings Ltd.
Director, Managing Executive Officer, and General Manager of Administration Headquarters, Isetan Mitsukoshi Ltd. (present post)

Jun. 2016 Director, Managing Executive Officer, and General Manager of Administration Headquarters and Administration of Property Division, Isetan Mitsukoshi Holdings Ltd.

Apr. 2017 Director, Managing Executive Officer, and General Manager of Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. (present post)

2 President and CEO **Toshihiko Sugie** Born February 15, 1961

Apr. 1983 Joined Isetan Co., Ltd.

Jun. 2012 Director, Managing Executive Officer, and General Manager of Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.

Apr. 2013 Director, Managing Executive Officer, and General Manager of Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.

Apr. 2016 Director, Senior Managing Executive Officer, and General Manager of Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.
Director, Senior Managing Executive Officer, and General Manager of Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.

Apr. 2017 President and CEO, Isetan Mitsukoshi Holdings Ltd. (present post)
President and CEO, Isetan Mitsukoshi Ltd. (present post)

5 Director, Managing Executive Officer, and General Manager of Strategic Planning Headquarters **Toshinori Shirai** Born January 28, 1959

Apr. 1982 Joined Isetan Co., Ltd.

Jun. 2012 Director, Managing Executive Officer, and General Manager of Corporate Planning Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.

Apr. 2016 Managing Executive Officer and General Manager of Planning and Development Promotion Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.

Apr. 2017 Managing Executive Officer and General Manager of Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.
Director, Isetan Mitsukoshi Ltd. (present post)

Jun. 2017 Director, Managing Executive Officer, and General Manager of Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. (present post)

3 Director **Toru Takeuchi** Born May 21, 1960

Apr. 1983 Joined Isetan Co., Ltd.

Apr. 2013 Managing Executive Officer, Isetan Mitsukoshi Holdings Ltd.
President and CEO, Sapporo Marui Mitsukoshi Ltd.

Apr. 2016 Managing Executive Officer and General Manager of Group Human Resources Headquarters, Isetan Mitsukoshi Holdings Ltd.
Managing Executive Officer and General Manager of Group Human Resources Headquarters, Isetan Mitsukoshi Ltd.

Apr. 2017 Director, Senior Managing Executive Officer, and General Manager of Department Store Business Planning & Operation Headquarters and Merchandising Headquarters, Isetan Mitsukoshi Ltd. (present post)

Jun. 2017 Director, Isetan Mitsukoshi Holdings Ltd. (present post)



Outside Directors

6 Shohei Utsuda Independent Officer

Born February 12, 1943

Apr. 1967 Joined Mitsui & Co., Ltd.
 Jun. 2007 Outside Director, Tokyo Broadcasting System Holdings, Inc. (present post)
 Apr. 2009 Chairman and Representative Director, Mitsui & Co., Ltd. Director, Tokyo Broadcasting System Television, Inc. (present post)
 May 2009 Chairman, the Japan-Vietnam Association (present post)
 Jun. 2013 Outsider Director, Isetan Mitsukoshi Holdings Ltd. (present post)
 Nov. 2013 Outside Director, Cool Japan Fund Inc.
 Jun. 2014 Outside Director, Nomura Research Institute, Ltd. (present post)
 Jun. 2015 Outside Director, Tokyo Electric Power Company Holdings, Inc. Counselor, Mitsui & Co., Ltd. (present post)

7 Yoshinori Ida Independent Officer

Born May 18, 1943

Apr. 1966 Joined Isuzu Motors Limited
 Dec. 2000 President, Representative Director, and COO, Isuzu Motors Limited
 Jun. 2007 Chairman and Representative Director, Isuzu Motors Limited
 Jun. 2012 Special Advisor, Isuzu Motors Limited (present post)
 Jun. 2013 Outsider Director, Isetan Mitsukoshi Holdings Ltd. (present post)

8 Katsunori Nagayasu

Born April 6, 1947

May 1970 Joined the Mitsubishi Bank, Ltd.
 Apr. 2010 Director and President, Mitsubishi UFJ Financial Group, Inc.
 Apr. 2012 Director, Chairman of the Audit & Supervisory Committee, the Bank of Tokyo-Mitsubishi UFJ, Ltd.
 Jun. 2013 Outside Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation (present post)
 Jun. 2014 Outsider Director, Isetan Mitsukoshi Holdings Ltd. (present post)
 Outside Audit & Supervisory Board Member at Mitsubishi Motors Corporation (present post)
 Mar. 2016 Outside Director, Kirin Holdings Company, Limited (present post)
 Apr. 2016 Senior Advisor, the Bank of Tokyo-Mitsubishi UFJ, Ltd. (present post)
 Jun. 2016 Outside Director, Mitsubishi Electric Corporation (present post)

Audit & Supervisory Board Member

9 Hidenori Takeda

Born July 5, 1954

Apr. 1978 Joined Mitsui Bank
 May 2006 Executive Officer in Charge of Planning and Coordination under the General Manager of Corporate Planning Division, Mitsukoshi, Limited
 Jun. 2013 Director, Managing Executive Officer, and General Manager of Domestic Subsidiaries & Affiliates Headquarters, Isetan Mitsukoshi Holdings Ltd.
 Jun. 2015 Audit & Supervisory Board Member, Isetan Mitsukoshi Holdings Ltd. (present post)

10 Yoshio Takino

Born May 11, 1956

Apr. 1981 Joined Isetan Co., Ltd.
 Apr. 2013 Managing Executive Officer and General Manager of Isetan Shinjuku Main Store, Flagship Store Operation Division, Sales Headquarters, Isetan Mitsukoshi Ltd.
 Apr. 2014 Managing Executive Officer and General Manager of Risk Management Office, Isetan Mitsukoshi Holdings Ltd.
 Jun. 2016 Audit & Supervisory Board Member, Isetan Mitsukoshi Holdings Ltd. (present post)

Outside Audit & Supervisory Board Member

11 Koichi Miyata

Born November 16, 1953

Apr. 1976 Joined Mitsui Bank
 Apr. 2010 Senior Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc.
 Jun. 2014 Outside Director, Sony Corporation (present post)
 Apr. 2016 Outside Director, Mitsui Life Insurance Company Limited (present post)
 Jun. 2016 Outside Audit & Supervisory Board Member, Isetan Mitsukoshi Holdings Ltd. (present post)
 Apr. 2017 Chairman of the Board, Sumitomo Mitsui Financial Group, Inc. (present post)
 Chairman of the Board, Sumitomo Mitsui Banking Corporation (present post)

12 Hiroataka Fujiwara Independent Officer

Born May 21, 1954

Apr. 1985 Joined Law Offices of Iijima and Yamada
 Apr. 1995 Founded Hikari Sogoh Law Offices
 Apr. 2007 Part-time lecturer, Keio University Law School (present post)
 Jan. 2015 Representative Partner, Hikari Sogoh Law Offices (present post)
 Jun. 2016 Outside Audit & Supervisory Board Member, Isetan Mitsukoshi Holdings Ltd. (present post)

13 Takeo Hirata Independent Officer

Born January 16, 1960

Apr. 1982 Joined the Ministry of International Trade and Industry (predecessor of the Ministry of Economy, Trade and Industry) of Japan
 Jul. 2002 Senior Member of Executive Committee, Japan Football Association
 Apr. 2006 Professor, Graduate School of Sport Sciences, Waseda University (present post)
 Mar. 2007 Outside Company Auditor, Rakuten, Inc. (present post)
 Mar. 2013 Special Advisor to the Cabinet (present post)
 Jul. 2016 Chairman of the Japan Society of Sports Industry (present post)
 Jun. 2017 Outside Audit & Supervisory Board Member, Isetan Mitsukoshi Holdings Ltd. (present post)

Corporate Governance

Basic Policy

In our efforts to fulfill the Isetan Mitsukoshi Group Vision, which says “we aim to become the world’s foremost retail services group,” we are determined to earn and maintain the trust of our customers, employees, shareholders, business partners, local communities, and all other stakeholders.

Since the establishment of the Group in 2008, we have been operating as a “Company with Board of Auditors” pursuant to the Companies Act. We have therefore established separate oversight and business execution functions as described below and promote sound and highly transparent management activities and swift decision making as we seek to maximize our corporate value.

Response to the Corporate Governance Code

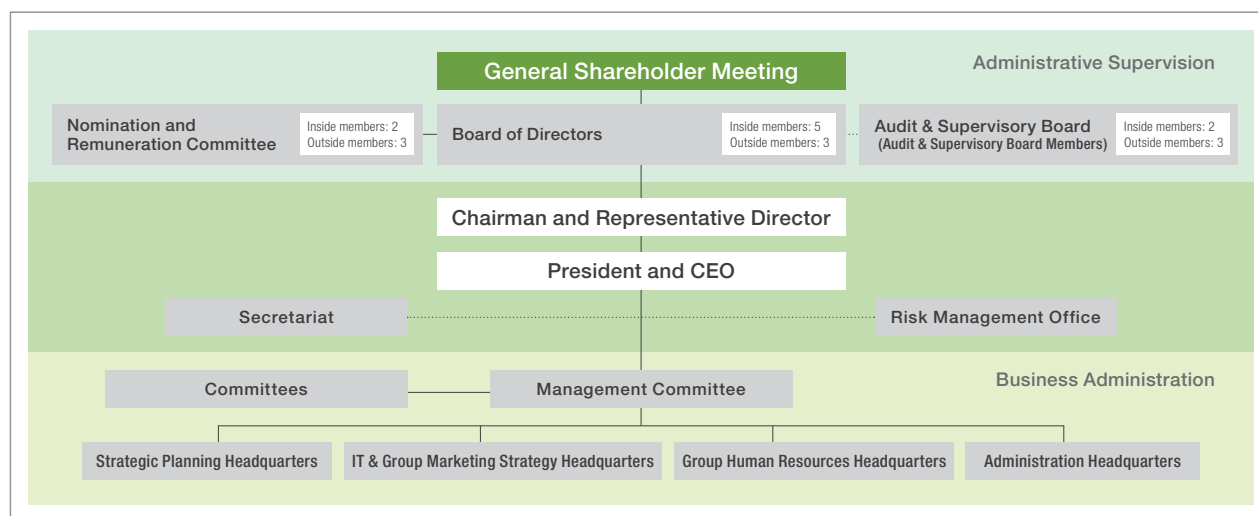
Status of compliance with the Corporate Governance Code

In our Corporate Governance Report that we submitted in 2015 (the first Corporate Governance Report after Japan’s Corporate Governance Code came into force), we included sections for “Explanation” about “reasons for individual appointment and nomination of candidates for Director and Audit & Supervisory Board Member” and “analyses and evaluations of the evaluation of the effectiveness of the Board of Directors and disclosure of the summary of their results” as matters that were being improved. In the report we submitted in 2016, we stated that we complied with the requirements about the “reasons for individual appointment and nomination of candidates for Director and Audit & Supervisory Board Member.” Concerning the “evaluation of the effectiveness of the Board of Directors,” we explained that we would carry out the effectiveness evaluation and disclose the summary of its results within the same fiscal year. In the report we submitted in 2017, we stated that we comply with all principles of the Corporate Governance Code. We will continue to review our corporate governance system regularly based on the Corporate Governance Code as part of our efforts to further enhance our corporate governance.

Measure for ensuring constructive dialogues with our shareholders

As a measure for ensuring constructive dialogues with our shareholders, we strive to send the notice of convocation of the Ordinary General Meeting of Shareholders three weeks before the date when the meeting is held. In addition, as a measure for disclosing the information before sending the notice of convocation, we posted the notice of convocation on our official website and the official website of Tokyo Stock Exchange one week before sending it in 2016 and 13 days before sending it in 2017, respectively. We take other initiatives to enable investors to have sufficient time to consider the agenda of the meeting, such as holding the meeting by avoiding dates when many other companies hold general shareholders’ meeting, and translating the notice of convocation into English and providing it to foreign investors via the platform of Tokyo Stock Exchange.

Corporate Governance System



Since the establishment of the Group in 2008, we have been operating as a “Company with Board of Auditors” pursuant to the Companies Act. We have therefore established separate oversight and business execution functions as described below and promote sound and highly transparent management activities and swift decision making in our efforts to maximize our corporate value.

Administrative Supervision

Board of Directors

The Board of Directors consists of three outside directors and five inside directors and meets once a month, in principle, to perform its function as the Group’s highest management-decision-making body. In addition, three outside Audit & Supervisory Board members and two full-time Audit & Supervisory Board members attend meetings of the Board of Directors as independent observers to help ensure that the responsibility to exercise due diligence and loyalty is fulfilled by the directors in the performance of their duties.

Nomination and Remuneration Committee as an advisory body to the Board of Directors

The Nomination and Remuneration Committee, which was set up as an advisory body to the Board of Directors, consists of three outside directors and the two representative directors. In principle, it meets once a month to discuss personnel and remuneration matters concerning

directors, executive officers, and others, and reports its findings to the Board of Directors.

Audit & Supervisory Board

As members of an independent body overseeing directors in the performance of their duties, Audit & Supervisory Board members help ensure the Company’s healthy, sustainable growth and contribute to the maintenance of a corporate governance system that meets the expectations of society. In addition, they regularly exchange opinions with the representative directors and accounting auditors, and share information on internal audit results and other matters with the Internal Audit Division, within a system intended to ensure effective audits. The Audit & Supervisory Board consists of three outside members and two full-time members. As a rule, they meet once a month to hear reports by each member on important matters that have emerged in carrying out the audit plan. They also discuss or render decisions on these matters as necessary.

Business Administration

We employ an executive officer system to ensure prompt business execution, and a significant portion of authority has been transferred to the executive officers.

Management Committee

The Management Committee consists of executive officers approved as members by the Board of Directors. It meets once a week in principle to decide and deliberate on matters of importance to the Group in a timely and agile manner.

Committees

Committees consisting of members from across the Company act as advisory bodies to the Business Strategy Meeting. They investigate, research, and report back on matters of importance to group management on a cross-sectional and continuous basis.

- Compliance and Risk Management Committee
- Environmental Committee, Group Corporate Philosophy Committee, etc.

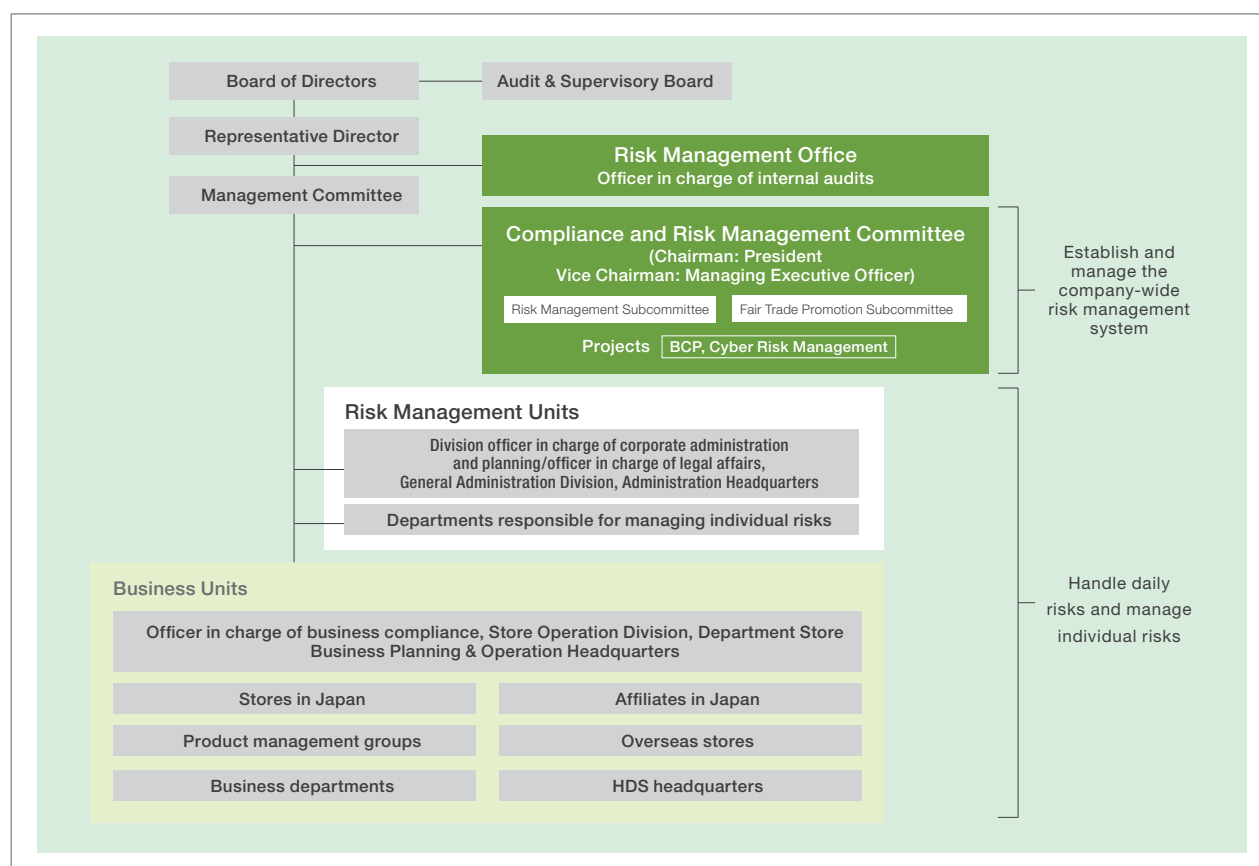
Risk Management

Basic Views

At the Isetan Mitsukoshi Group, we have established our Basic Regulations on Risk Management to implement overall risk management for all Group companies and implement various measures both for risk management during normal times and for crisis management during times of emergency.

As a measure for promoting risk management, we create a risk map each year to visualize the risks facing the Group and strengthen policies for minimizing the impacts of risks that are realized. More specifically, we identify target risks, which vary depending on changes in the Group's environment, and implement measures to counter them.

Risk Management System



Roles of the Risk Management Office

- Established as an independent division directly under senior management, the Risk Management Office pursues the centralized management of risks surrounding the entire Group.
- During normal times, this office engages in activities aimed at managing risks to corporate value, quality, safety, health, and labor; ensuring thorough compliance; improving the quality of internal control; and enhancing corporate governance.
- The Risk Management Office responds promptly and flexibly to any risks that are realized.

Roles of the Compliance and Risk Management Committee

- Established as an advisory body to the Management Committee, the Compliance and Risk Management Committee monitors the implementation of measures aimed at minimizing the impacts of potential risks and known risks should they be realized, and advances measures for achieving integrated risk management for the entire Group.
- The Compliance and Risk Management Committee is chaired by the representative director and president, who has selected 19 other individuals to serve on the committee, making for a total of 20 members. Audit & Supervisory Board members, and representatives of relevant departments, attend committee meetings as observers and share information.

Compliance System

Our Views on Compliance

- At the Isetan Mitsukoshi Group, we believe that all employees working in the Group must embrace compliance as part of our values, consciousness, and actions if we are to truly respect not only laws but also ethics, social norms and rules. The Isetan Mitsukoshi Way, which is our corporate philosophy, has been set forth as a code of conduct for executives and other employees. We strive to ensure that this corporate philosophy is embraced throughout the Group and to maintain and enhance our compliance system, so as to secure the trust of society.
- The Internal Audit Division was established within the Risk Management Office as an independent body to audit the legality and acceptability of business activities.
- As a measure for ensuring thorough understanding of these matters in regular business activities, we provide employees with the Compliance Guidebook, which shows laws and regulations that must be complied with, and provides standards for ethical behaviors, in relationships with customers and business partners.

Protection of personal information

- To be equal to the trust customers place in us and fulfill their expectations, we have formulated and made public the Group's Privacy Policy for properly managing and using the personal information customers entrust to us.
- In addition, we have established our Personal Information Management Rules based on our Privacy Policy. Under these rules, we use our customers' personal information properly and ensure strict protection and management of such information.

Establishment and operation of a system for preventing insider trading

- We have established and operate a system for preventing insider trading that is trusted by equity markets and stakeholders. Specifically, we have established our Insider Trading Prevention Rules regarding the handling of unpublished important information. By following these rules, we take measures for ensuring strict management of information and raising awareness of the importance of proper information management.
- The system we have put in place also requires that executives and other employees assigned to certain divisions take steps such as providing prior notification when engaging in the trading of equity or other securities.

Development of IR Policy

We have formulated and disclosed our IR Policy and make strenuous efforts to practice fair information disclosure and enhance communication in our IR activities (public relations activities directed toward shareholders and other investors). These efforts are aimed at gaining the trust and understanding of our shareholders and other investors.

Establishment and operation of systems for promoting fair trade

- We have established our Fair Trade Guidelines, under which we promote establishment and strict management of systems for eliminating unfair restraint on trade and the similar acts, in our efforts to firmly maintain fair, free competition and continue to contribute widely to society as a corporate entity.

Response to antisocial forces

- Our Basic Policy on Internal Control System Construction clearly states that the Isetan Mitsukoshi Group will reject relationships with antisocial forces, refuse inappropriate requests from them, and take measures to prevent damage they may attempt to inflict.

Establishment and operation of a whistle-blowing system

- We have established the Group Hotline Rules to swiftly bring to light and correct inappropriate conduct that occurs at the Group. The Group Hotline is our whistle-blowing system that all Group employees and all employees of the Group's business partners may use via internal and external contacts.

Our Invisible Assets

On which Emphasis is Placed by the Management

Our logomark was designed in the motif of “I” and “M,” the respective initials of Isetan and Mitsukoshi. It expresses the concept of “facing each other” as our corporate symbol. In the “I” and “M,” which also look like three persons standing with their arms around each other, we project our employees who work faithfully, flexibly, and powerfully, face-to-face with our customers, coworkers, partners, shareholders, society, and local communities. The combination of squares and rectangles as simple, universal forms expresses the meaningfulness of working face to face. At the same time, it expresses high quality and uniqueness that were not hitherto available from any retail services. The corporate colors are black and gold. Black expresses our strong will and is combined with gold as a traditional color of Japan, being reminiscent of the traditions and cultures that are unique to Isetan and Mitsukoshi and their high reliability. Both the shapes and colors symbolize our starting point, from which we fly high around the world and into the future.



The Group's approach

We work face to face with you faithfully, flexibly, and powerfully.

We work face to face with each customer.

We respond to their requests and expectations with an impressive level of hospitality.

We work face to face with our coworkers.

We learn from each other, improve each other, and create new value together.

We work face to face with our shareholders.

We respond to our shareholders with sincerity and achievements based on fair, transparent management.

We work face to face with our partners.

We create optimal relationships with our partners under the watchword of “customer satisfaction.”

We work face to face with local communities, society, and our planet.

We contribute to creating a better future.

We will continue to create invaluable relationships with them into the future.

Corporate Culture and Brand

Aiming to be a department store group that is unequalled anywhere in the world

Actions taken in the Workplace Pledge campaign

The Workplace Pledge campaign was launched at the former Isetan Co., Ltd. in 1994. All of us at the Isetan Mitsukoshi Group participate in this campaign to achieve our corporate philosophy.

This is a grass-roots campaign in which we think about and then practice what we can do for our customers, business partners, and employees, deciding on a theme for each fiscal year. Teams that carried out excellent activities present the details at a presentation meeting to share them internally.

After the business integration in 2008, the range of those activities were expanded to Mitsukoshi stores and regional stores. Currently, subsidiaries and overseas stores also participate in the campaign and carry out the activities. In FY2016, 1,165 teams carried out activities.



To continue suggesting new fashions to customers

Seasonal MD policy of the Department Store Business Planning & Operation Headquarters is determined based on the Master Direction* that is formulated by the Isetan Mitsukoshi Research Institute every season. This policy is reflected in the direction of the individual divisions in charge of specific categories of products. The policy is then reflected in the theme of each season and each week, based on which each buyer selects goods.

Preparations begin to be made about one year before each season. Goods displayed in stores reflect the fruits of work and the thoughts of many fashion specialists.

*The Master Direction shows the trends of the season and the actions to take for the season.



Use of historical assets and materials

Since our founding in 1673, we have continued to provide the latest information via hikifuda (advertising handbills), posters, PR magazines, and other media. We thus played a major role in creating cultures and trends. The Mitukoshi Ishobu (Mitsukoshi costume division), which was established in 1907, ran a business of renting costumes. Among them, kabuki costumes offered by the division were worn by generations of distinguished actors. We make use of these historical assets in creating our original gift products, helping to provide new value for the future.



Unryu hatou monyo dotera, a kabuki costume patterned with the dragon in the clouds and big waves



Sapporo Yebisu Beer in a specially designed can that is available only at Mitsukoshi

The Source of our Corporate Value Human Assets

Diversity in Employment

Commendations and Recognitions

The Isetan Mitsukoshi Group has been recognized by various external organizations as a corporate group that promotes the active participation of diverse human assets.

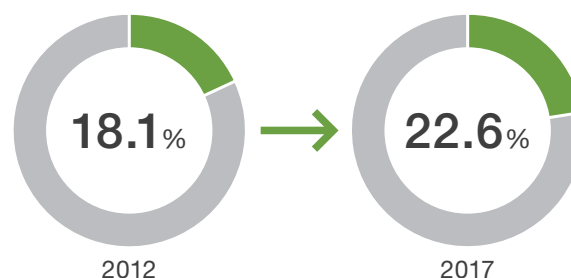
Commendation / recognition	Host	Name of the program	Commendation / recognition	Host	Name of the program
September 2014	Ministry of Health, Labour and Welfare	Certified as a business supporting childcare based on the Act on Advancement of Measures to Support Raising Next-Generation Children	November 2015	Ministry of Health, Labour and Welfare	Selected as a winner of the Minister's Award for Companies Providing Career Support in 2015
March 2015	Ministry of Economy, Trade and Industry	Selected as a winner of the FY2014 Diversity Management Selection 100	October 2016	Ministry of Health, Labour and Welfare	Certified as an Eruboshi ("L Star": L stands for Lady, Labour and Laudable) company based on the Act of Promotion of Women's Participation and Advancement in the Workplace

Promotion of active participation of women

Based on our policy of expanding opportunities for active participation of women, we aim to increase the percentage of managerial positions held by female employees to 30% by FY2020.

As of April 2017, the number of our female managers is 591 (including four executive officers), accounting for 22.6% of all managers. We will continue striving to create a more comfortable workplace. We also take measures to promote diversity, such as holding the Diversity & Inclusion Seminar, inviting outside experts to speak, so that we can be a company that enables active participation of diverse human assets.

Percentage of female managers



Isetan Mitsukoshi Soleil

In 2004, we established Isetan Mitsukoshi Soleil Co., Ltd. as our special subsidiary. This company engages in diverse tasks incidental to sales, which are generated related to customer services on the sales floor, such as the creation of ribbons and labels for gift packaging, assembly of gift packages, and affixing a stamp on slips. Currently, more than 80 people with disabilities, including approx. 70 persons with severe intellectual disabilities, belong to this company and engage in tasks incidental to sales. This enables us to reduce those tasks by the equivalent of 5,000 hours of work per month, allowing more time to be spent serving customers and decreasing overtime work. Employees of Isetan Mitsukoshi Soleil are thus valuable human assets who support our sales activities.





Systems Supporting Growth

The Isetan Mitsukoshi Group's approach to human asset development

We believe that improving sales skills through on-the-job training (OJT) is important for the career development of our employees. Based on this belief, in FY2014 we introduced the Sales Skill-up Program (SSP/a program for improving sales skills) to all Isetan Mitsukoshi stores in the Tokyo Metropolitan Area. Aimed at improving customer satisfaction, this program visualizes the sales skills of each stylist and makes use of the visualized data for OJT. In addition, Isetan Mitsukoshi Human Solutions Ltd., which we established in 2009, provides services including employee education and training, temporary staffing, and recruiting services to department stores in the Isetan Mitsukoshi Group, other Group companies, and various external companies. The company thus provides a wide variety of off-the-job training programs, aiming for education that is closely linked to work sites.

Human Asset Development

OFF-JT Off the Job Training	OJT On the Job Training	OJD(SNACK) On the Job Development
Training programs that are provided away from the workplace by external instructors or similar, so as to teach generalized skills or knowledge	Vocational training at work sites	Capability development Capability development by stylists
Human asset development programs of IMH	Capability development training Self-development tools External seminars Correspondence courses Subscription to business magazines	Covered by the self-development support system of the Isetan Mitsukoshi Group
Basic education Job-specific training Domain-specific training Qualification-specific training Training for promotion		

Supporting acquisition of qualifications for improving customer satisfaction

To improve customer satisfaction by developing our stylists' capabilities, we distribute Manabi no Mori (forest for learning), a booklet providing information about more than 900 educational and training programs. We have systematized educational and training programs to allow each person to develop their careers to be a human asset needed by the Isetan Mitsukoshi Group.

We help our employees with their efforts to develop their own capabilities, such as acquisition of highly professional internal qualifications, correspondence courses, subscription to business magazines, and acquisition of qualifications certified by external organizations.

Name of the qualification	Total number (of qualified people)
Fitting Advisor Grade 1/ Grade 2 (Men's and Ladies')	215
Gift Advisor Grade 1/ Grade 2	359
Formal Specialist Gold License	66
Jewelry Coordinator Grade 1/ Grade 2	30
Interior Coordinator	41
Sommelier/ Wine Advisor	49
Kimono Consultant/ Kimono Dressing	235

SNACK workstyle reform

SNACK is morning and nighttime activity project of the Isetan Mitsukoshi Group, which supports all employees who take opportunities to learn something voluntarily for their development by using their own time secured through workstyle reform. SNACK stands for Skill, Network, Attitude, Communication, and Knowledge. It represents our corporate culture, which translates the skills, attitudes, and knowledge of individual employees into customer impressions and enables the knowledge of each to be shared by all for personal development.



Initiatives for Customers

For comfortable, safe, secure shopping experience

Initiative for allowing customers to enjoy shopping comfortably (Isetan Shinjuku Main Store)

Isetan Shinjuku Main Store has a large number of employees with extensive experience in sales (attendants). These employees help customers to find unexpected joy in shopping, based on their needs. To ensure that customers enjoy shopping at the store, our attendants ask customers what they want and check what they have purchased in the past, before they come to the store, and show the customers optimal products and services that they select from among those in the overall store. This initiative is highly acclaimed by customers and more than 1,000 customers use this service every month. We will continue to create an environment that will allow customers to shop comfortably.



Initiatives for making facilities barrier-free (Mitsukoshi Nihombashi Main Store)

To ensure aged customers and those with disabilities to enjoy shopping comfortably, we are promoting introduction of barrier-free store facilities such as barrier-free toilets and elevators.

In addition, the store has 11 stylists who can communicate in sign language to make the sales floors even more comfortable. These stylists have our internal qualification. To obtain this qualification, they receive internal training and take a qualifying examination that is held annually.



Initiatives for serving customers from overseas (Mitsukoshi Ginza Store)

To ensure aged customers and those with disabilities to enjoy shopping comfortably, we are promoting introduction of barrier-free store facilities such as barrier-free toilets and elevators.

In addition, the store has 11 stylists who can communicate in sign language to make the sales floors even more comfortable. These stylists have our internal qualification. To obtain this qualification, they receive internal training and take a qualifying examination that is held annually.

Initiatives for serving customers from overseas (Mitsukoshi Ginza Store)

To serve the increasing number of customers from many different countries, we have set up a dedicated information counter at each store and allocated 149 employees, who can speak two or more languages each, to those counters. It is expected that we will continue to see many customers from overseas visit our stores toward the 2020 Olympic and Paralympic Games. We will develop our stores into those that are more enjoyable for these customers.



**Languages
in which we
can serve
customers**

English, Chinese, Korean,
French, German, Italian,
Spanish, Portuguese, and
Vietnamese

Initiatives for Local Communities and Society

Making full efforts to do what Isetan Mitsukoshi can do

Initiatives for revitalizing local communities

We take initiatives for revitalizing the communities where our stores are located.

NIIGATA EPPIN

NIIGATA EPPIN is a project for introducing excellent goods and events in Niigata to people inside and outside the prefecture, to improve the value of the overall Niigata area jointly with the local government and businesses. In 2016, we began to hold the NIIGATA Business Idea Contest and provide support for commercializing business ideas selected in the contest.



Initiatives for children who will lead society in the future

Reflecting our hope for the sound growth of children, we take a number of initiatives including sessions for learning by trying jobs and other events. By having children experience jobs, we will continue to let them know the enjoyment and attractiveness of department stores and the fun of different jobs, to support their emotional education.

Major initiatives

May 2016: An event for experiencing farming at Mitsukoshi Ginza Store/ 60 participants
 August 2016: An event for experiencing jobs at Isetan, which took place at Isetan Urawa Store/ 60 participants
 August 2016: Job Terrace for Kids in Summer Holidays@ Ginmitsu at Mitsukoshi Ginza Store
 May 2017: An event for children for experiencing the work of a station manager at JR Kyoto Isetan/ 10 participants
 And others



Iwataya Mitsukoshi Farm aimed at revitalizing Kyushu

Since the Kumamoto Earthquake in April 2016, Iwataya Mitsukoshi has been promoting initiatives with the keywords of "Revitalize Kyushu." As a part of such initiatives, it launched the Iwataya Mitsukoshi Farm in April 2017. This initiative uses Oura Rice Terraces in Karatsu-shi, Saga, where rice paddy reduction was in progress due to the aging of farmers, difficulty of work, and other reasons despite the multilateral functions of the area, such as the prevention of landslides and places for experiencing farm work. We are trying to grow rice on the farm with cooperation from local farmers. Rice harvested in the farm is sold at Iwataya Mitsukoshi. We will continue to take initiatives for contributing to the development of the local community.



Major Financial/ Non-financial Data

	FY2007	FY2008	FY2009	FY2010				
Net sales	1,559,803	1,426,684	1,291,617	1,220,772				
Gross profit	433,047	397,446	360,685	342,005				
Selling, general and administrative expenses	391,175	377,863	356,508	331,012				
Operating income	41,872	19,582	4,177	10,993				
Recurring income	45,916	35,052	19,730	27,093				
Net income attributable to parent company shareholders	18,187	4,683	▲ 63,521	2,640				
Total assets	1,037,269	1,351,633	1,238,006	1,237,775				
Shareholders' equity	362,403	475,369	413,861	406,501				
Net assets	377,949	489,740	425,120	418,152				
Total amount of interest-bearing debt	217,545	232,842	197,283	213,925				
Cash flows from operating activities	43,019	18,162	▲ 3,604	33,211				
Cash flows from investing activities	▲ 34,107	▲ 27,429	47,443	▲ 24,419				
Cash flows from financing activities	▲ 12,964	7,116	▲ 41,688	11,241				
Capital investment	49,222	30,120	28,256	32,937				
Depreciation	25,303	24,253	22,411	22,933				
Net income per share (yen)	－	12.08	▲ 162.51	6.69				
Net assets per share (yen)	－	1,225.85	1,049.09	1,030.60				
Cash dividend per share (yen)	－	14.0	10.0	7.0				
Gross income on sales	27.8%	27.9%	27.9%	28.0%				
Ratio of SG&A expenses to sales	25.1%	26.5%	27.6%	27.1%				
Operating income to net sales	2.7%	1.4%	0.3%	0.9%				
Return on equity (ROE)	5.0%	1.0%	▲ 14.3%	0.6%				
Return on asset (ROA)	4.0%	1.4%	0.3%	0.9%				
Return on investment capital (ROIC)	－	－	－	0.9%				
Shareholders' equity ratio	34.9%	35.2%	33.4%	32.8%				
Payout ratio	－	115.9%	▲ 6.2%	104.6%				
*Data for FY2007 are reference values as a simple sum of the consolidated figures of Mitsukoshi (fiscal year-end: February 29) and Isetan (fiscal year-end: March 31)								
Number of employees (Isetan Mitsukoshi):	Mitsukoshi	11,881	Mitsukoshi	11,806	Mitsukoshi	11,265	Mitsukoshi	5,076
	Isetan	8,203	Isetan	8,181	Isetan	8,130	Isetan	7,616
Number of staff members (Isetan Mitsukoshi):	Mitsukoshi	8,203	Mitsukoshi	7,071	Mitsukoshi	6,774	Mitsukoshi	3,217
	Isetan	3,701	Isetan	3,567	Isetan	3,447	Isetan	3,238
Percentage of female staff members (Isetan Mitsukoshi):	Mitsukoshi	43.2%	Mitsukoshi	43.4%	Mitsukoshi	42.8%	Mitsukoshi	39.9%
	Isetan	56.4%	Isetan	56.2%	Isetan	56.2%	Isetan	55.3%
Percentage of female managers (Isetan Mitsukoshi):	Mitsukoshi	－	Mitsukoshi	－	Mitsukoshi	－	Mitsukoshi	17.3%
	Isetan	13.6%	Isetan	14.0%	Isetan	14.3%	Isetan	14.1%
*Figures for FY2007 to FY2010 are reference values because the standard of counting differs between Isetan and Mitsukoshi.								
Customer traffic (Isetan Mitsukoshi) (thousand people):	－		－		－		108,483	
Number of proper card accounts (thousand accounts)	－		－		－		239.0	
Proper card transaction volume (billion yen):	－		－		－		648,298	

Special Feature	Value Creation and Outcome	Business Summary	Board Members	Corporate Governance	Invisible Assets	Financial Data
(Millions of yen)						
FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	
1,239,921	1,236,333	1,321,512	1,272,130	1,287,253	1,253,457	
347,788	347,410	370,022	355,456	361,768	365,609	
323,954	320,771	335,376	322,372	328,660	341,673	
23,834	26,639	34,646	33,083	33,107	23,935	
38,452	34,217	38,440	34,563	36,704	27,418	
58,891	25,292	21,166	29,886	26,506	14,976	
1,227,947	1,223,677	1,284,658	1,291,560	1,293,043	1,309,777	
456,583	491,001	524,591	560,362	563,264	568,858	
468,479	505,127	541,069	577,655	574,316	579,782	
173,264	181,263	171,285	160,601	175,871	186,751	
57,843	4,438	46,022	49,448	43,099	35,373	
▲ 15,939	▲ 26,312	▲ 19,221	▲ 34,374	▲ 24,481	▲ 40,913	
▲ 44,940	2,339	▲ 16,151	▲ 17,372	▲ 3,711	2,413	
19,243	30,499	31,569	29,279	40,043	34,200	
22,406	21,559	22,228	22,818	23,020	23,562	
149.28	64.11	53.65	75.74	67.41	38.27	
1,157.37	1,244.54	1,329.45	1,421.72	1,438.17	1,460.32	
10.0	10.0	11.0	11.0	12.0	12.0	
28.0%	28.1%	28.0%	27.9%	28.1%	29.2%	
26.1%	25.9%	25.4%	25.3%	25.5%	27.3%	
1.9%	2.2%	2.6%	2.6%	2.6%	1.9%	
13.6%	5.3%	4.2%	5.5%	4.7%	2.6%	
1.9%	2.2%	2.7%	2.6%	2.6%	1.8%	
2.3%	2.5%	3.1%	3.0%	3.0%	1.6%	
37.2%	40.1%	40.8%	43.4%	43.6%	43.4%	
6.7%	15.6%	20.5%	14.5%	17.8%	31.4%	
12,481	11,959	12,122	12,190	12,277	12,363	
6,173	5,907	5,716	5,604	5,532	5,445	
48.2%	48.7%	49.1%	49.6%	50.4%	51.4%	
16.8%	18.1%	18.8%	19.7%	20.3%	22.6%	
109,673	108,250	109,339	109,977	109,095	103,409	
257.5	266.0	280.0	277.9	272.4	269.4	
794,576	858,060	963,436	1,000,486	1,042,684	1,077,390	

Consolidated Balance Sheets (Millions of yen)

ASSETS	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)	LIABILITIES	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Current assets			Current liabilities		
Cash and bank deposits	67,971	61,722	Notes and accounts payable	119,255	115,712
Notes and accounts receivable-trade	128,756	134,718	Short-term borrowings	58,871	60,451
Marketable securities	5	953	Commercial paper	23,000	37,000
Merchandise	59,468	57,726	Income taxes payable	6,047	6,271
Finished goods	1,006	489	Gift vouchers	83,512	83,434
Work in process	119	418	Deferred tax liabilities	474	94
Raw materials and supplies	771	993	Reserve for bonuses	11,893	9,735
Deferred tax assets	14,214	14,209	Allowance for point cards	6,325	9,291
Other current assets	37,321	43,824	Reserve for loss from redemption of gift vouchers	26,514	27,761
Less: Allowance for doubtful accounts	▲ 3,303	▲ 3,623	Other current liabilities	84,271	93,648
Total current assets	306,331	311,433	Total current liabilities	420,167	443,399
Property and equipment			Long-term liabilities		
Tangible fixed assets			Bonds payable	20,000	20,000
Buildings and structures, net	175,559	172,172	Long-term debt	74,000	69,300
Land	532,074	526,996	Deferred tax liabilities	142,507	136,129
Construction in progress	1,397	7,410	Net defined benefit liability	42,122	40,693
Other tangible fixed assets, net	22,269	21,892	Provision for loss on business of subsidiaries and affiliates	14	111
Total tangible fixed assets	731,302	728,471	Liabilities from application of equity method	3,972	4,539
Intangible fixed assets			Other long-term liabilities	15,943	15,822
Software	21,958	24,761	Total long-term liabilities	298,559	286,595
Goodwill	–	14,345	Total liabilities	718,727	729,994
Other intangible fixed assets	36,625	38,369			
Total intangible fixed assets	58,583	77,477	NET ASSETS		
Investments and other assets			Shareholders' equity		
Investment securities	114,569	116,061	Common stock	50,276	50,328
Long-term loans receivable	430	938	Capital surplus	323,407	322,699
Guarantee deposits	66,807	62,141	Retained earnings	184,908	195,184
Net defined benefit assets	3,448	3,456	Less: Treasury stock	▲ 6,280	▲ 9,286
Deferred tax assets	4,003	3,000	Total shareholders' equity	552,312	558,925
Other assets	7,776	7,273	Accumulated other comprehensive income		
Less: Allowance for doubtful accounts	▲ 280	▲ 528	Net unrealized gains (losses) on other securities	2,830	5,989
Total investments and other assets	196,755	192,343	Deferred gains (losses) on hedges	▲ 0	0
Total property and equipment	986,641	998,292	Foreign currency translation adjustments	10,327	5,697
Deferred assets			Remeasurements of defined benefit plans	▲ 2,206	▲ 1,754
Bond issue costs	70	51	Total accumulated other comprehensive income	10,951	9,933
Total deferred assets	70	51	Stock acquisition rights	1,681	1,946
Total assets	1,293,043	1,309,777	Non-controlling interests	9,371	8,977
			Total net assets	574,316	579,782
			Total liabilities and net assets	1,293,043	1,309,777

Consolidated Statements of Income (Millions of yen)

	Fiscal 2015 (From April 1, 2015 to March 31, 2016)	Fiscal 2016 (From April 1, 2016 to March 31, 2017)
Net sales	1,287,253	1,253,457
Cost of sales	925,484	887,848
Gross profit	361,768	365,609
Selling, general and administrative expenses	328,660	341,673
Operating income	33,107	23,935
Non-operating income	16,918	15,615
Non-operating expenses	13,320	12,131
Recurring income	36,704	27,418
Extraordinary gain	1,267	1,228
Extraordinary loss	9,592	13,924
Income before income taxes	28,379	14,722
Income taxes - current	7,717	6,396
Income taxes - deferred	▲ 4,760	▲ 6,460
Total income taxes	2,956	▲ 64
Net income	25,423	14,787
Net loss attributable to non-controlling interests	▲ 1,082	▲ 188
Net income attributable to parent company shareholders	26,506	14,976

Consolidated Statements of Cash Flows (Millions of yen)

	Fiscal 2015 (From April 1, 2015 to March 31, 2016)	Fiscal 2016 (From April 1, 2016 to March 31, 2017)
Cash flows from operating activities	43,099	35,373
Cash flows from investing activities	▲ 24,481	▲ 40,913
Cash flows from financing activities	▲ 3,711	2,413
Effect of exchange rate changes on cash and cash equivalents	▲ 1,053	▲ 1,087
Net increase (decrease) in cash and cash equivalents	13,853	▲ 4,214
Cash and cash equivalents at beginning of year	50,299	64,238
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	85	-
Cash and cash equivalents at end of year	64,238	60,024

Company Profile

Company name	Isetan Mitsukoshi Holdings Ltd.	Established	April 1, 2008
		Head Office	5-16-10, Shinjuku, Shinjuku-ku, Tokyo 160-0022, Japan
Business Lineup	1. Business planning and management of subsidiaries and group companies engaged in department store businesses and incidental or related businesses 2. Department store businesses	Capital	JPY 50.3 billion yen
Representatives	Ken Akamatsu, Chairman and Representative Director (concurrently Chairman and Representative Director, Isetan Mitsukoshi Ltd.) Toshihiko Sugie, President and CEO (concurrently President and CEO, Isetan Mitsukoshi Ltd.)	Fiscal year end	March 31

List of Consolidated Companies

Department Store Business

Japan

Isetan Mitsukoshi Holdings Ltd.
Isetan Mitsukoshi Ltd.
Sapporo Marui Mitsukoshi Ltd.
Hakodate Marui Imai Ltd.
Sendai Mitsukoshi Ltd.
Niigata Isetan Mitsukoshi Ltd.
Shizuoka Isetan, Ltd.
Nagoya Mitsukoshi Ltd.
Hiroshima Mitsukoshi Ltd.
Takamatsu Mitsukoshi Ltd.
Matsuyama Mitsukoshi Ltd.
Iwataya Mitsukoshi Ltd.
West Japan Railway Isetan Ltd.*

Overseas

ISETAN (CHINA) CO., LTD.
ISETAN TIANJIN CO., LTD.
TIANJIN BINHAI NEW DISTRICT ISETAN CO., LTD.
SHANGHAI MEI LONG ZHEN ISETAN DEPARTMENT STORE CO., LTD.
CHENGDU ISETAN DEPARTMENT STORE CO., LTD.
ISETAN (SINGAPORE) LTD.
ISETAN (THAILAND) CO., LTD.
ISETAN OF JAPAN SDN. BHD.
ICJ DEPARTMENT STORE (MALAYSIA) SDN. BHD.
MITSUKOSHI (U.S.A.), INC.
MITSUKOSHI ITALIA S.p.A.
SHIN KONG MITSUKOSHI DEPARTMENT STORE CO., LTD.*

Credit, Finance and Customer Organization Management Businesses

MI CARD Co., Ltd.
MI TOMONOKAI Co., Ltd.

Retail, Specialty Store and Mail-order Businesses

Isetan Mitsukoshi Food Service, Ltd.
MAMMINA Co., Ltd.
Isetan Mitsukoshi Direct Shopping Ltd.
JP Mitsukoshi Merchandising Co., Ltd.
Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd.*

Manufacturing, Import/Export and Wholesale Businesses

Isetan Mitsukoshi Gift Solutions Ltd.
Leo Mart Co., Ltd.
Leotex Co., Ltd.
Century Trading Co., Ltd.
T's TRADING CO., LTD.
CLUB21JAPAN Co., Ltd.

Human Resources and Service Businesses

Isetan Mitsukoshi Human Solutions Ltd.
Isetan Mitsukoshi Soleil, Co., Ltd.

Real Estate Management Businesses

Isetan Mitsukoshi Property Design Ltd.
Isetan Mitsukoshi Real Estate Co., Ltd.
Isetan Kaikan Co., Ltd.
Im Kankyo Building Management Co., Ltd.
Shinjuku Sabunado Ltd.
Smart Life Management Co., Ltd.,

Logistics Businesses

Isetan Mitsukoshi Business Support Ltd.

Information Processing and Media Businesses

Isetan Mitsukoshi System Solutions Ltd.
Studio Alta Co., Ltd.
Fashion Headline Ltd.

Travel Businesses

Isetan Mitsukoshi Travel Co., Ltd.
Nikko Travel Co., Ltd.
Lime Tree Cruises B.V.

Other Businesses

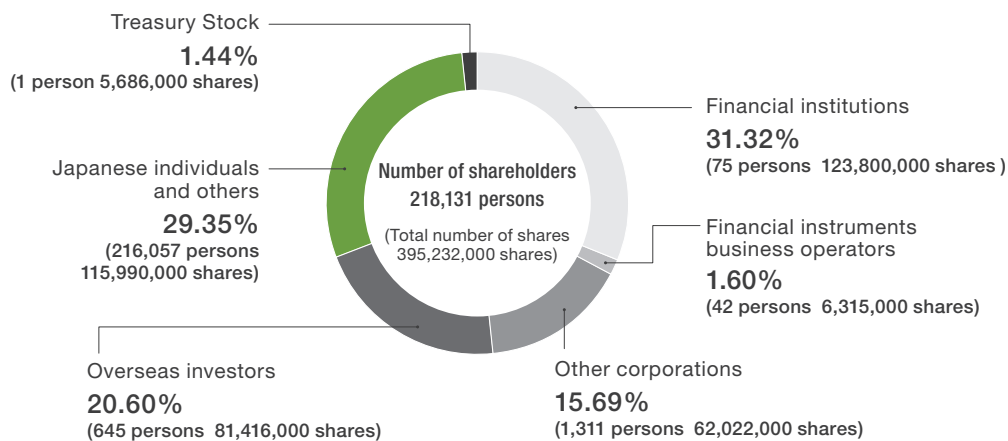
Isetan Mitsukoshi Italia S.r.l.
Lexim (Singapore) Pte. Ltd.
Itm Clover Co., Ltd.
Isetan Swing Inc. Ltd.,
Isetan Mitsukoshi Plan Do See Co., Ltd.
Isetan Mitsukoshi Innovations Ltd.
Isetan Mitsukoshi Transit Co., Ltd.
Isetan Mitsukoshi T Marketing Co., Ltd.
Isetan Mitsukoshi Research Institute
Socie World Co., Ltd.
Taiwan Socie World Co., Ltd.

*Equity method company

Stock Information (as of March 31, 2017)

Number of shares authorized	1,500,000,000 shares
Number of shares per unit (tangen)	100 shares
Number of shares issued	395,232,054 shares
Number of shareholders	218,131 persons

Shareholding ratio



Major shareholders (as of March 31, 2017)

Name of shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	29,164	7.49
Japan Trustee Services Bank, Ltd. (Trust account)	17,153	4.40
Mitsukoshi Health and Welfare Foundation	13,667	3.51
Isetan Mitsukoshi Group's partner holding companies	7,917	2.03
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,212	1.85
Shimizu Corporation	6,200	1.59
Meiji Yasuda Life Insurance Company	5,697	1.46
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,342	1.37
Japan Trustee Services Bank, Ltd. (Trust account 1)	5,317	1.37
Mitsui Sumitomo Insurance Company, Limited	5,299	1.36

*The shareholding ratios were calculated after excluding treasury stock (5,686,950 shares).



ISETAN MITSUKOSHI HOLDINGS

Contact for Inquiries

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Corporate Communication Office, Corporate Administration Division,
Administration Headquarters
<http://www.imhds.co.jp/english/>