

Interfacing with Excellence

CSR REPORT

Isetan Mitsukoshi Group CSR Report

2017

Digest



ISETAN MITSUKOSHI HOLDINGS

■ Group Slogan

Interfacing with Excellence

■ Group Philosophy

Striving to interface with integrity, flexibility and dynamism

- We strive to interface with customers. We wholeheartedly respond to customer needs and expectations through our focus on superlative service.
- We strive to interface with coworkers. We enhance our knowledge and skills together to create new value.
- We strive to interface with our shareholders. We faithfully respond to shareholder expectations by pursuing ambitious targets and practicing fair and transparent management.
- We strive to interface with our partners. We cultivate the optimum partnerships for achieving our shared goal of delivering customer satisfactions.
- We strive to interface with communities, society and the Earth. We contribute to the fulfillment of aspirations.

Cultivating irreplaceable relationships of trust far into the future

■ Group Vision

Becoming “my 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 solution retail group with high profitability and sustained growth.”

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The data presented here pertain principally to the fiscal year that began on April 1, 2016 and ended on March 31, 2017. Discussions and descriptive information may cover the period up through September 30, 2017.

Pursuing Operations that Value Dialogue with Stakeholders

Toshihiko Sugie President and CEO



The Isetan Mitsukoshi Group was created in 2008 with the vision of becoming “the world’s foremost retail services group.”

This spring, the Group will mark the ninth year since its formation. During those nine years, intertype competition intensified even further and the environment for consumption continued to diversify, including a shift from things to services/experiences.

In order for the Isetan Mitsukoshi Group to achieve sustainable growth in such an environment, it is urgent that we increase our earning power by further increasing productivity in the department store business and by establishing a growth strategy. Also, in the interest of turning our business around, from 2017 to fiscal 2018 we will swiftly carry out structural reform, exercising selectivity and concentrating our efforts on growth businesses, thereby ensuring that we are on a path toward regrowth by fiscal 2020.

Toward that end, we will work with employees and suppliers to turn the Isetan Mitsukoshi Group into Japan’s best place to work—a place that is free-spirited and vibrant. We will give even more attention than before to customers and other stakeholders, in pursuit of fair and highly transparent operations that value dialogue.

Aiming to further improve our corporate value, we will once again reconsider what our *raison d’être* is, what it is that customers and the market expect of us, and what our strengths are. The Isetan Mitsukoshi Group will then make a concerted effort to restructure operations, employing selectivity and concentrating efforts in specific areas, in order to improve near-term corporate performance and get onto a growth path as soon as possible.

As we work toward these goals, we continue to look forward to further support from all of our stakeholders.

Initiatives in 7 Key Areas

Beginning with the CSR Report we issued in 2013, we have been disclosing information in accordance with the ISO26000 core subjects, and we have maintained our focus on initiatives that are directly linked to our primary business activities and would be viewed as meaningful by our stakeholders.

Community Participation and Development

Basic Rules Governing Social Contribution Activities

The Isetan Mitsukoshi Group has established basic rules governing purposes, priorities, and methods for pursuing social contribution activities that are consistent with the implementation of our corporate philosophy and CSR direction.

Isetan Mitsukoshi Group Philosophy (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."

Isetan Mitsukoshi Group CSR Statement

Based on the Isetan Mitsukoshi Group philosophy, we will address various social issues and help to solve them through our business activities, which will be designed to produce a better future for everyone with whom we come into contact.

Basic Rules Governing the Isetan Mitsukoshi Group's Social Contribution Activities

Based on its corporate philosophy, the Isetan Mitsukoshi Group will respond to the needs and expectations of local communities, build trust with customers and other stakeholders, and continue to contribute to the building of a bright future that is full of dreams and hope.

1. Priorities

Social contribution activities will focus on culture and the arts, support for disaster-stricken areas, and support for local communities.

2. Principles of Activities

- 1 Importance will be placed on communication and partnerships with customers and local communities.
- 2 As a rule, activities will continue over periods of 3-5 years.
- 3 Activities will draw on the management resources and business characteristics of the Isetan Mitsukoshi Group.
- 4 Employees will be encouraged to participate on a volunteer basis.
- 5 The scopes of activities will include stakeholders.
- 6 Activities will be pursued in partnership with NPOs/NGOs to produce better results by enhancing the pool of available strengths.

Culture and the Arts

JAPAN SENSES – The Tangible, Intangible, and Human Sides of Japan

Since fiscal 2011, the Isetan Mitsukoshi Group has been conducting the JAPAN SENSES initiative to bring universally recognizable Japanese excellence back into the spotlight and put it forth as new value.

The spring 2017 JAPAN SENSES campaign began on March 29, with 12 Group stores led by the Isetan Shinjuku Main Store, Mitsukoshi Nihombashi Main Store, and Mitsukoshi Ginza Store highlighting Japanese excellence emanating from the island of Kyushu.

Supporting Local Youth – JAPAN SENSES at the Isetan Shinjuku Main Store

“Supporting Local Youth – Highlighting young artisans in local areas” was the JAPAN SENSES theme at the Isetan Shinjuku Main Store.

STAND KYUSHU, an event held under the JAPAN SENSES theme, focused attention on up-and-coming Kyushu designers, creators, and craftspeople in a collaborative undertaking held at “The Stage” on the store’s first floor.



“The Stage” on the first floor of the Isetan Shinjuku Main Store

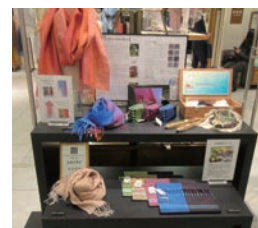
Kyushu’s Best – JAPAN SENSES at the Mitsukoshi Nihombashi Main Store

Under the theme “Kyushu’s Best,” the Mitsukoshi Nihombashi Main Store conducted a JAPAN SENSES campaign that focused on the charms of daily life in Kyushu. Introducing items integrating traditional skills and modern sensibilities, the campaign helped to promote the areas where they were made.

The Living & Art (fifth) floor of the store’s main building featured an “east-west blue” collaboration of the Gen-emon Kiln, based in the northern Kyushu town of Arita, and Faïencerie de Gien, among the most prominent of French earthenware manufacturers. At the same time, shoulder scarves, pouches, and other items made from Oshima tsumugi, a type of silk pongee, were offered for sale on the store’s first floor.



Blue-themed works by Faïencerie de Gien and Gen-emon Kiln



Everyday items made with Oshima tsumugi

The Power of Kyushu – JAPAN SENSES at the Mitsukoshi Ginza Store

In “The Power of Kyushu,” its JAPAN SENSES campaign, the Mitsukoshi Ginza Store highlighted a wide array of craftworks blending the traditional skills of Kyushu artisans with an urban aesthetic.

In the Japan Edition section of the seventh floor, the store featured manufactured items from throughout Kyushu, bamboo craftworks from Oita, and Satsuma kiriko, cut glass works unique for their simultaneous expression of both boldness and delicacy.



Bamboo craftworks applying traditional techniques for modern applications



Satsuma kiriko cut glass works by masters of the craft

Initiatives in 7 Key Areas

Art & Creation

In August 2016, the “Art & Creation” campaign was held at the Isetan Shinjuku Main Store, Mitsukoshi Nihombashi Main Store, and Mitsukoshi Ginza Store.

The purpose of the campaign was to offer customers new value in the form of up-close opportunities to appreciate art and creativity curated by Isetan Mitsukoshi, and to give up-and-coming artists venues for presenting their works. With the three stores organizing their own unique exhibits, events, and product offerings, many customers took time to take in the art and creativity on display at each.



First-floor central hall of the Mitsukoshi Nihombashi Main Store's main building

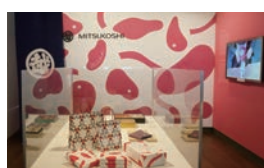
The Art & Creation Design Competition, a joint undertaking by Mitsukoshi and the Tokyo University of the Arts was held in the first-floor central hall of the Mitsukoshi Nihombashi Main Store's main building. With collaboration by the Tokyo University of the Arts Department of Design, students' art works were displayed and awards were presented for various categories.

Making Use of Archives

Isetan Mitsukoshi Holdings maintains an historical archive extensive in terms of both the time period and topics covered. It contains significant content indispensable for understanding the history of department stores and continues to be a valuable asset for many of our pursuits.

■ Mitsukoshi Package Designs Exhibited at Japan Museum SieboldHuis

“Too pretty to throw away. Packaging design from Japan” was an exhibit held at the Japan Museum SieboldHuis in the Dutch city of Leiden in



Mitsukoshi gift-package wrapping on display

June 2016. Isetan Mitsukoshi contributed to the exhibit by providing examples of Mitsukoshi's gift packaging.

■ Kabuki Costumes Provided for “The Traditional Performing Arts of Japan” Exhibition at the Mitsui Memorial Museum

“The Traditional Performing Arts of Japan,” an exhibition at the Mitsui Memorial Museum, was held in November 2016 and Isetan Mitsukoshi supported it by providing kabuki costumes from its private collection.



Kabuki costumes on display at the Mitsui Memorial Museum

■ Mitsukoshi Nihombashi Main Store Designated an Important Cultural Property

In 2016, the Mitsukoshi Nihombashi Main Store (Main Building) was designated an Important Cultural Property by the Japanese government.

The present building is a splendid example of Renaissance-style architecture based on the structure completed in 1914. The dignified coloration of the Mitsukoshi Theater, the central hall atrium, and other features at the cutting-edge of architectural design when they were created

make for a dazzling piece of architecture that has earned praise as a symbol of the development of department store design in Japan.



Main building of the Mitsukoshi Nihombashi Main Store

Support for Disaster-Stricken Areas

Support for Recovery from the Great East Japan Earthquake

On May 29, 2017, the Isetan Mitsukoshi Group, in collaboration with the Morino Project, conducted a tree-planting activity in Iwanuma, a city in Miyagi Prefecture. The Morino Project is working to build a "green-forest seawall" that will consist of broadleaf trees planted along the 300 km of northeast Japan coastline devastated by the tsunami caused by the Great East Japan Earthquake. This green-forest seawall is intended to mitigate future damage from not only tsunamis but also fires and other types of disasters.

The Isetan Mitsukoshi Group began participating in the Morino Project in the fall of 2013. The most recent activity involved participation by 90 volunteers, including the chairman and representative director of Isetan Mitsukoshi Holdings. The 936 seedlings planted by the volunteers brought the cumulative total planted to date to 2,776.



Stabilizing planted seedlings with ropes and rice straw

Donguri Badge in Support of Disaster Recovery in East Japan

Since 2014, the Isetan Mitsukoshi Group has been participating in the Donguri Badge in Support of Disaster Recovery in East Japan charity activities. March 1, 2017 marked the start of this year's Donguri Badge activities at Isetan Mitsukoshi Group stores nationwide.

In support of the Donguri Badge charity, our stores sell badges in the shape of a donguri, or acorn, the symbol of recovery progress. The profits from each sale, ¥143 per badge, are donated to the Morino Project, which is promoting recovery in disaster-stricken areas. Profits from this year's activities totaled ¥5,964,407, and we would like to thank our customers for their part in raising this sum.



Twenty-eight Donguri Badge designs symbolizing the regions of the stores where they were offered. Each badge sold for ¥300, including consumption tax.

Supporting Local Communities

Supporting Experiential Learning for Children

In Japan, a country with a declining birthrate, development of the children who will lead the country in the future is taking on increasing importance.

At the Isetan Mitsukoshi Group, we care very much about the healthy development of children. Through avenues such as an experiential event intended help children develop an understanding of various types of professions, we are working to communicate the joy that can be had through work and are supporting efforts to help develop children's aesthetic sensibilities.

Isetan Urawa Store "Experience Work in a Department Store" Event

The Isetan Urawa Store held its "Experience Work in a Department Store" event, which provided elementary school children with a chance to experience work in a department store and tour behind-the-scenes areas normally accessible only to employees. Held on August 20 and 21, 2016, this event attracted participation by a total of 60 children.



Practicing welcoming customers at opening time

Participating in Local Festivals

The Isetan Mitsukoshi Group places great importance on being a part of the communities where its stores are located. Toward that end, we actively participate in various local events and engage in social contribution activities with a strong local focus.



Sapporo Marui Mitsukoshi Hanjo Mikoshi being carried through the streets in the Hokkaido Festival



Sendai Mitsukoshi employees participating in a festival at Kanahebisui Shrine

Consumer Affairs

To Provide Customers with Comfortable Shopping Environments

Workplace Pledge Activities

Isetan Mitsukoshi Group strives to instill the Isetan Mitsukoshi Way throughout its organization by pursuing activities aimed at deepening understanding through the joint embrace and implementation of our philosophy by all of our employees. This is our “workplace pledge” initiative.

Under this program, team leaders in each division make a pledge that concerns their team’s work. The pledge is based on the Group Vision expressed in the Isetan Mitsukoshi Way and related to the Group theme for the year. As teams strive to keep their pledges, they are also furthering the Isetan Mitsukoshi Way.

The “workplace pledge” initiative was started at Isetan in 1994 and expanded to the entire Group in 2008. Now, approximately 1,300 teams including ones at our overseas locations, participate in the “workplace pledge” initiative and it will remain an important element of our efforts to realize our Group Vision going forward.



Fiscal 2016 “Workplace Pledge” Initiative competition winners

Group-Wide Pledge - Smile Training

In fiscal 2015, the Isetan Mitsukoshi group began conducting smile training at all of its stores in Japan and abroad. Based on the idea that employees themselves

can be a source of happiness for others, this training is one more way in which we aim to engender smiles and happiness among our customers.

Every week, on occasions such as morning briefings, we use video-based training to help store and administrative employees develop the facial muscles that make for an appealing, natural smile. To examine the effectiveness of this training, we have conducted six surveys to gather data on work and private fulfillment and fatigue.

Based on responses from approximately 5,000 employees, we have found that employees taking part in the training tend to provide responses that are more optimistic than those of employees not participating in the training.



Smile training underway at a store

Developing Outstanding Stylists

■ Evergreen System

Our Evergreen system for recognizing and rewarding excellent stylists (sales personnel), got its start at nine stores in the Tokyo metropolitan area in 2012. It was extended to cover all Group companies in 2013, and all overseas stores in 2016. Stylists are selected for Evergreen recognition based on three criteria:

- (1) Wealth of merchandise knowledge, outstanding sales skills, a sense of hospitality, and strong credibility with customers.
- (2) Engagement in self-improvement, and positive influence on coworkers.
- (3) Outstanding innovation as evidenced, for example, by a large number of customers.

In April 2017, 71 stylists representing Group stores and companies in Japan and abroad were awarded Evergreen recognition. Since 2012, this distinction has been bestowed on 351 stylists.



"Evergreen 2017" stylists

Evergreen 2017

Shiei Kimura

Foreign Customer Service
Special Customer Account
Isetan Shinjuku Main Store



Rationale for Evergreen Recognition

Shiei Kimura was selected for Evergreen recognition based on her devoted customer service, hospitality, engaging smile, cheerfulness, and tactful conversation skills, which have earned her substantial customer praise.

Furthermore, by using occasions on which she has been requested to provide interpretation services, or attend to customers, to create relationships and her own network of sales-floor contacts, she has enhanced her ability to respond to customer desires, and created a virtuous cycle resulting in even greater customer trust.

Enhancing Customer Service Skills

Isetan Mitsukoshi Group stylists hone their expert knowledge, manners, and skills by participating in role-playing competitions hosted by Group stores and commercial facilities.

In fiscal 2016, these competitions were held at the Iwataya Main Store and Nagoya Lachic, both of which are Group stores, and at Atre Oimachi, a commercial facility. In the latter, Isetan Mirror stylists took the top honors from among a field of 32 competitors.

Meanwhile, at a national competition sponsored by the All Nippon Department Stores Development Organization*, stylists from the Isetan Shinjuku Main Store, Yukihiro Hatori and Yuki Shimizu were named the winners of the Judges' Special Prize.

*The All Nippon Department Stores Development Organization was established in 1973 to promote joint merchandise procurement and personal networking within the department store industry. Thirty-two department store operators from across Japan are members of this organization.



Isetan Shinjuku Main Store stylists Yukihiro Hatori (at left in the left photo) and Yuki Shimizu (at left in the right photo), winners of the Judges' Special Prize at a role-playing competition sponsored by the All Nippon Department Stores Development Organization

Initiatives in 7 Key Areas

Safety and Security Initiatives

At Isetan Mitsukoshi, we perform inspections that are overseen by officers in charge of quality control aspects of business compliance and cover all manner of store facilities to provide customers with environments where they can shop with total confidence.

Quality control inspection

Kitchen Hygiene Inspection

On July 18, 2017, 90 hygiene inspections were performed for the kitchen, large freezer and refrigeration, and other facilities on the food floor of the Mitsukoshi Ginza Store.

These hygiene inspections are a critical tool for providing customers with safe food products and for preventing accidents by maintaining safety awareness among sales floor stylists. Inspection results were organized into a report that was also shared with divisions engaged in activities related to the food floor.



Event Inspections

To ensure strict compliance with laws and regulations, and to prevent accidents, our quality control efforts extend even to short-term sales events. In these inspections, we examine merchandise, price tags, and point-of-purchase (POP) displays, and, to ensure there are no threats to health and safety, check facilities and other aspects of event venues.

For the “Real Hawaii” sales event held at the Isetan Shinjuku Main Store, for example, we performed inspections on July 19, 2017. For clothing and sundries, our checks focused on product descriptions, catalog,

POP, and other promotional information. We also worked with business partners to examine product descriptions for household items they were offering.

And for food intended for in-store consumption, we performed inspections to ensure that preparation would happen under hygienic conditions and that “best before” dates, allergy, and other information were properly displayed.



Seminar for Non-Foods Division Handling Food Products

At the Isetan Mitsukoshi Group, we provide customers with food products they can have complete confidence in. In support of that effort, individual product management divisions collaborate with officers in charge of quality control aspects of business compliance to conduct various seminars.

On July 8, 2017, for example, the officers in charge of business compliance for the Home Furnishings and Housewares Division held a seminar at which the officer in charge of quality control for food products gave a talk on handling food outside of the Foods Division. This talk, held in a training room at the Mitsukoshi Ginza Store, helped improve understanding of how to properly handle food products.



Seminar underway

Environment

Environmentally Friendly Products and Services

Global Green Campaign at Group Store

Our Global Green Campaign took place from May 15 to 30, 2017 under the theme of creating a comfortable relationship between people and nature. The campaign put forth the latest in tangible and intangible products and concepts for achieving a sustainable society. It proposed new lifestyles and the development of creative products that make effective use of the bounty of nature and useful items, without waste.

“ASABAN and asano chiyuki” Linen Gauze Stoles at the Mitsukoshi Nihombashi Main Store

Featured stoles made by Kadowaki Textile of linen cloth expertly woven with the Banshu-ori technique and using colors imparted by indigo and other vegetable dyes.



■ ZOOMORA Sundries Made of Plastic Bags and Rice Bags, featured at JR Kyoto Isetan

Exceedingly unique merchandise made at facilities for the disabled, using materials no longer needed for their original purpose.

Merchandise offered for sale included clothing and sundries featuring designs based on artworks by artists with disabilities.



Conserving Biodiversity

Sales of Honey Made by Nihombashi Mitsubachi Club

In March 2016, we began the Nihombashi Mitsubachi Club on the roof of the Mitsukoshi Nihombashi Main

Store Annex. Mitsubachi are honeybees and the purpose of this project is to contribute to the vitality of the local area by drawing on the role of honeybees as pollinators to invigorate flowering plants, and then collecting and selling the honey the bees have made.

This is a joint undertaking of Mitsukoshi and L'ABEILLE, a specialty purveyor of honey products. All aspects of product creation, from filtering and inspection to bottling, and other steps, are handled by L'ABEILLE.



Nihombashi Mitsubachi Club honey products

Risk Management

Isetan Shinjuku Main Store - Dismantling, Removal, and Disposal of a Large Transformer Containing a High Concentration of PCB

In January 2015, we began the process of dismantling, removing, and disposing of a large transformer* that contained a high concentration of PCB (polychlorinated biphenyl). The work was carried out with the collaboration of the Japan Industrial Waste Management Foundation and others.

Previously, there had not been an established way to transport and dispose of such a transformer, so we had been maintaining it in a safe condition in place. The work was performed over 20 months, during which the transformer was dismantled on site, under safe conditions, and then transported for proper disposal.

*10,000 kVA transformer manufactured by Mitsubishi Electric Corporation and measuring 4.1 m×2.1 m×3.25 m (length, width, height)

Labor Practices

Stance on Hiring and Human Resources

To Realize the Group Vision

The Isetan Mitsukoshi Group endeavors to create systems that allow its employees to fully discover and expand their capabilities.

Medium-to-long term system objectives to realize the Group Vision

Conditions that Must Exist in regard to Employees to realize the Group Vision

Every employee must be respected as an individual, and feel that working at the Isetan Mitsukoshi Group fulfills a dream and is a source of pride.

Sense of security in the workplace	Employees must feel comfortable in their working environment and be able to focus on their work without concerns for the security of their employment.
Opportunities for growth	Employees must have a tangible sense that they have been entrusted to perform work that suits their aptitudes and desires, and are experiencing personal growth as a result.
Fair reward	Employees must be fairly evaluated and rewarded (compensation, promotion opportunities, etc.) in accordance with their performance, and have a sense of satisfaction.
Creative freedom	Employees must have leeway to devise the best ways to achieve customer satisfaction, and not be restricted to existing ways of doing things.



Ideal Human Resources for Realizing the Group Vision

"Human resources who have a strong sense of hospitality and expert knowledge, and can respond to customer expectations at an emotional level"

"Human resources who are able to take a broad view of the world, exercise their own judgment and act with speed in creating new approaches, or revising existing approaches, to contribute to company growth"

"Human resources who actively promote the development and growth of team members and can increase team motivation"

Systems that Allow Isetan Mitsukoshi Group Employees to Fully Discover and Expand Their Capabilities



Promoting Diversity

Supporting Career Opportunities for Women

Women make up 70% of Isetan Mitsukoshi's workforce and most of its customers. We, therefore, have established a General Employer Action Plan to provide greater career opportunities for women.

Conditions with Regard to Promotions and Assignments of Women at Isetan Mitsukoshi

Indicator		Women as a Percentage	Number of Women
Workforce Breakdown	Full-time employees	53%	2,823
	All employees (Including contract employees)	72%	8,549
Management Breakdown		23%	591 (Including 4 executive officers)
Breakdown of Management Promotions		36%	28 (Of 79 total promotions)
Breakdown of Principal Line Management	Sales managers	23%	54
	Buyers	23%	49

(As of April 2017)

Awarded the Eruboshi Certification by Japan's Ministry of Health, Labour and Welfare based on the Act to Advance Women's Success in Their Working Life

Based on the Act to Advance Women's Success in Their Working Life, Japan's Ministry of Health, Labour and Welfare certifies companies to be at one of three stages in terms of promoting career success for women.

Certifications are determined based on action plans prepared and submitted by companies and the ministry's assessment of their performance in terms of meeting certain criteria regarding the promotion of career success for women. Isetan Mitsukoshi was certified by the ministry to be a stage-two company.



Eruboshi Certification Mark

Fair Business Practices

Partnership with Suppliers

Gathering with Suppliers

In January 2017, we hosted a gathering attended by representatives of suppliers and the Isetan Mitsukoshi Group. The purpose of this gathering was to promote fair business practices and reinforce the trust underlying supplier partnerships.

And indeed this purpose was furthered by the spirited discussions that took place. Representatives of the Group included the chairman and representative director; president and CEO; executives, including representatives of Group department stores; the merchandising managers of principal stores; managers of branch and Group stores; and the General Manager of the Merchandising Headquarters.

Going forward, the Isetan Mitsukoshi Group will remain committed to ensuring fairness in its business practices.

Human Rights

Preventing Harassment

Training and Response Systems

The Isetan Mitsukoshi Group is serious about not engaging in, not allowing, and not overlooking harassment. We distribute pamphlets on prevention of harassment to all employees and conduct internal training on this topic, as well. We pay particular attention to equipping managers with knowledge necessary to prevent harassment, and to providing support to address problems.

We have established a hotline staffed by external counselors and formed a dedicated employee-management committee as part of our efforts to create a system capable of fairly and swiftly resolving any harassment incidents that might arise.



Harassment prevention pamphlet

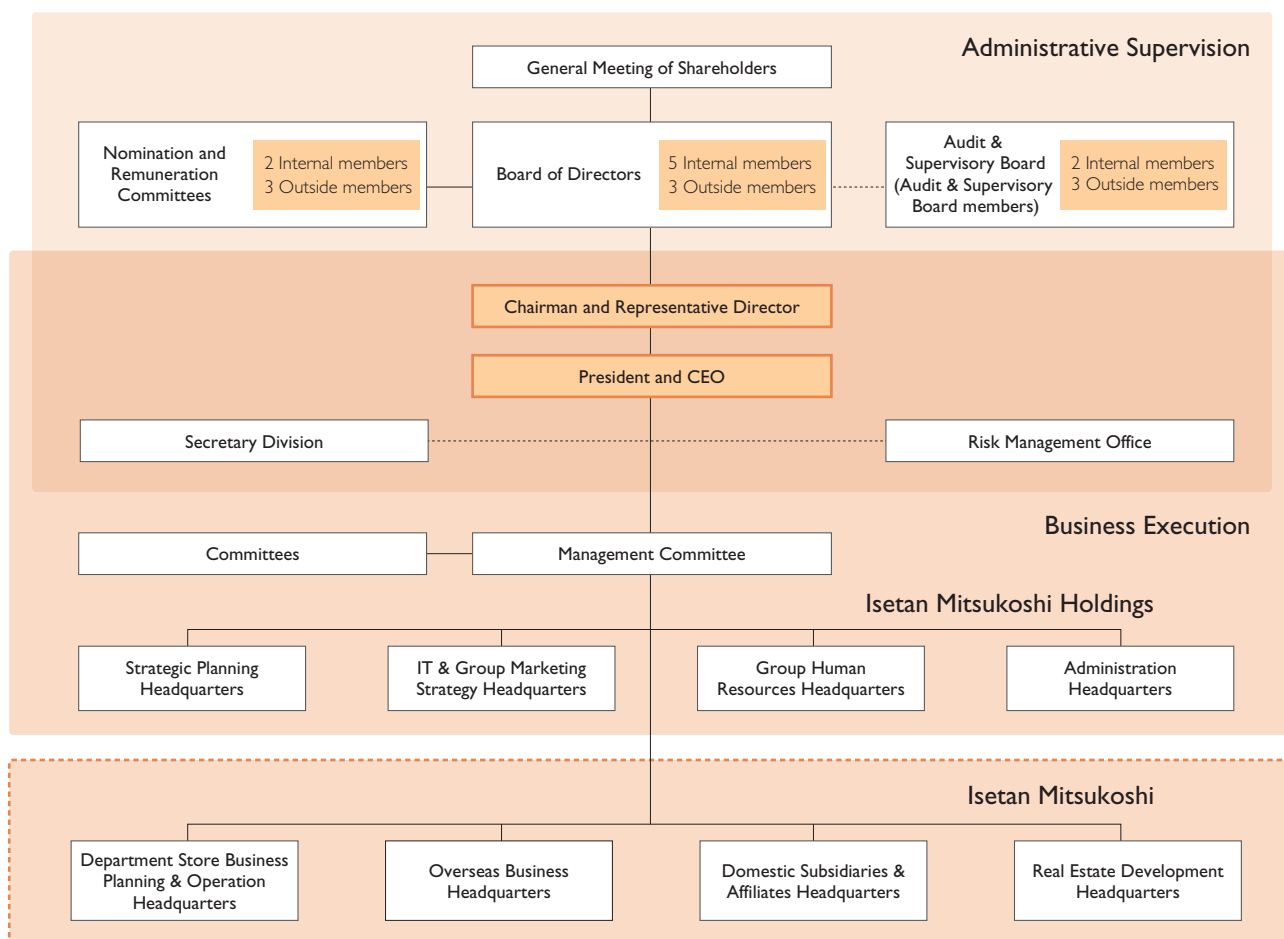
Governance

Basic Stance on Corporate Governance

The Isetan Mitsukoshi Group's vision is to become the world's foremost retail services group, and it aims to be a corporate group that is trusted by customers, employees, shareholders, business partners, local communities, and other stakeholders.

Regarding the Group's corporate governance system, since its establishment in 2008, it has adopted the form of a company with Audit & Supervisory Board Members, separating functions for oversight and execution as below and promoting healthy and transparent management activities and agile decision-making, in order to maximize corporate value.

Corporate Governance System (As of June 2017)



Risk Management

Basic Stance on Risk Management

- The Isetan Mitsukoshi Group has established its Basic Provisions on Risk Management to ensure the proper conduct of comprehensive risk management at all Group companies. We have also developed various measures for risk management during normal times and for crisis management during times of emergency.
- To make the risks facing the Group more apparent, and strengthen measures for minimizing the impacts of risks that are realized, we prepare a risk map annually. Furthermore, we are always working to improve our risk management by designating, and establishing measures for addressing, target risks in accordance with changes in business conditions.

Role of the Risk Management Office

- Positioned immediately below top management, the Risk Management Office is an independent organizational unit that seeks to further the centralized management of risks facing the Group.
- During normal times, the Risk Management Office focuses on managing risks to corporate value, quality, safety, hygiene, and our work force; ensuring thorough compliance; improving the quality of internal controls; and enhancing corporate governance.
- When a risk is realized, the Risk Management Office responds with quick and well-coordinated action.

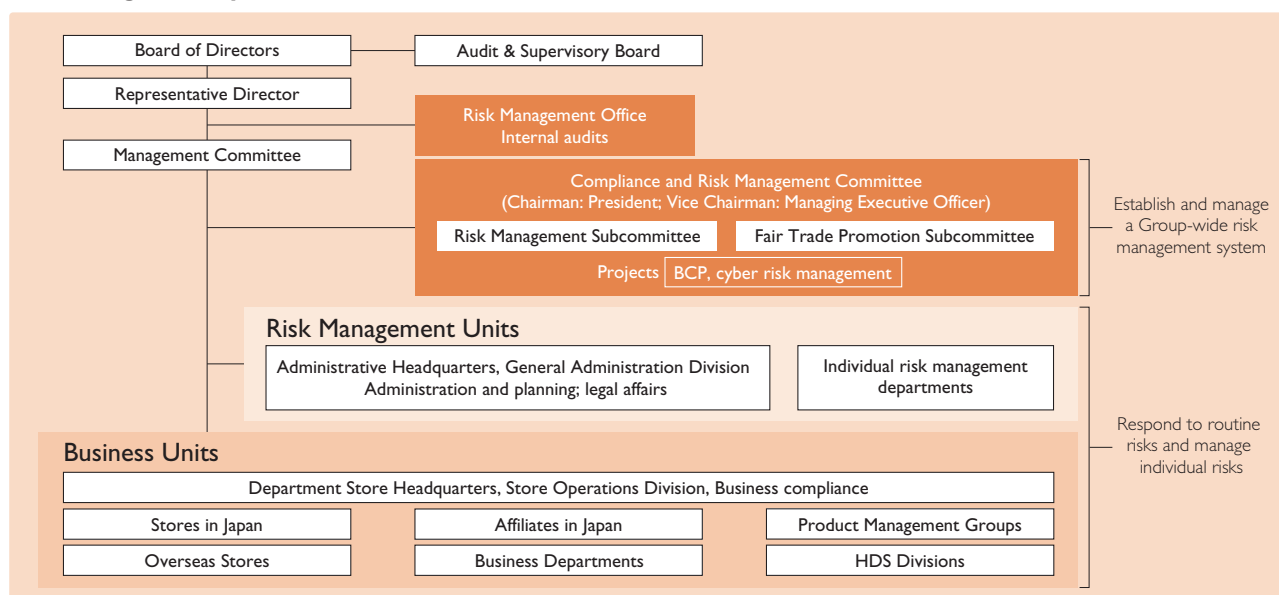
Stance on Compliance

- The Isetan Mitsukoshi Group Philosophy was created to serve as a code of conduct for officers and rank-and-file employees. To secure the trust of society, we take actions to ensure that its contents are well understood and applied throughout the Group, and we strive to maintain and improve our compliance system.
- Inside the Risk Management Office, an independent unit, we have established the Internal Audit Division as part of our efforts to put in place the organizational infrastructure necessary for ensuring the legality and reasonableness of our business activities.

Role of the Compliance and Risk Management Committee

- As an advisory body to the Management Committee, the Compliance and Risk Management Committee monitors the management of individual risks to minimize latent risks and the impacts of risks that are realized, and advance comprehensive risk management for the entire Group.
- Chaired by the president and CEO, the Compliance and Risk Management Committee includes 19 other members selected by the committee chair. Meetings of the committee are also attended by observers - members of the Audit & Supervisory Board and division representatives - whose presence is intended to promote information sharing.

Risk Management System (As of April 2017)



Engagement

In February 2017, we conducted our fifth online survey of Isetan Mitsukoshi registered online customers. Covering our CSR activities, this survey received responses from 14,299 customers. Opinions were gathered as part of the survey and totaled 6,448. We thank everyone who took the time to provide us with this valuable feedback, which we intend to incorporate in future CSR activities.

Fiscal 2016 Charity Campaigns					
Period	Title	Donation (Thousands of yen)		Store Sponsor	Donation Recipient
			Total		
May 2016	If Cats Disappeared from the World Charity Campaign Charity campaign conducted in collaboration with TOHO Co., Ltd. on the release of the movie, "If Cats Disappeared from the World." A portion of the sales of figurines modeled on the two cats who appeared in the movie were donated.	4,358	4,358	Group stores	Christel Vie Ensemble Foundation
		1,865	1,865		Japanese Red Cross Society
June	Charity workshop conducted in connection with the Japanese Ministry of the Environment's Eco Life Fair The Group participated for the first time as an exhibitor at a fair sponsored by the Ministry of the Environment at Yoyogi Park in Tokyo. The exhibit provided an introduction to the Group's environmental and biodiversity protection initiatives, and a workshop was conducted.	44	44	Exhibit at Yoyogi Park	Christel Vie Ensemble Foundation
		43	43		Petto Saigai Taisaku Suishin Kyokai (Association for Promoting Disaster-Response Measures for Pets)
August	JAPAN DEPARTMENT STORES ASSOCIATION's Kumamoto Earthquake Recovery Support Charity Limited-time sale of department-store-original Kumamon charity merchandise	4,111	4,111	Group stores	2016 Kumamoto Earthquake Donation and April 2016 Oita Prefecture Earthquake Disaster Victim Donation campaigns via the JAPAN DEPARTMENT STORES ASSOCIATION
October	"Connecting Three Generations through Newspapers" and Kumamoto support charities Newspaper-publishing charity event to celebrate Grandchildren's Day Print a newspaper for a selected day. For ¥300, a customer could have a newspaper printed for a selected day at any of eight department stores throughout Japan. ¥100 was donated to charity.	101	101	Isetan Shinjuku Main Store	Contributions to Kumamoto Prefecture's "2016 Kumamoto Earthquake Donations" campaign via Nihon Shinbun Kyokai
		87	87	Marui Imai Sapporo Store	
October	ARITA 400 project and ISETAN SHINJUKU Charity Sale Donation of all sales proceeds for designated items in the home furnishings and housewares event venue during the JAPAN SENSES campaign	160	160	Isetan Shinjuku Main Store	Saga-ken Kyodo Bokin Kai (Saga Prefecture Joint Charitable Donation Association)
October	Pink Ribbon Campaign	4,705	29,537 Since 2007	Group stores	JAPAN SOCIETY OF BREAST HEALTH, Pink Ribbon in Hakodate Team PINK!, Pink Ribbon Kagawa, Pink Ribbon Ehime, and Happy Mamma
December	Kyushu Seven Gods of Good Fortune Stamp Rally STAND FORTY_SEVEN project, a collaboration with BEAMS Co., Ltd., conducted at the Lucky Charm Market	219	219	Isetan Shinjuku Main Store, Mitsukoshi Nihombashi Main Store, and Mitsukoshi Ginza Store	Kumamoto Prefecture 2016 Kumamoto Earthquake Donation campaign
March 2017	Donguri Badge in Support of Disaster Recovery in East Japan	5,964	28,738 Since 2014	Group stores	The Morino Project
Year-Round	Sales of accessories designed by Christel Takigawa Donation of a portion of merchandise profits	2,084	7,880 Since 2014	Isetan Online Store	Christel Vie Ensemble Foundation
Year-Round	Contributions by MI Tomonokai members who support social contribution activities ¥100 donated for each time a customer specified recovery support as a loyalty reward	3,759	18,599 Since 2013	Tomonokai Counter at each Group store	Green Santa Foundation
Charity Donation Total		27,500	95,742		
Store Donations for East Japan Recovery Support		3,646	75,230	Group stores	Japanese Red Cross Society
Store Donations for Kumamoto Earthquake Relief		11,299	11,299	Group stores	Japanese Red Cross Society
Store Donations for Central Italy Earthquake Relief		118	118	Stores holding Italy exhibitions	Embassy of Italy in Tokyo
Store Donations Tottori Chubu Earthquake Relief		62	62	Isetan Shinjuku Main Store	Tottori Prefecture
Itoigawa Conflagration Store Donations		116	116	Niigata Mitsukoshi and Niigata Isetan	Niigata-ken Kyodo Bokin
Fiscal 2016 Store Donation Total		15,241	86,825		
Fiscal 2016 Charity and Store Donation Total		42,741	182,567		
Kumamoto Earthquake Donations			3,000		Kumamoto Prefecture
Kumamoto Earthquake Donations			1,000		Tsuruya Department Store
Kumamoto Earthquake Donations (Matching gifts)			6,006		Japanese Red Cross Society
Central Italy Earthquake Donations			3,000		Embassy of Italy in Tokyo
Fiscal 2016 Donation Total			13,006		
Isetan Singapore (SGD 308,500)			24,750		
Isetan Bangkok (THB 100,000)			324		
Mitsukoshi USA (USD 5,000)			582		
Mitsukoshi Roma (EUR 1,000)			123		
Fiscal 2016 Overseas Store Donation Total (Yen conversion, 2016, 12 rates)			25,779		

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Administration Headquarters, General Administration Division
Corporate Communication

TEL:03-6205-6003 FAX:03-6205-6009

5-16-10 Shinjuku, Shinjuku-ku, Tokyo 160-0022