

Isetan Mitsukoshi Holdings Ltd.

Isetan Mitsukoshi Holdings Report 2018

Integrated Report (Annual Report/CSR Report)

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Editorial Policy

Starting from the current fiscal year, the Isetan Mitsukoshi Group is issuing the Integrated Report, with the aim of having all of its stakeholders, including its shareholders and investors, understand the story of its value creation, in which the Group continues to grow sustainably by taking advantage of its universal values and strengths. This Report has been compiled by integrating the previous Annual Report and CSR Report and referring to materials including the Guidance for Collaborative Value Creation that was announced by the Ministry of Economy, Trade and Industry. We will issue this Report every year, refining it to make it a constructive tool for dialogues with all stakeholders.



*The departments and positions mentioned in this report are correct as of March 31, 2019.

Our philosophy

Connecting people and bridging times

Strive to change.

1. Observe and study your surrounding facts
for constant growth.
2. Innovate and stay ahead of times.
3. Respect others.
Be inspired by diverse views and ideas.

be a new one.

The Isetan Mitsukoshi Group

“Our” refers to the Isetan Mitsukoshi Group itself and everyone working there.

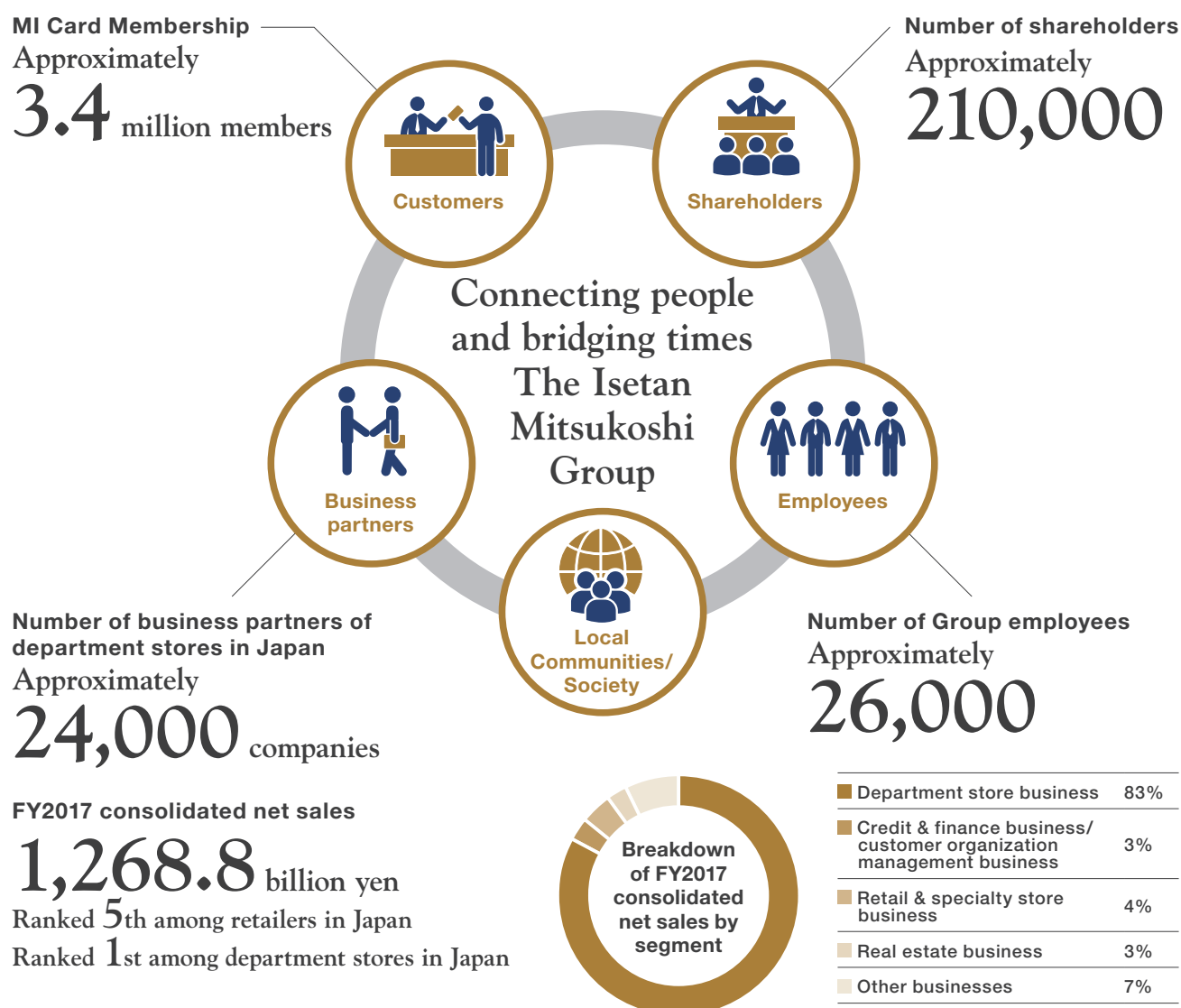
“Our Philosophy” means the reason to exist of the Isetan Mitsukoshi Group
and the Group’s vision for itself.

It is also a guiding principle to which we should always return and
shows how each and every individual should change.

Numerical Facts about the Isetan Mitsukoshi Group

The Isetan Mitsukoshi Group is a retail Group consisting of approximately 26,000 employees from 63 Group companies^{*1}. It boasts the highest sales among department stores in Japan. It engages in business activities in four segments^{*2}: the department store business, the sales of which account for around 80% of total sales, the credit & finance business/customer organization management business, the real estate business, and other businesses.

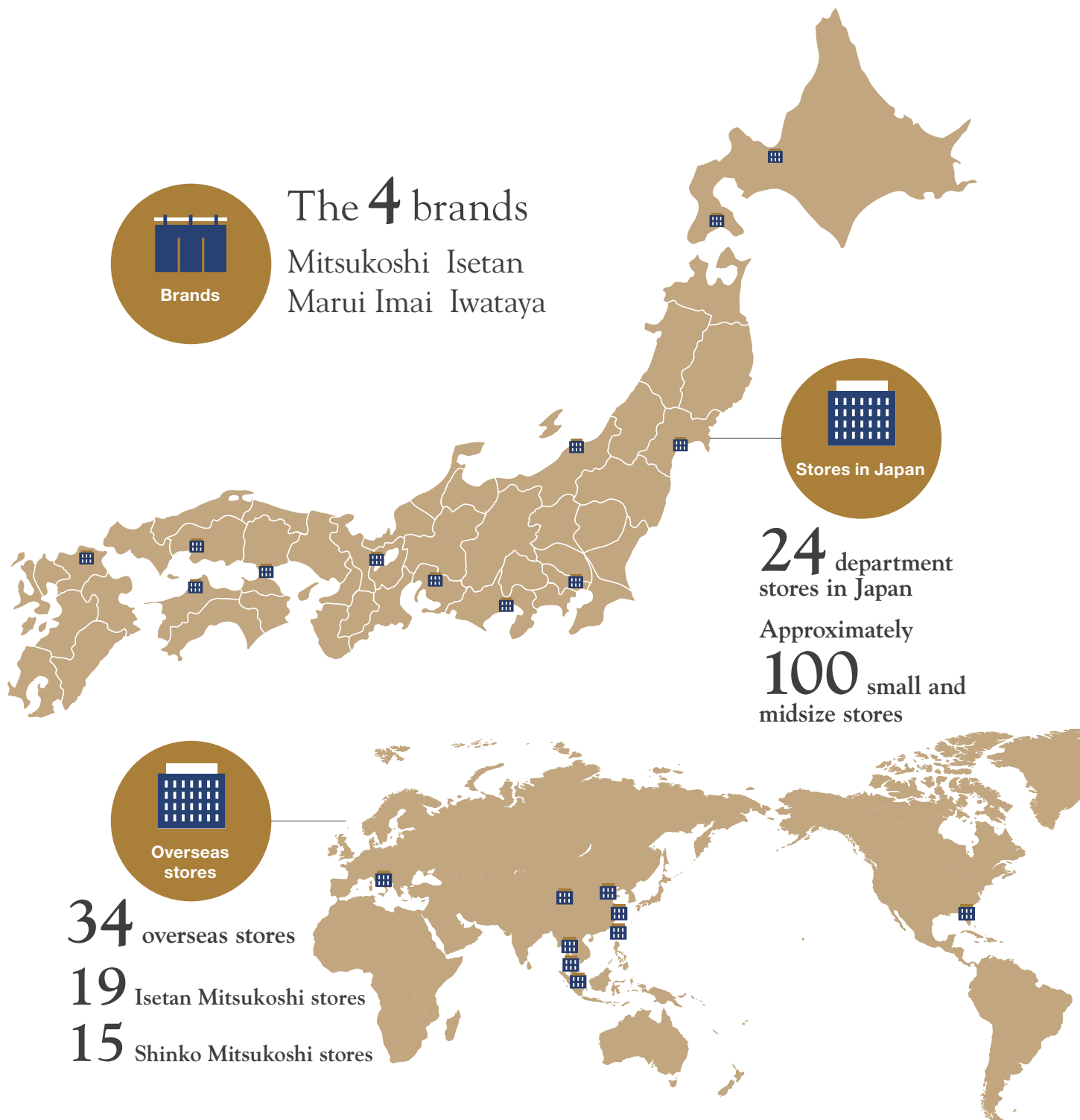
The Group has the four brands of Mitsukoshi, Isetan, Iwataya, and Marui Imai, operating 24 department stores and around 100 small and midsize stores all over Japan and a total of 34 overseas stores, which are located mainly in China and Southeast Asia.



115 years after the Department Store Declaration in 1904, the Isetan Mitsukoshi Group, which connects people and bridges times, will evolve further to become department stores in the new era that make use of the power of IT, stores, and Human Resources.

^{*1}: Including nine equity method affiliates

^{*2}: The retail & specialty store business was excluded from the business segments in FY2018.



Businesses of the Isetan Mitsukoshi Group



Department store business (online and offline)

Annual customer traffic
Approximately 250 million



Real estate business

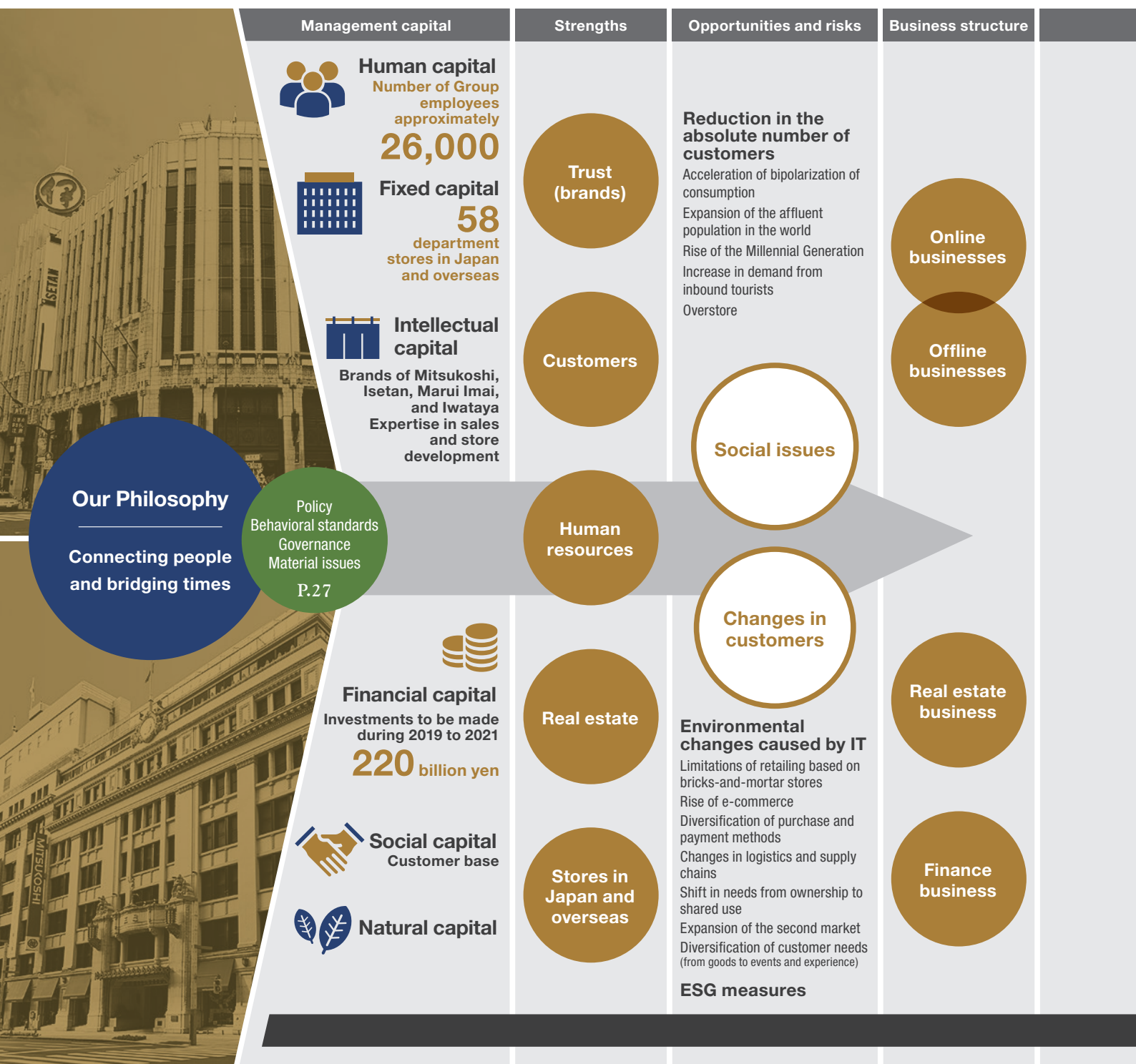
Owns excellent stores in Ginza,
Nihombashi, and Shinjuku



Finance business

Approximately 18% of all households in Japan with an annual income of 20 million yen or more are MI Card members.

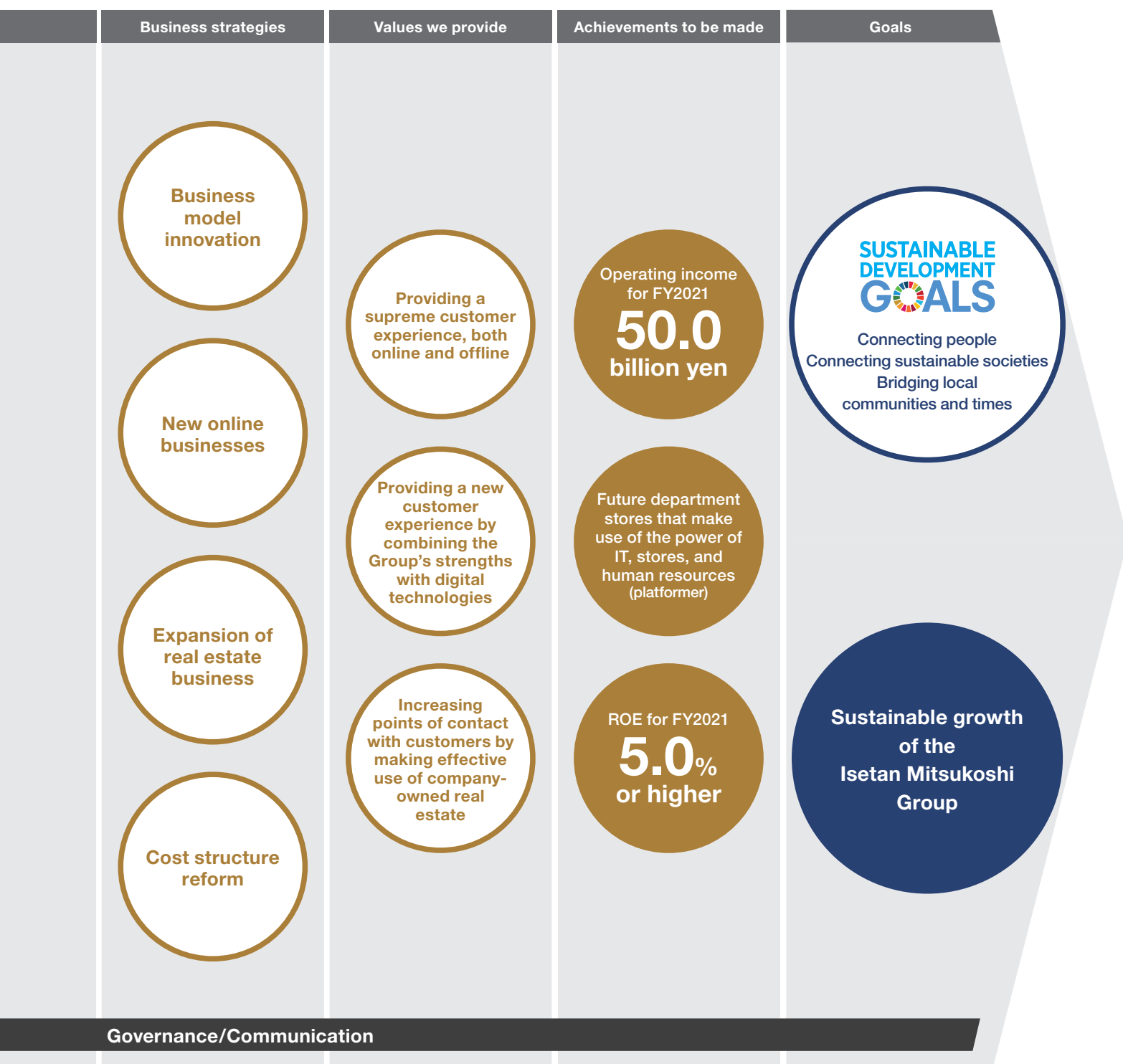
Process of Value Creation by the Isetan Mitsukoshi Group



Since its foundation, the Isetan Mitsukoshi Group has continued evolving by innovating its business models according to the changes of the times and bridging customers with goods and events.

While the environment surrounding the industry has been changing rapidly, the Isetan Mitsukoshi Group will continue trying to achieve greater innovative changes than ever by taking the environmental changes as opportunities. We will create department stores in the new era by connecting our brands, customers, human resources, real estate, and domestic and overseas stores, which are our strengths, with businesses by using the power of IT, stores, and people.

In addition, by responding to changing social issues and requests, we will build relationships of trust with all our stakeholders, including our customers, shareholders, investors, business partners, employees, and local communities. Through these efforts, we will enhance our corporate value and continue to grow sustainably.





We are now in transition to a new growth phase toward the next decade. We will drive new transformation and innovation by changing everything that needs to be changed.

President, CEO and CDTO
Toshihiko Sugie

Upon the 10th anniversary of Business integration, we will embark on a new step toward the next growth phase.

I am Toshihiko Sugie, President and CEO. In the current fiscal year, the Isetan Mitsukoshi Group, which was established in 2008, marked the major milestone of the 10th year since its formation. During this time, competition across industries has further escalated and the consumption of products has shifted to the consumption of services, indicating diversifying lifestyles.

In this business environment, in fiscal year 2017 we began to rapidly implement restructuring measures with the aim of achieving sustained growth, including the review of unprofitable businesses and cost structures in the Group, based on in-depth discussions with the officers and employees sitting face to face. As a result, we are now positioned to take the first step forward with an eye on the next growth phase.

“Connecting people and bridging times” is our mission.

In this regard, we established “our philosophy,” which is the *raison d’être* of the Isetan Mitsukoshi Group and the Group’s vision for itself, in the current fiscal year as a new corporate philosophy and will work to accelerate our reform of “Connecting people and bridging times” for the next growth phase.

In 1904, while modernization had been underway since the Meiji Restoration, Mitsukoshi issued the Department Store Declaration and transformed from a traditional kimono shop into a modern retail store, the first in Japan to do so. We increased the variety of products we offered at the storefront by adding imported cosmetics, children’s clothes, bags, shoes, and other products. We thus played a significant role in developing Japanese culture during the age of modernization.

Department stores have existed for as many as 115 years since their launch in the Meiji Period because they represent an attractive business model, offering everything related to clothing, food and housing.

Approximately 30 years ago, however, they underwent a major shift to a style of selling mainly women’s apparel. This was shortly after the start of the bubble economy. The business model of dealing with highly profitable women’s apparel supported by strong needs among women who were the driving force of consumption in those days led to significant success. After having earned greater profits, however, department stores became conceited and stopped evolving their businesses. Looking back at the major innovations we made in the past, Japan’s first self-propelled parking facilities were constructed at Isetan Shinjuku Main Store preempting the



Internal briefing on the start of our philosophy

popularization of private cars. At a time when women’s apparel came in small, medium and large sizes, we offered six different sizes, from 5 to 15. The Isetan Mitsukoshi Group has built relationships of trust with customers through proposals and the transmission of ideas ahead of the other department stores. In addition, turning the basements of department stores into food hall was a unique idea created by Japanese department stores, and it had not been seen anywhere else in the world at the time.

Unless we revive the innovative structure that we had in the past and establish a corporate culture that can generate innovation, there will be no future for us as department stores.

Today, the Internet has made it easy to purchase goods. What we should do in the future is not to simply sell goods but to “connecting people and bridging times,” which cannot be achieved by the Internet. Creating this connection is our mission as the Isetan Mitsukoshi Group.

We will resume the corporate culture, spirit and mind that have generated innovations

However, innovations will require some time, because value is created through people in many aspects of the department store business compared to other industries. The headhunting of human resources with wonderful technological expertise or the merger and acquisition of other companies alone are not sufficient to advance reforms.

There are only a limited number of issues that can be solved immediately with a top-down approach. Unless individuals in different positions have an awareness of generating changes and unless individual store changes itself one by one, our reforms will not advance.

For this reason, our policy for this fiscal year is to firmly establish a corporate culture and spirit. I have already conveyed the message “Let us change everything” to all

We will positively develop reform toward the new era.

employees, so as to develop a workplace environment in which each member can put what he/she should do into proper perspective and then translate that into action, without taking a defensive position. The mission of department stores is to offer customers better lifestyles and fulfillment. In the past, we believed that having value-added products in our stores and selling them to customers would contribute to their well-being and happiness. However, technological progress has enabled easy access to information via the Internet. While maintaining our basic attitude regarding dealing with customers, we will need to change everything about the method and means for communication with customers.

Digital transformation is paramount.

The most critical matter at present is our response to digital transformation. Approximately 10 years have passed since smartphones became popular. Now, almost all customers use smartphones to collect information, send messages, make purchases and receive services. Our everyday lives have been significantly transformed. The department store business has not been able to respond to these sea changes, and we must begin to innovate rapidly right now.

A couple of decades ago, if we aired a TV commercial, we could draw customers' attention. Now, everything has been overtaken by Internet word-of-mouth. In addition, customers can check current events at the commercial facility where our store is located before visiting it. If there is a more interesting event at another commercial facility, they will simply change their destination. We will need to further enhance our information dissemination capabilities and expedite the process of creating a system to prevent customers from changing their destination. We will be willing to make investments for this purpose.

Enhancement of customer satisfaction through digital transformation

Moreover, facing an era of population decline, the recruitment of human resources will inevitably become more difficult. In the future, the lack of personnel will also need to be dealt with using digital technologies. Under the current system, customer information is managed

on each shop of our store so that we can treat those who come to the shop as frequent customers. On other shops, however, they are not treated as frequent customers because such information is not shared among the different shops.

In the future, the first floor that a customer visits and made purchase when he/she comes to our store should capture customer visit information that should be shared throughout the store in order to implement an appropriate response. Such information management may be difficult with human power alone, but will be possible using digital technologies. In addition, the purchase data of MI Card users are analyzed on a single product basis in the Isetan Mitsukoshi Group, unlike other department stores. By using such data and other measures such as determining what prompted a user's visit to our store and what a user searched on the Internet before visiting our store, we will be able to improve the quality of our services and achieve greater customer satisfaction.

To cover a shortfall in human resources while improving services and customer service capabilities, digital transformation is essential. Although human beings cannot live in confinement at home, the ratio of sales via the Internet will rise and that of over-the-counter sales will decline further in the future. I am acutely aware that the Isetan Mitsukoshi Group will need to stay at the forefront of such reforms toward the next era.

The effective use of our assets will be promoted based on a long-term vision.

The task of creating a framework toward the next era is one of the issues about which we must start thinking carefully. How will we deal with our stores in the future? If we are to scale down these stores on the ground, what will we do for the effective use of real estate and other assets?

The Isetan Mitsukoshi Group ranks among the top real estate owning listed companies in Japan. The effective use of the assets is a major issue in any era.

For example, we own parking lots in the peripheral areas surrounding the Isetan Shinjuku Main Store and other real estate properties. We are taking time to consider how these properties should be redeveloped in the future in order to enhance profitability. We have similar issues in our other stores. All of these require a long-term perspective, and I think we need to start working on them now.



We will need to advance reforms at least by the time of the start of the Olympic and Paralympic Games Tokyo 2020, as we expect a large number of customers to visit from overseas. During this period, we need to advance our reform with eyeing on the next era. This notion is shared by all the members of the management team.

Promotion of structural reforms in all areas

A year has passed since I took office as president. At the beginning, the issues discussed in the management team were broadly categorized into “backlog issues accumulated over the years” and “new issues arising in the last few years.”

Overcoming these issues will inevitably entail painful reforms, and leadership changes are good opportunities for advancing reforms. The current management team is moving ahead positively with reforms of unprofitable



A dialogue with on-site managers on our philosophy

businesses, cost structure and other issues in all areas. For example, Mitsukoshi Isetan Food Service Ltd., a subsidiary operating the supermarket business, had been struggling and had dim prospects for returning to profit after having implemented store remodeling and other measures. In April 2018, we conducted corporate divestiture by selling 66% of its shares to Marunouchi Capital Inc., an investment fund.

In addition, we are reviewing unprofitable stores and closed the Isetan Matsudo Store in March 2018. And we had announced to close the Isetan Sagamihara and Isetan Fuchu stores in September 2019, and Niigata Mitsukoshi in March 2020.

Although, at the onset of the series of structural reforms, we thought it would take more than two years to solve the backlog of issues accumulated over the years, we have actually implemented reforms for those with higher priorities in the past year. We naturally have ongoing initiatives and are working to determine the best direction for the remaining issues and to implement action plans. During the past year, some stakeholders expressed opinions to the effect that they could not see our next growth phase. As we have made some progress in reviewing unprofitable businesses and undertaking cost reduction reforms, we can finally talk about growth in the next 10 years.

We will step up reforms by continuously solidifying our defensive footing while adding new aggressive measures, and we will ensure that both defensive and offensive measures work well.

“Visualization of profits” at more finely differentiated levels than the store level

At the time I became president of the Company, “visualization of profits” was an important issue. For example, although we could see that a particular store was unprofitable or profitable, we failed to sufficiently examine why. To deal with this problem, we started to examine profits by breaking them down into each floor, each shop and each event from the previous fiscal year. This motivated everyone to make creative efforts and is starting to produce results, including improved profitability. We have been pursuing these initiatives for a year, with some stores returning to profitability as a result of cost cutting while others may face a limit at some stage if sales do not increase.

In this fiscal year, our efforts will be focused on cost reallocation for profit maximization from the current level of cost reduction.

Currently, cost ratios have not changed much even though sales increase or decrease. Cost of sales is part of the expenses that arise before generating profits and it is important to efficiently allocate cost.

Through the integration of “human resources,” our strength, and “digital technologies,” we will provide new value to our customers.

Unless we make a fundamental change in this regard, we will not transform ourselves into a company with a profit-generating structure. As we are now in the second year of reform in the current fiscal year, we will strengthen the movement toward a complete shift from our previous way of thinking.

Revitalization with a focus on flagship stores with strong growth potential

Many customers are expected to visit our flagship stores from within Japan and overseas until the end of the Olympic and Paralympic Games Tokyo 2020. In fiscal year 2017, the Isetan Shinjuku Main Store recorded the highest sales, second only to the all-time high recorded in 1991 during the bubble economy.

The Mitsukoshi Ginza Store achieved record-high sales, and we gained confidence that the figures supported the results of repeated trial and error for the past 10 years. We will continue to strengthen sales toward 2020 by actively investing in our flagship stores.

For example, although sales of cosmetics have tripled compared to those 10 years ago at the Isetan Shinjuku Main Store. Since we are obviously inconveniencing customers due to the small area, we think that sales will grow further if the floor area is expanded.

In addition, sales are rising steadily at the brand shops introduced in the new annex of the Mitsukoshi Nihombashi Main Store compared to previously, when the store had insufficient varieties of jewelry, watches and other high-end brand products on offer.

In this way, we will place greater focus and emphasis on developing stores so that they generate profits by concentrating investments in the flagship stores as a starting point. When we accumulate profits in our flagship stores, we can make additional investments for further growth. By working intensively on reforming the flagship stores while we work to maintain the current trend of strong sales, we are determined to build solid financial strength to enable the expansion of cash flows and make reinvestments. Higher cash flows will enable us to take on more challenges in the next growth phase. We will provide new value to our customers through the integration of “people,” our strength, and “digital technologies.”

Aiming to be future department stores that make use of the power of IT, stores, and human resources, or platformer

The transformation of the business structure using the Group’s strengths is the key to the three-year plan (FY2019 to FY2021) announced in November 2018. In the environment in which electronic commerce and mail order firms are increasing their presence, the Isetan Mitsukoshi Group must accelerate the establishment of new businesses utilizing the digital fields.

In this regard, we will connect e-commerce (online) and stores (offline) by using the power of IT, stores, and human resources, aiming to be future department stores that create new value by taking advantage of human resources as a strength. This is something only the Isetan Mitsukoshi Group can do.

What will be important in the coming era is how we improve our dialogue with customers based on “human resources” + “AI.” I am convinced that we can establish a platform for the dialogue because the Isetan Mitsukoshi Group has extensive human resources who can create new value by having dialogues with customers and making proposals.

For example, staff members at the storefront should improve their capabilities to transmit information, make digital records of proposals to customers and feed these cases as teaching materials into AI. AI can grow further through records of email exchanges with customers.

At the Mitsukoshi Nihombashi Main Store, a new model of human resources development has already been introduced with an eye toward using digital technologies. When staff members acquire the capabilities to have an understanding of and sell the products on an entire shop and make proposals, in addition to being in charge of one particular place of a shop, they can guide customers who are wondering which products satisfy their needs to the right products. We are currently cultivating the seeds of new businesses for the future.

In addition to the above, in the spring of 2019, we are planning to launch new initiatives using digital technologies. One is personal styling, in which our stylists provide counseling to customers via online chat and deliver a personalized selection of products to their homes, without customers’ visiting a store. We will also launch an

integrated cosmetics website, which will offer one of the widest selections of products in Japan, information and contents which allow customers to find the products they want, and convenience.

ESG initiatives for responding to demands and issues arising from changing society

Rapid changes are taking place in the social environment surrounding businesses. In our business activities, we need to respond to demands and issues arising from changing society from the perspectives of ESG and SDGs.

At the Isetan Mitsukoshi Group, we will enhance initiatives for connecting people, connecting sustainable societies, and bridging local communities and times by positioning them as material issues on ESG. In addition, we established the Sustainability Promotion Committee during the current fiscal year and announced the Isetan Mitsukoshi Group Procurement Policy in May 2018 to convey our approach to CSR procurement to stakeholders. We will work to further boost its effectiveness.

As it is important to continue promoting these measures, not to view them as one-off projects, we will clearly define systems for promoting such measures in the future



to contribute to solving social issues around the world, while at the same time creating value that is unique to the Isetan Mitsubishi Group.

We will further promote our dialogues with stakeholders.

We have been working rigorously to uphold our corporate governance system. We are confident that our system is one of the most outstanding systems among Japanese companies.

For example, the Nomination and Remuneration Committee holds more than 10 meetings annually, and the number of meetings held since the corporate integration has already exceeded 110.

Moreover, since reputation and evaluation are vital to department stores and other retailers, we are making utmost efforts to build systems that can be trusted by customers.

We have, however, become aware that our disclosure of these measures has been insufficient. Therefore, we will actively disclose our daily activities starting in the current fiscal year to make investors aware of the merits of the Isetan Mitsukoshi Group.

We will also engage in dialogues with stakeholders more proactively than ever before. We believe that corporate governance does not end when the relevant systems are in place, but is to be fostered based on dialogues with investors and other stakeholders.

As the president of the Company, I sought to respond to opinions and questions from shareholders at general meetings of shareholders as much as possible. I believe that the most suitable form for us as a publicly traded company is to have continuous dialogues with more and a wider variety of people and to incorporate their advice in our management policies. We hope to make fair disclosure of information and have in-depth discussions and sincere dialogues. Under the three-year plan (FY2019 to FY2021), we will aim to achieve 35 billion yen in consolidated operating income with a return on equity (ROE) of 3.7% in FY2019, and 50 billion yen in consolidated operating income and an ROE of 5.0% in FY2021, as our medium-term key performance indicators (KPIs).

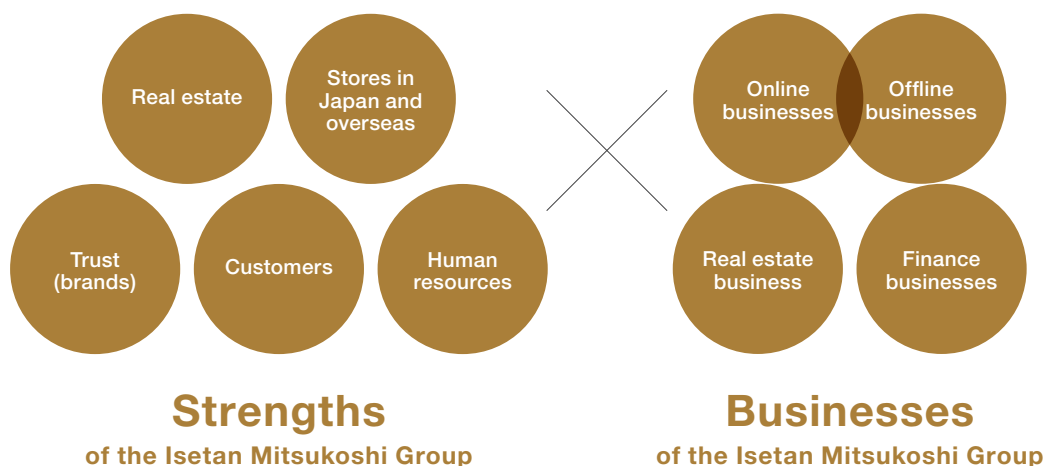
We are well aware that our ROE is at a low level and should be raised to the industry average as much as possible. In order to achieve this, we will work to further our business management with an emphasis on net income and ROE. For example, the management team will consider share buybacks and other means of shareholder returns and have positive discussions on enhancing our earnings power.

We would like to ask for the continued support and encouragement of all shareholders and stakeholders.

Connecting people and bridging times

Major changes in social trends	Changes in the environment surrounding the Isetan Mitsukoshi Group
<p>Demographic changes</p> <ul style="list-style-type: none"> ▶ Acceleration of decline in birthrate and aging of population ▶ Population concentration in urban areas and depopulation of rural areas ▶ Increase of population in ASEAN countries, Africa, India, and others ▶ Economic growth of Asia and Africa <p>Evolution of digital technologies</p> <ul style="list-style-type: none"> ▶ Environmental changes attributed to the IT revolution ▶ Expansion of sharing economy <p>Establishment of a sustainable society</p>	<p>Reduction in the absolute number of customers</p> <p>Acceleration of bipolarization of consumption Expansion of the affluent population in the world Rise of the Millennial Generation Increase in demand from inbound tourists Overstore</p> <p>Environmental changes caused by IT</p> <p>Limitations of retailing based on bricks-and-mortar stores Rise of e-commerce Diversification of purchase and payment methods Changes in logistics and supply chains</p> <p>Shift in needs from ownership to shared use Expansion of the second market</p> <p>Diversification of customer needs (from goods to events and experience)</p>

Strengths and business structure of the Isetan Mitsukoshi Group



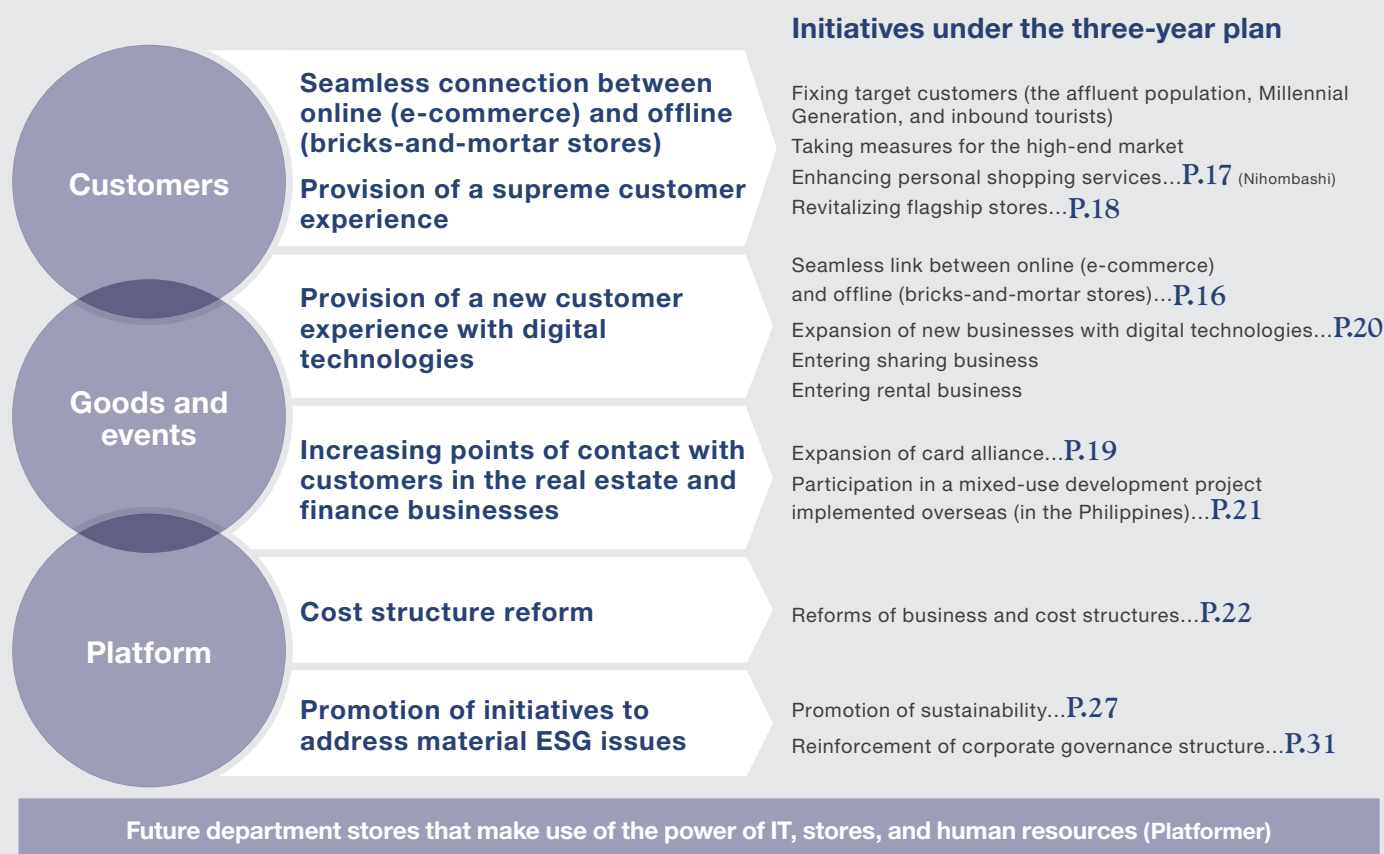
Taking environmental changes as business opportunities

Aiming for Future department store that connect customers with goods and events via platforms

We celebrated the 10th anniversary of the Isetan Mitsukoshi Group in the current fiscal year. The environment surrounding us has changed significantly during these ten years.

While the further progress of digital transformation, population decline, and other issues are expected to remain, we have formulated a three-year plan (for FY2019 to FY2021) aiming for the next period of growth. We will continue growing as Future department store by taking the various risks surrounding us and environmental changes as opportunities and creating new businesses and value by taking advantage of IT, stores, and people as our strengths.

Future direction of value creation



In the current fiscal year, we set connecting people and bridging times as Our Philosophy, which is the raison d'être of the Isetan Mitsukoshi Group and the Group's vision for itself. Under this Philosophy, we aim to be future department stores that make use of the power of IT, stores, and human resources.

By their nature, department stores have been serving customers as places for not only shopping but also enjoying dining and pastimes. However, customer needs have been changing, reflecting the changes of the times. Our latest goal is to be a new mediator, which is different from conventional department stores, once again.

With the rapid development of IT, information about goods and events all over the world has become available. As a result, customers' purchasing behaviors have changed significantly. In this environment, we will maximize our strengths by combining the strengths of the Group and its business structure by using IT and strive to develop new business strategies and infrastructure. We will thus aim to create new value as a mediator who connects customers with goods, events, and information both online and offline.

We will provide an unprecedented customer experience by transforming our businesses with a new framework centered on the new department store business (online and offline), the real estate business, and the finance business, based on our strengths including stores in Japan and overseas, real estate we own, brands, customers, and human resources. We will thereby deepen our bond with customers and the times and play a role in connecting people and bridging times.

▶ Three-Year Plan of the Isetan Mitsukoshi Group

In FY2017 and FY2018, we proceeded with transformation through structural reform as a preliminary measure. In FY2019, we will finally shift our focus to the full-scale transformation aimed at the next growth phase and provide our customers and other stakeholders with new value as a corporate group that connects people and bridges times. We will also work on a drastic reform of our cost structure to establish a revenue base for achieving our growth strategies.

Direction of the value we provide



Overall picture of the strategies



Business Strategies

Growth strategy 1 Business model innovation

Providing a supreme customer experience, both online and offline

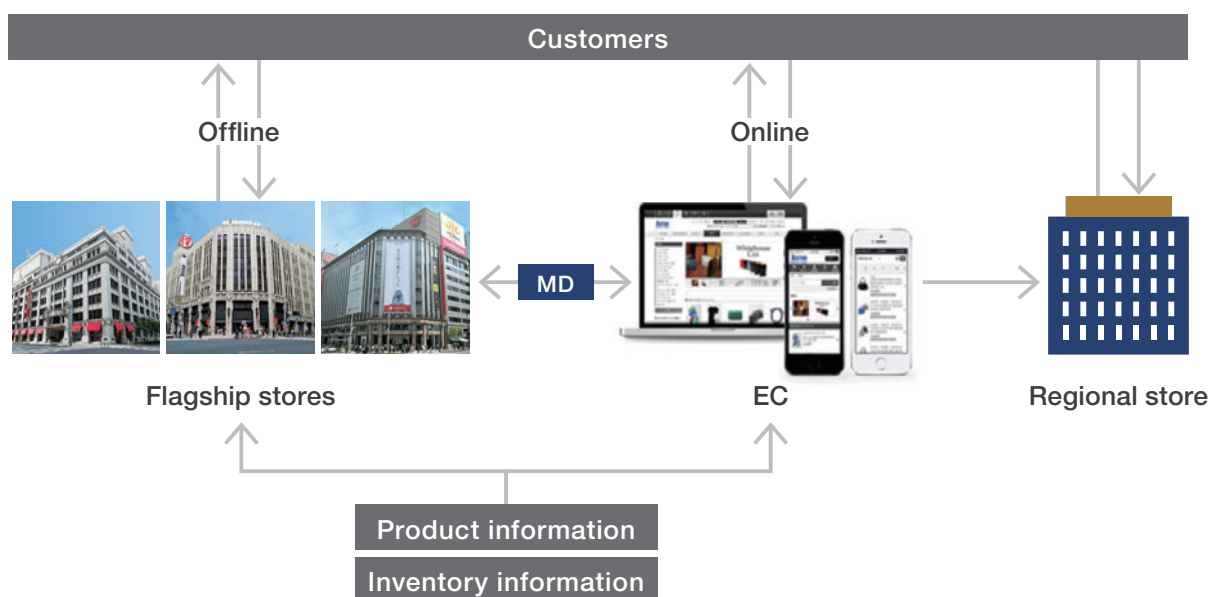
① Making the products offered in flagship stores available online and in regional stores

We will work on business model innovation to provide customers with a supreme customer experience anytime, anywhere. First, we will link Isetan Shinjuku Main Store, the base point of our offline business, with our online business (e-commerce) smoothly in our attempt to suggest a wider variety of products in a larger number of categories at the store. For this purpose, we will seek to digitize the products offered at Isetan Shinjuku Main Store by expanding inventory integration with our business partners. We will also establish an office-cum-studio dedicated to the creation of online product

information (photo-shooting, size measurement, and writing of product descriptions) and proceed with the digital registration of products.

While the lineup of products offered at regional stores is limited, the connection between flagship stores' MD and online system (e-commerce site) will enable products to be purchased from flagship stores by ordering them. Moving forward, we will establish a system consisting of salons, tablets, and other elements to provide customers of regional stores with the experience of purchasing goods at a flagship store.

Integrating product and inventory information of flagship stores and the e-commerce site



② Providing a new customer experience by using digital technologies (improving the quality of customer services)

We will digitize and accumulate qualitative information obtained through online and offline customer services. Based on the customer service data, we will provide optimal suggestions to every single customer, both online and offline. We will thus provide a new customer experience to improve the quality of our customer services. In stores, we will arrange for information about customers who are planning to visit stores, including their purchase history and taste, to be shared by all departments and store staff. Based on this information, we will find the best matches for each customer by searching in our

wealth of product information and services. We will thus provide the optimal customer services and make optimal suggestions.

As a tool for connecting customers with stores, we will use a website for web members that can be accessed from both PC and smartphone. On this website, members can make reservations for a range of services and events, check information including their purchase history, receive personalized recommendations, and use other functions. We are planning to expand these services one by one.

Specific example of new customer experience (an initiative taken at Mitsukoshi Nihombashi Main Store)

We began to take the following initiative at Mitsukoshi Nihombashi Main Store, ahead of other stores, when it was reopened in October 2018 after being remodeled. The initiative is part of the measures for providing a new customer experience using digital information.

Reservation

Our web service allows customers to check services, events, stylists' profiles and their schedules in advance and make reservations at their convenience. They can also make reservations by telephone or in store.

Visit to the store

When a customer visits the store, requests from the customer are shared by store staff using digital technologies. They make preparations so that multiple staff members can serve a particular customer. We therefore provide our customers with new shopping experiences.

Customers drop in at the reception on the 1st floor, which is our base for providing hospitality. At this counter, guides are ready to serve customers at all times. The guides introduce concierges, who are on duty at all times at the personal shopping desk on each floor, according to the purpose of each customer. The concierges not only show the products offered on each floor, but also provide information beyond boundaries between categories and between brands. They provide hospitality to customers by cooperating with stylists with a high level of expertise and concierges of other floors to meet each customer's request.

System that supports our customer services

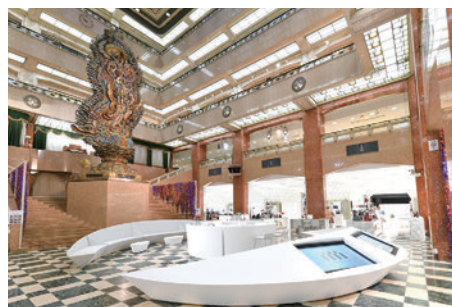
At the store, we have introduced a customer service tool for stylists, with which each member of the sales floor staff accumulates customer service information and purchase information of each customer in customer records. Customer information is shared by the sales floor staff members using mobile devices and tablets. In this way, information that used to be managed separately, such as customer data and concierge information, is now managed in a centralized manner. This has eliminated duplication and waste and has increased the amount of time for providing higher-quality hospitality.

We will expand this tool, which we first introduced at the Mitsukoshi Nihombashi Main Store, to the other stores one by one.

*At the Isetan Mitsukoshi Group, we call our sales clerks "stylists," aiming to style customers' attractiveness, sensibility, and other elements through our customer services.



Top page of the website for web members



Reception



Personal shopping desk



Customer service provided at a personal shopping desk

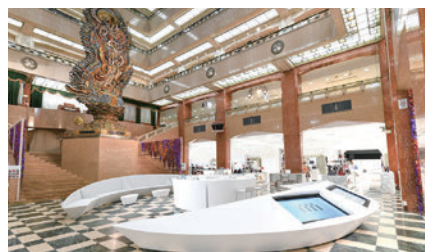
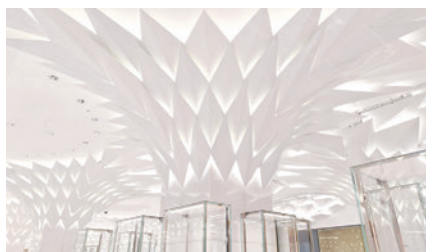
Optimal delivery of information

At stores, we also deliver information to customers based on various attributes on a trial basis. In the future, we will deliver more personalized information by analyzing customer segments in more detail. Based on customers' reaction to the delivered information and other data, we will analyze customers' interests on a real-time basis and make use of the results of the analyses in creating the next measures.

Redevelopment of flagship stores aimed at achieving the growth strategy

Our greatest advantage is the fact that we own our flagship stores in the center of Tokyo, one of the world's leading metropolises. We will make strategic investments to make the flagship stores even more distinctive in our efforts to maximize our corporate value.

Remodeling of Mitsukoshi Nihombashi Main Store



We are proceeding with the remodeling of Mitsukoshi Nihombashi Main Store, aiming to convert it from a conventional department store focused on goods into a specialty store centered on customer service and hospitality, which is the greatest strength of the store. On October 24, 2018, the store had its grand opening after completing the first-phase remodeling. We introduced a new system for hospitality by combining our people, environment, and services with digital technologies so that customers can enjoy a special experience. On the first floor of the main building, we established a reception as the base for providing services, where around 100 guides are ready to listen to requests from customers and show them to the personal shopping desk on each floor. At the desks, around 90 concierges, each of whom is familiar with a particular category, are on duty at all times. They are ready to help customers carry out shopping in accordance with their

requests, beyond boundaries between brands, categories, and floors.

Further, by using digital technologies, we have reinforced the system for information sharing by staff members, allowing them to offer the optimal hospitality to each customer.

With regard to the in-store environment, Mr. Kengo Kuma, a renowned architect, worked on the environmental design of the first floor of the main building, which is the main entrance to the store. Under the concept of glistening white forest, he created a space that makes customers feel excited.

We are aiming to complete the second-phase remodeling within FY2019. In this phase, we will expand the product lineup in the categories of watches, jewelry, art, exclusively ladies' and men's fashion and accessories, and ladies and men's fashion. We will present the new appeal of Nihombashi in the overall facility.

Remodeling of Isetan Shinjuku Main Store

We are remodeling Isetan Shinjuku Main Store with the aim of fulfilling its mission "Isetan gives new meaning to Fashion." At this store, we will create new value through activities including the deep pursuit of genuineness and quintessence, the expansion of the product lineup, and the suggestion of new customer experience.

The first-phase remodeling is currently underway. We have begun to renovate the entire men's building for the first time since its opening in 2003. In September 2018, we opened a shoe order room on the 1st basement floor and an authentic wear department on the 7th floor. Moving forward, we will continue remodeling the other parts one by one toward the spring of 2019. We will enhance our global products and services by pursuing global cutting-edge, top-drawer fashion. We will also reorganize floors for casual goods in response to changes in lifestyles and the diversification of values,



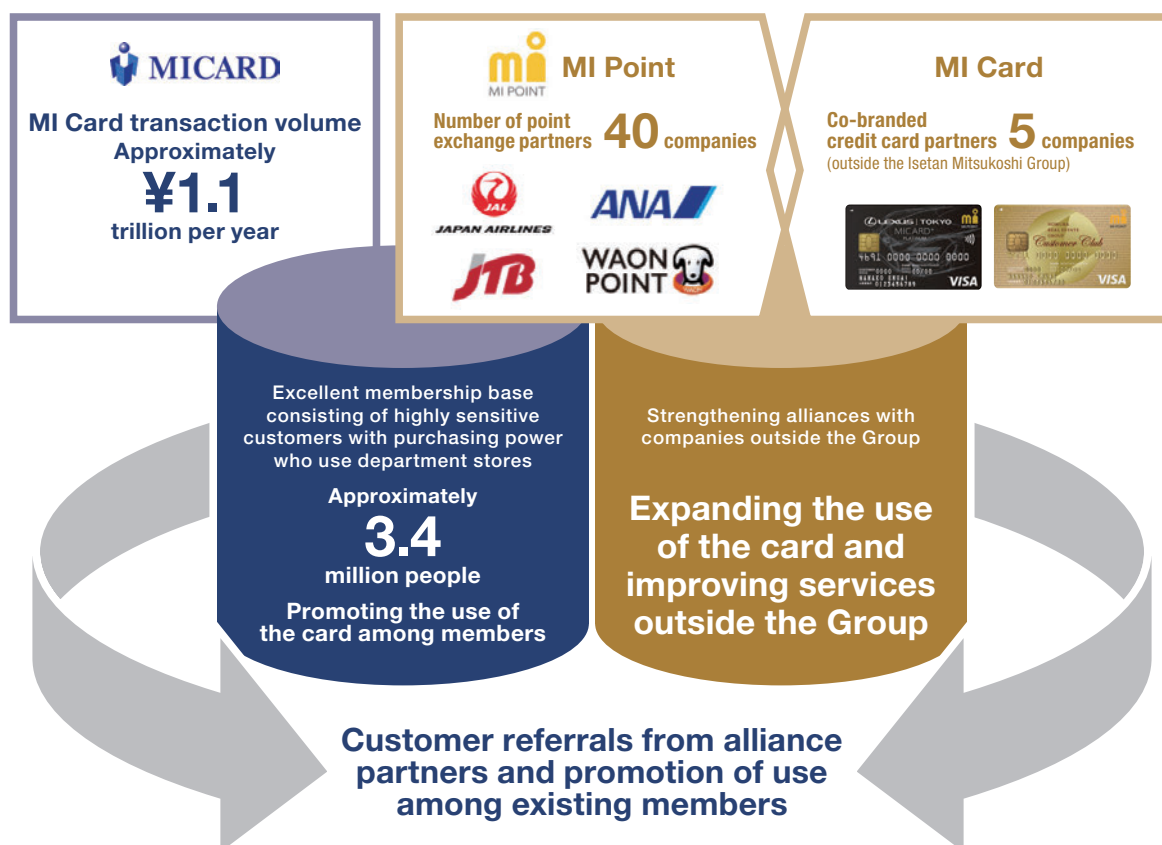
expand customized products that satisfy the desires of individuals, and enhance the communication environment. In the second-phase remodeling, which we will work on in FY2019, we will expand the lineup of products offered in the main building, including watches, jewelry, cosmetics, and luxury brands, to respond to changes in customers' lifestyles and the diversification of values. We will thus strive to make this store even more distinctive.

Strengthening finance business

The majority of customers use the MI Card when they shop in stores of the Isetan Mitsukoshi Group. The card has around 3.4 billion members, who use department stores of the Group in Japan and who are highly sensitive and have purchasing power. The transaction volume is 1.1 trillion yen. In addition, MI Card members constitute around 18% of all households in Japan with an annual household income of 20 million yen or more*. The card utilization rate is 85%, which is among the highest in the industry.

In the finance business, we are working on the expansion of alliances with companies outside the Group, mutual customer referrals with them, and the improvement of our services by taking advantage of the excellent customer base. Specific initiatives include the issuance of co-branded credit cards and the expansion of point exchange partners of MI Points, the bonus point program of the Group. We will continue striving to further increase our earnings strength by increasing the number of new members and promoting the utilization of the card.

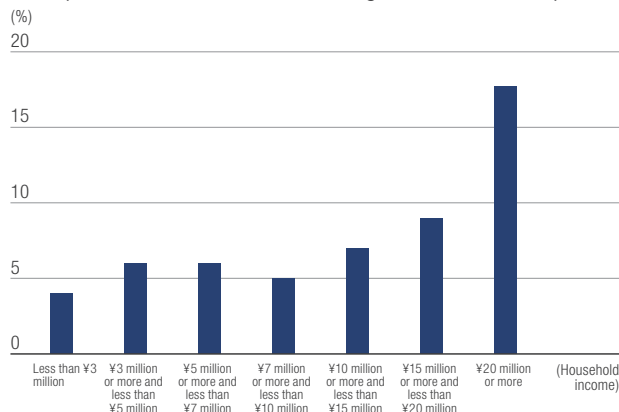
*Data on all households for FY2016 (Ministry of Health, Labour and Welfare)



Excellent customer base

MI Card members account for a large proportion of all households with high annual income, constituting an excellent customer base.

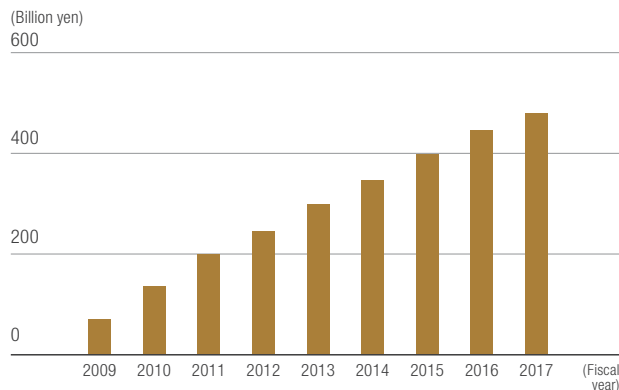
■ Proportion of MI Card members among all households in Japan (%)



Use of the card outside the Group

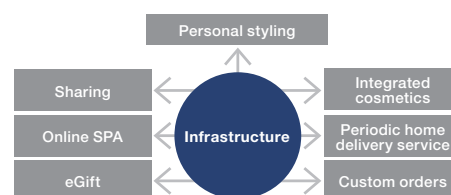
The use of the card outside the Group has been increasing steadily since the issuance of a card that is co-branded with an international brand (October 2008).

■ External transaction volume of MI Card (Billion yen)



Providing a new customer experience by combining the Group's strengths with digital technologies

To provide customers with a new purchase experience, we will work on the development of new online businesses that take advantage of our strengths by using the common infrastructure of the Group. We will offer a wider variety of products than we can provide at bricks-and-mortar stores and diversify purchase methods. We will also link online businesses to each other to expand the business scale and improve customer convenience. At present, we are planning projects on seven businesses



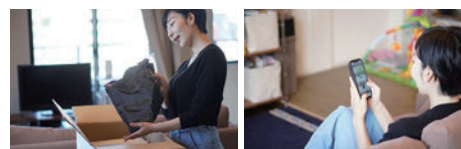
and promoting them by utilizing the agile method. We will develop the feasible ones among them into business models with the aim of making them sources of profit in the future.

Examples of new customer experience

Personal styling

Full-scale launch planned for the spring of 2019

Taking advantage of the expertise of Isetan Mitsukoshi's stylists, we will suggest a new shopping experience to customers who are interested in fashion but do not have time to go shopping in department stores daily and young people who have never gone shopping in a department store. We will offer live chat counseling, through which a customer tells our specialized stylist what they want. In response, the stylist combines the customer's intention with their own sensibility, suggests distinctive styles based on the extensive range of products offered in our



department stores, beyond boundaries between brands, and sends the products to the customer's home. This means that customers can take their time trying on products whenever they want, without coming into the store, and choose them by checking their own wardrobes. They purchase the products they like and return the unwanted ones to us.

Integrated cosmetics website

Full-scale launch planned for the spring of 2019

By taking advantage of Isetan Shinjuku Main Store's information transmission capacity and product lineup as its strengths, we will establish an integrated cosmetics website that offers one of the widest product selections in Japan, information and contents that enable customers to find the products they want, and the convenience required for e-commerce.

We will offer a wider lineup of products by offering brands that are not provided in department stores, not to mention those that are available in the stores. We will also offer a full range of product search functions and deliver information as well.

We will create and operate a highly convenient website that caters to the diverse needs of customers, including those who usually purchase cosmetics over the counter but are too busy to come into the store for additional purchases, those who are interested in cosmetics products but live in areas without a department store, and those who have never purchased cosmetics at a department store.



ISETAN DOOR (periodic home delivery service)

Launched in June 2018

This is a new periodic home delivery service that we provide online. It is a proposal-based service for enriching customers' everyday lives, which we provide by taking advantage of Isetan's capability of making suggestions and its product lineup. We provide around 5,000 items that are carefully selected by buyers and stylists of Isetan. They range from popular sweets offered on the basement floors of department stores to everyday foods including chilled food and perishable items, foodstuffs related to special in-store projects, and items for supporting expectant mothers and women rearing children. Orders can be placed easily with a smartphone or PC for the convenience of women who are busy with work or household work. Products are delivered at the times and dates specified by customers.

Since its launch, this service has been well received by a wide range of customers, mainly including working women in the Tokyo Metropolitan Area, and the number of its members has been increasing steadily.



<https://isetandoor.mistore.jp>

Growth strategy 3 Expansion of real estate business

Increasing points of contact with customers in the real estate business

The Isetan Mitsukoshi Group owns real estate properties in the premium districts of Japan.

We will proceed with the redevelopment of company-owned real estate properties (stores) in Japan in conjunction with urban redevelopment projects from a long-term perspective. At the same time, we will take measures to improve the efficiency of the portfolio of company-owned real estate, including the reorganization of the scattered head offices and the replacement of properties.

We will also strengthen the business of operating commercial facilities to expand the real estate business and apply our expertise in leasing for our existing department stores.

• Redevelopment of company-owned real estate properties in Japan

In areas where urban redevelopment projects are planned, such as those around Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store, we will contribute to urban development by making effective use of our properties around each area in conjunction with the local redevelopment project, in addition to making each store even more distinctive. We will promote the effective utilization of company-owned properties in our efforts to increase the profit from real estate.

Strengthening the business of operating commercial facilities

We will expand the business of operating commercial facilities by positioning it as the core of our real estate business. The businesses we launched in 2018 in Yokohama and Kokubunji have remained strong. We will accumulate the expertise acquired through the businesses for our existing department stores and others.

In March 2018, we opened FOOD & TIME ISETAN YOKOHAMA in Yokohama JOINUS. Here, we operate around 30 outlets including shops offering a wide variety of foods, as well as cafes and restaurants, targeting diverse working people who go by Yokohama Station and those who come to Yokohama for various purposes. In April 2018, mi:ts KOKUBUNJI, a locally-based commercial facility located in front of the north exit of Kokubunji Station, had its grand opening. At this facility, we operate around 50 outlets, including restaurants, cafes, sundry stores, and clothing stores, under the concept of “Store for our gathering” (a comfortable place for daily use that suggests lifestyles of slightly superior quality and offers places for gathering).

• Promotion of overseas mixed-use development project

We are pursuing comprehensive real estate development projects in Asia, which is expected to achieve high growth in the future. Overseas, we are working on a mixed-use development of dwellings for sale and commercial facilities in Manila, the Philippines, jointly with Nomura Real Estate Development Co., Ltd. and Federal Land Incorporated. It is the first joint project in the Philippines that involves a Japanese developer and a Japanese retail company. Four condominium towers are planned to be completed in 2027, and a commercial complex on their lower floor levels is planned to be completed in 2021.



FOOD & TIME ISETAN YOKOHAMA



mi:ts KOKUBUNJI



Mixed-use development project in Manila, the Philippines

► Cost structure reform

Further reform of cost structure

In FY2017 and FY2018, we disposed of underperforming businesses, took cost control measures, and disposed of carryover stock in an uncompromising manner. As a result, our profit has been improved to a level where a record-high profit since integration is possible in FY2019. We will promote cost structure reform further to secure funds for the development of infrastructure for digitalization, which will be undertaken on a full-scale basis in the future, the large-scale remodeling of flagship stores, investment in facilities for safety and security, and other projects. At the same time, we will strive to achieve our target operating income.

Cost structure reform

- 1 Reduction of SG&A expenses**
We will work on the significant reform of our cost structure with the aim of establishing a structure with SG&A expenses of 300 billion yen by FY2021.
- 2 Organizational improvement**
We will promote cost structure reform by appointing a person in charge of earnings management and cost structure reform in each organization.
- 3 Replacement of real estate properties**
We will improve the efficiency of the portfolio of company-owned real estate by taking measures including the reorganization of the head offices.
- 4 Redeployment of staff**
We will review the work flow on the sales floors to ensure appropriate staff deployment.

► KPIs

KPIs: Operating income of ¥50 billion and ROE of 5.0% or higher in FY2021

In FY2019, we will aim to achieve operating income of 35 billion yen and ROE of 3.7% a year earlier than initially planned. In FY2021, we will proceed with the further reform of our cost structure, aiming to achieve operating income of 50 billion yen and ROE of 5.0% or higher.

	FY2019	FY2021 target
Operating income	¥ 35 billion	¥ 50 billion
ROE	3.7%	5.0% or higher



Department Store Business
Interview with Officer in Charge

Aspiring to enhance our platform towards being a “future department store”

Isetan Mitsukoshi Holdings Ltd. Executive Vice President and Chief Merchandising Officer
Isetan Mitsukoshi Ltd. Director

Toru Takeuchi

* Positions as of April 1, 2019.

Acting as a bridge since the launch of the department store

Acting as a bridge for customers' needs and goods from our suppliers with our platform is a mission that we have always addressed since embarking on the department store business. It is why we are here and the true joy of doing this business.

Our strength lies in dealing with a wide variety of goods on this platform and proposing the best style of clothing, eating and living experiences for customers based on information gained through our stylists' close communication with customers while serving them.

However, markets change incessantly, customers' preferences vary significantly and a vast array of goods from suppliers exists. It is difficult to put all of them on the platform. Therefore, it is necessary to select items using a filter unique to Isetan Mitsukoshi.

In addition, our conventional platform consisted solely of department stores in the physical world. In the future, it will extend virtually. It will be tremendously different from the past. The conventional process flow that we have taken for granted, that is, purchasing, advertising, serving customers and sales, will also change as the virtual space grows. The changes we have undergone are merely derived from the path that we have taken. In the future, it seems that we will simultaneously be following totally different paths and we do not know how many. Our knowledge and experience will be applicable to changes in the extension of conventional operations, but they cannot be used for new paths. In this sense, newcomers and experienced staff are on the same starting line. Everyone has a chance to show off their abilities. In the

future, we need to be flexible and courageously take steps toward the unknown.

Learning about customers and markets linked to the platform

We have a duty to provide goods and experiences from suppliers that meet customers' needs to build a structured platform. For this purpose, it is vital to fully learn about customers, to stay updated on the markets and to carefully monitor their changes. Trends are changing constantly. This year's trends differ from last year. For example, when the traditional style was at its zenith, those familiar with it were highly respected. After this style faded and when designers' and characters' brands (so-called “DC brands”) were popular, they would no longer be respected unless they changed.

We must decipher the changes of customers at the center of the market and shifts in their lifestyles and, if necessary, dissect the goods and services we propose in a moment and reorganize them into new groups to construct a platform that is best suited to the new market. For instance, the sales floor for specially selected items traditionally dealt with luxury brands that consisted of clothing, shoes, bags and accessories. From all of these items, handbags alone were picked up and assorted on the first floor of Isetan Shinjuku Store. We saw that customers wanted to compare different brands and we monitored market changes, which allowed us to attain the greatest success on a new platform.

Our current departments feature different groups: for



example, items for women, items for men, items for different age groups, items with different purposes such as clothing, eating and living and items for formal or casual situations. In the future, a new item group may be created for men and women to enjoy shopping together.

Working with suppliers as a bridge between goods or experiences and customers

To facilitate the operation of a platform, it is significant not only to watch the changes of customers and markets but also to build good relationships with suppliers. They are in charge of the output, or creating products and supplying them to markets. When they work hand in hand with us, aware of the overall platform, to exchange high-quality information and communication, they can create new products that are actually sought by customers and attain sales growth. That helps build a beneficial relationship for both suppliers and us. When linking suppliers with the platform, it is wrong to think that customers would like products because we like them. We must put what they actually want on the platform. In addition, we need to search for goods and services that customers will find admirable, going beyond a mere lineup. For the purpose of sharpening our eyes for beauty and discerning between good and bad, or having a discerning eye, it is significant to accumulate our experience while communicating daily with suppliers. When we observe a large quantity of things with attention to detail, we will gradually see what we could not in the past. Experience will help us gain quantitative and objective insights. We

will become able to rationally explain what we merely felt was good.

Suppose that you visited a large trade show for handbags and persistently observed tens of thousands of samples—you would discover the trends of the season and identify promising products.

It is vital to develop your sense of beauty to enhance your judgment. Your sense of beauty is different from that of others, and backgrounds and rules may be involved. It is also imperative to study and listen to experts. I am convinced that the ability to tell if manufacturing is carried out with consideration for sustainability will be a significant skill in the future.

A future department store bridges e-commerce and physical commerce

In the three-year plan for FY2019 to FY2021 announced last November, we declared that we will aim to establish a “future department store,” which will bridge e-commerce and physical commerce using information technologies and the potential for stores and human strengths. In the future, we will work on creating new value that is possible only by the Isetan Mitsukoshi Group through evolving the platform, our strength. To achieve this, we are currently carrying out a digital transformation as our top priority.

The “future department store” has no boundaries between e-commerce and physical stores. Its seamlessness will increase convenience for customers. In the future, we will actively use digital technologies in addition to

conventional analog approaches to observe changes in customers and markets more effectively. Unlike in the past where stylists had been searching for information, the use of digital technologies will make it easy to collect information about goods and services around the world. Conventionally, the know-how for serving customers had been accumulated by and depended on individual stylists' experience, but if this can be stored as digital data, it can be used as a shared strength. We already commenced customer services based on digital data at Mitsukoshi Nihombashi Main Store last fall, ahead of any other store.

The digital shift will also bring about a change in the approach to presentation. Traditionally, visual presentation was intended to attract consumers and stimulate their desire to make a purchase.

With this objective as a source of motivation, related personnel worked hard to accumulate a variety of knowledge and skills. The future shift to seamless commerce will require visual presentation on smartphones and computer screens. Visual presentation is very important in real stores. Similarly, it will be necessary to accumulate knowledge and techniques for producing webpages that grab online users' attention among many different pages and that stimulate their desire to purchase. At the Isetan Mitsukoshi Group, we will independently build a mechanism for it.

Basically, the same idea goes for department stores located in provincial areas. They are so small that they cannot display all the items that are dealt with at Isetan Shinjuku Store or Mitsukoshi Nihombashi Main Store. It is important to compensate for this weakness using digital technologies. Serving customers at the Isetan Mitsukoshi Group's approximately 200 contact points, including 24 stores in Japan, 34 overseas, satellite shops, ISETAN MiRROR stores, and ISETAN SALONE will provide the greatest advantage.

Discerning and coordination skills to optimally act as a bridge between customers and goods or experiences

No matter how far digital technologies advance and online business grows, goods that do not sell well at real stores do not sell well online, and vice versa. Irrespective of advancements in digitalization, we should fully understand customers and merchandise and communicate with customers on different platforms, which will not change.

Of course, we will need to read market reports and study them. However, the skills of understanding the atmosphere and intuition are also key elements.

The way to accumulate them is to keep watching goods and services with interest, instead of aimlessly looking at them. The longer you practice this, the better your discerning eye will become.



We will train personnel to be more discerning and gain coordination skills to act as a bridge between customers and goods or services provided by suppliers.

As the platform changes dramatically in the future, the methods of shopping and serving customers will be diversified at an unprecedented level. For example, customers may choose the goods that they want from the items we send to them, or we may communicate with customers using chatting tools. In addition to a discerning eye, coordination capacity will be required. It is the ability to make an optimal combination between customers and goods or experiences.

To gain this discerning eye and coordination capacity, it is essential to learn about a range of information right in front of you and create opportunities to broaden your perspective. For our personnel development, we are emphasizing job rotations to provide experience with different duties such as sales at actual stores, back office operations, actual store operations and online stores, instead having the same experience in the same place for years. We also organize two-year overseas training for young employees. Working overseas helps trainees to significantly change their mindsets, points of view and perception of others. It makes them very flexible and encourages them to grow. Not only the company but each employee must willfully work to grow. For instance, when you intensively study in a specific area to master something, you will learn how to grasp the way to view things and key points and will find this skill helpful also in later of your life.

Evolution of platform towards a “future department store”

In line with the diversification in terms of styles of retail businesses, the locations for consumers' shopping are spread out, such as shopping centers, outlet stores and online stores. Accordingly, consumers' motivation to shop at department stores is weakening.

We will make branding efforts to place the Isetan Mitsukoshi Group in a high position in the market. Apart from serving customers, we have many things to learn,

including displays, signage and other environmental matters, merchandise and event promotion. Aiming to be a first-class business has nearly the same meaning as having a sophisticated sense of beauty. There are many first-class stores that has interactions with customers. You can find them in Japan and also in overseas such as long-standing brands and hotel services from which you can learn a lot.

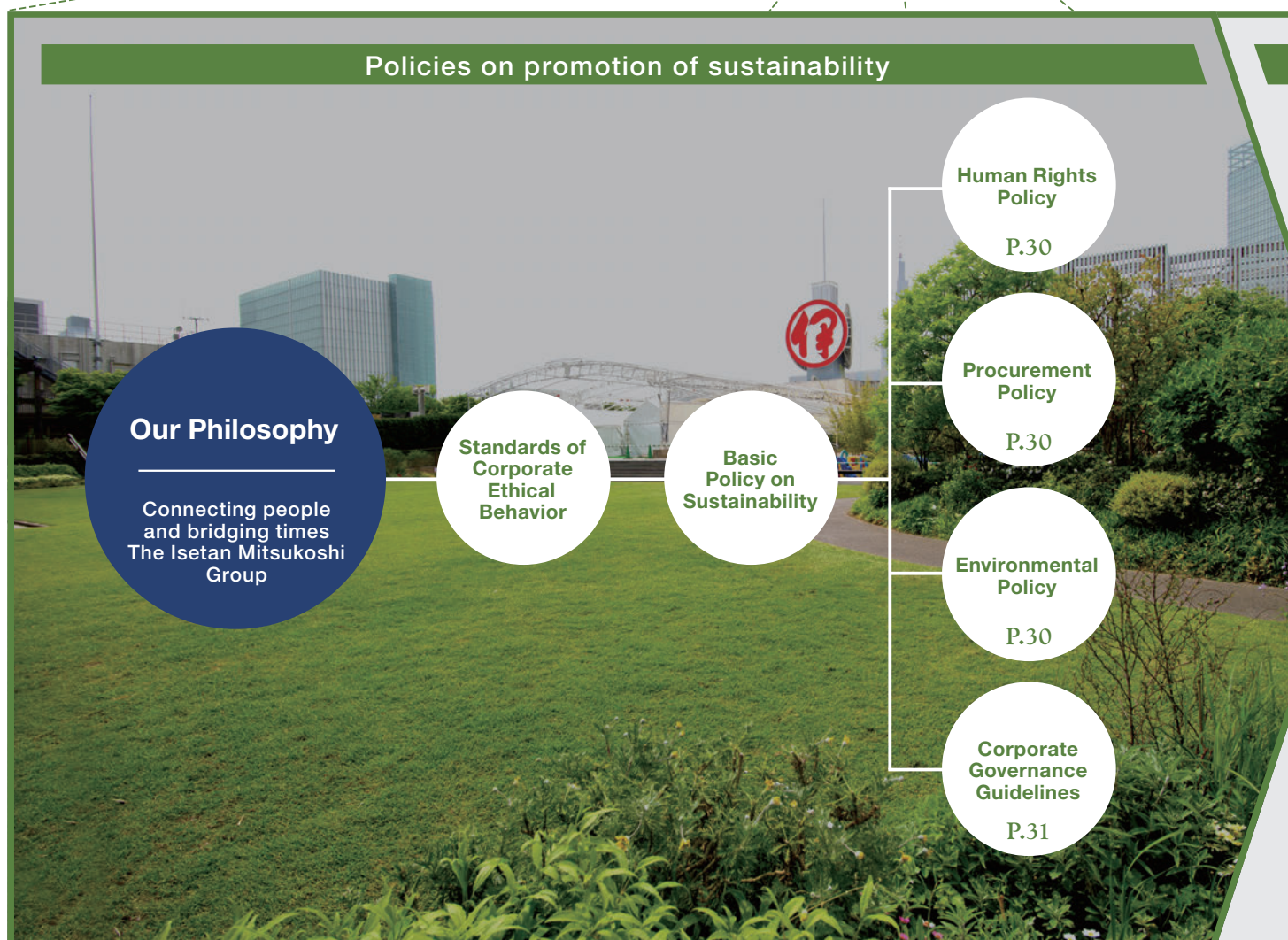
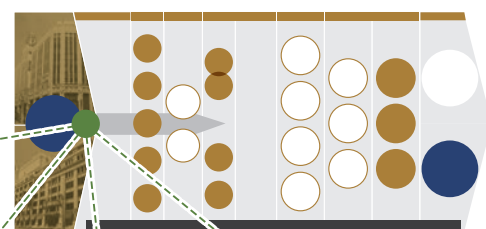
I believe that our success depends on our ability to produce, at a high level, goods and experiences only available from us and opportunities to learn about those goods. We must turn our eyes to the outside of department stores to learn and practice more. It is said that the higher the class of something, the more difficult it is to standardize the process for it. Some argue that we should call customers by name, but some customers do not want that. Among the customers looking at goods on the shelf, some want to be talked to by shop assistants, while others want to browse freely. The service sought by a customer varies depending on the purpose of shopping and on the product that the customer is looking for. Gaining insight into what customers want depends heavily on personal skills, which cannot be developed without intentionally gaining experience.

In the 10-year period since the launch of the Isetan Mitsukoshi Group, circumstances in society have changed considerably and the speed of change will be higher and higher. A “future department store” will see dramatic platform development, for example, into stores, e-commerce and others according to the changes in circumstances. Meanwhile, since our founding we have continued to act as a bridge between customers and goods or services from suppliers. This essential part of the business will remain intact.

We regard this major change as a good opportunity to create a better cycle while upgrading platforms that we have built as assets.

Sustainability of the Isetan Mitsukoshi Group

Value creation process



System for promoting sustainability in FY2018 (management structure)

After the management integration of Mitsukoshi and Isetan and until FY2017, we had been engaged in CSR activities with a focus on the three areas of culture and art, support for the affected areas, and support for local people and their lives, in line with the core topics of ISO 26000. In the field of the environment, we have established the Isetan Mitsukoshi Group Environmental Committee and have been overseeing and promoting activities including energy conservation, resource conservation and 3Rs, charity campaigns for protecting biodiversity, and roof greening, under our Environmental Policy. In FY2018, we significantly changed our structure for managing our CSR activities, including environmental measures, from the viewpoints of environment, society, and governance (ESG) and Sustainable Development Goals (SDGs). (See the figure at right.) We established the Sustainability Promotion Council, which is chaired by the CEO. Under the leadership of our top manager, this council aims for sustainable management that is based on the provision of solutions for social issues through business activities and the improvement of our corporate value as the two inseparable and fundamental elements. We dissolved the previous Isetan Mitsukoshi Group Environmental Committee in a constructive manner and absorbed its functions into the Sustainability Promotion Committee that was established under the Sustainability Promotion Council.

Basic Policy on Sustainability

We fulfill our corporate social responsibility by facing various social issues and contributing to solving them through our corporate activities. We will thereby play a role in realizing the prosperous future of all the people involved and a sustainable society.

Material issues on ESG

1 Connecting people

- Suggesting new value by connecting diverse people with tools, including digital tools, and opportunities
- Improving the workplace environment and investing in human resources with the aim of being the company with the friendliest working environment in Japan



Governance and communication

Promoting fair trade and business activities in the overall supply chain
Strengthening the governance structure of the entire Group
Having dialogues with stakeholders proactively



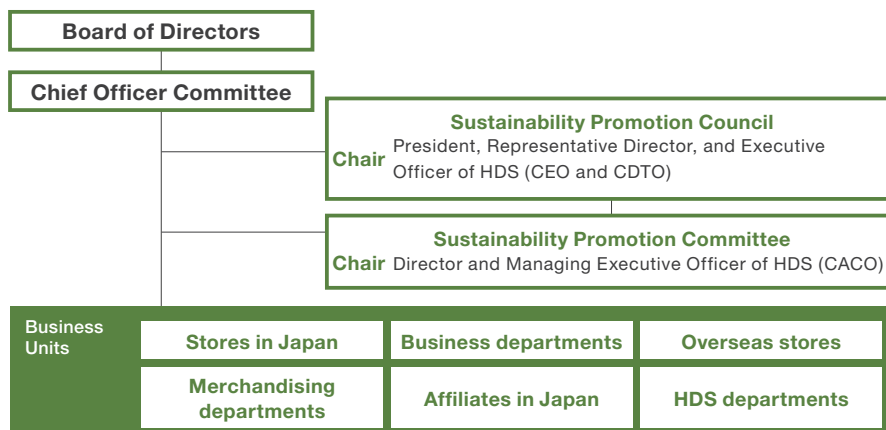
3 Bridging local communities and times

- Succeeding cultural traditions and supporting the revitalization of local industries
- Supporting new technologies and services for passing the technologies of Japan down to future generations



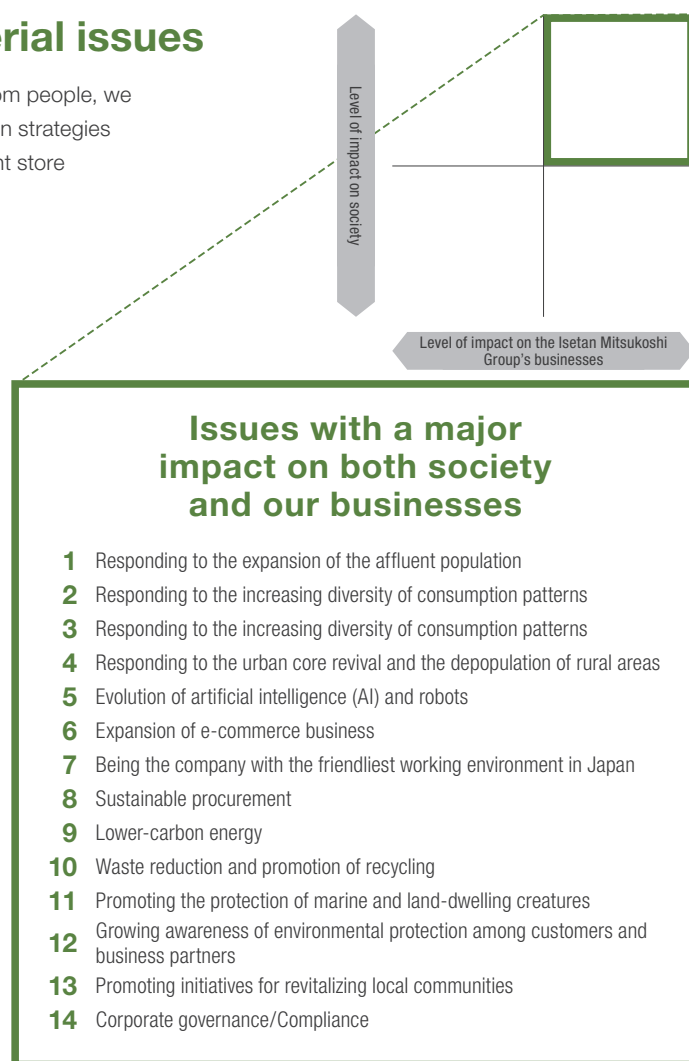
2 Connecting sustainable societies

- Providing safe, secure products and services
- Realizing a low-carbon society and reducing the environmental impact



Process of selecting material issues

In response to issues faced in society and requests from people, we will strive to create social and economic value based on strategies that make full use of our strengths, with the department store business at the core.



Toward sustainable growth



Important Policies of the Isetan Mitsukoshi Group

1. Isetan Mitsukoshi Group Standards of Corporate Ethical Behavior

These standards form the foundation on which every single employee of the Isetan Mitsukoshi Group puts Our Philosophy into practice. They also serve as standards for their daily activities. These standards consist of ten sections, including ones on the promotion of sustainability, compliance, and what we should do for the benefit of each stakeholder. The whistle-blowing system is also referred to in these standards.

2. Isetan Mitsukoshi Group Human Rights Policy

This policy consists of eight sections: (1) Respect for human rights, (2) Compliance and fair employment, (3) Prohibition of unfair labor, (4) Prohibition of harassment, (5) Respect for diversity, (6) Prohibition of discrimination, (7) Maintenance and promotion of health, and (8) Ensuring occupational safety and hygiene. It expresses

our determination to respect the human rights of the stakeholders involved in our corporate activities. We train all officers and employees based on this policy, raise their awareness of it, and strive to communicate and enforce it so that businesses in the entire supply chain will be operated in consideration of human rights.

3. Isetan Mitsukoshi Group Procurement Policy

This policy consists of 12 sections: (1) Compliance and fair trade, (2) Quality control and information disclosure, (3) Sustainability, (4) Responding to biodiversity (5) Reducing environmental loads and preventing pollution, (6) Controlling waste discharges and recycling resources, (7) Eliminating chemical substances, (8) Respecting human rights and prohibiting unfair labor practices, (9) Employment, working conditions, safety and hygiene, (10) Managing information (secret information, personal information, etc.), (11) Protecting intellectual property rights, etc., and (12) Excluding antisocial forces. The policy was designed to correspond to the Sustainable Development Goals (SDGs) that international society is making concerted efforts to achieve by 2030.

In addition, we will also apply this policy for solving issues that are difficult for department stores to solve by themselves, such as the reduction of food loss, biodiversity protection, and logistics efficiency improvement. We will have the entire supply chain address these issues by sharing this policy.

Moving forward, we will study measures for increasing the effectiveness of the Procurement Policy, such as questionnaires of our business partners and inspections of their factories. We have made notifications to this effect to a total of 12,000 business partners of the department store companies of the Group, many of whom are their suppliers.

4. Isetan Mitsukoshi Group Environmental Policy

This policy expresses the Isetan Mitsukoshi Group's determination to take measures for realizing a sustainable society, where people and the global environment coexist in harmony with each other, by coming face to face with our customers and all the other people involved and regarding the implementation of the measures as necessary for fulfilling our corporate social responsibility.



Corporate Governance

Basic Views

We pursue initiatives in corporate governance with the aim of contributing to the sustainable growth of the Isetan Mitsukoshi Group and improving its corporate value over the medium to long terms.

In the Isetan Mitsukoshi Group, we take steps to build excellent relationships with customers, employees, shareholders, business partners, and local communities as our stakeholders. At the same time, we promote corporate governance reforms by establishing and reinforcing our legal framework, which includes the general meeting of shareholders, the Board of Directors, the Audit & Supervisory Board, and accounting auditors. To ensure that we fulfill our social responsibilities, we also work to increase the transparency of our corporate activities and ensure thorough compliance in our management, while taking measures to create and deliver value in various forms for all stakeholders associated with the Group. With the aim of becoming a corporate group that is trusted by all its diverse stakeholders, we take a range of ongoing measures including speeding up management decision-making, strengthening the administrative supervision function, and enhancing internal control systems.

Administrative Supervision Structure

Board of Directors

Roles and responsibilities of the Board of Directors

To achieve the sustainable growth of the Group, improve its corporate value over the medium to long term, and fulfill our fiduciary responsibility to shareholders, we are striving to develop an environment that will permit the Board of Directors to fulfill its roles and responsibilities in a highly effective manner. As a measure for achieving these goals, we promote the separation of the supervision and business execution functions and strengthen the decision-making and supervisory functions to be fulfilled by the Board of Directors, while having adopted the Company with Board of Auditors as the institutional design. Specifically, we have clearly stipulated the benchmarks for matters to be submitted to the Board of Directors for discussion and determination in our internal rules (including the Regulations of the Board of Directors and Regulations of Decision Making Process for the Group). At the same time, we review the benchmarks and delegate the authority to business execution organizations as necessary within the scope of a Company with a Board of Auditors to improve the mobility of business management. For further clarification of the division between business execution and supervision, our Board of Directors is chaired by the Chairman and Representative Director, who is not an executive officer, instead of the President and CEO. In this environment, the Board of Directors is proactive in creating opportunities for discussing important management issues from a broad perspective, instead of only discussing matters for resolution and reports to fulfill procedural requirements. The directors ensure that these discussions lead to the formulation of a medium- to long-term management plan, while the status of the progress of the plan is reported to the Board of Directors on a timely basis and reflected in corrections of the plan and the formulation of the next plan. With these and other measures, we are striving to establish a PDCA cycle of management,

with the Board of Directors as the starting point.

We are also striving to fulfill our accountability to our shareholders, investors, and other stakeholders by disclosing information about our management plan and the status of its progress at the General Shareholders' Meeting, biannual results briefing, our official website, and others.

Structure of the Board of Directors

To ensure that our Board of Directors fulfills its roles and responsibilities in a highly effective manner, we make sure that it consists of diverse members and have established a system that enables it to fulfill its administrative oversight function. With regard to outside directors, we have been placing emphasis on their diversity since the establishment of the company in 2008, and we invite people with a range of experience and from industries in different areas of specialty to take up the positions. This reflects our intention to have them oversee and advise on the appropriateness of decisions made by the management, in addition to supervising business execution.

Structure of the Board of Directors

A total of nine directors, including four outside directors (three men and one woman) and five directors (five men) They include three independent outside directors who meet our independence standards.

We disclose our policy on the structure of the Board of Directors, the important concurrent positions held by the directors and Audit & Supervisory Board members, and the record of their attendance at meetings of the Board of Directors and the Audit & Supervisory Board by describing them in the notice of convocation of the General Shareholders' Meeting.

Nomination and Remuneration Committee

We have voluntarily established the Nomination and Remuneration Committee as an advisory body to the Board of Directors. This committee deliberates overall

Isetan Mitsukoshi Holdings Ltd.



matters related to nomination, including the nomination of candidates for the President and CEO, his/her successor, officers, and presidents of affiliates, as well as overall matters related to remuneration, including the officer remuneration system, bonuses of directors and executive officers, and the framework for the remuneration of directors and Audit & Supervisory Board members. The committee reports its findings made in the deliberations to the Board of Directors. The Nomination and Remuneration Committee meets at least ten times a year and makes a significant contribution to enhancing governance functions as a key element of corporate governance.

Structure of the Nomination and Remuneration Committee

A total of five members including the President and CEO and outside directors (three independent outside directors and one outside director). We have this committee chaired by an outside director, thereby ensuring sufficient transparency and fairness.

Audit & Supervisory Board

As members of an independent body that has a mandate from its shareholders, the Audit & Supervisory Board members oversee the directors in the performance of their duties, thereby helping achieve the sustainable growth of the Group and the creation of corporate value over the medium to long term and establish a sound 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 outside Audit & Supervisory Board members express frank opinions, recognizing that they are expected to express opinions on audits objectively from an

independent, neutral perspective. Full-time Audit & Supervisory Board members strive to improve the audit environment and collect internal information proactively and monitor and examine the status of the establishment and operation of the internal control system on a daily basis, based on the characteristics of their positions as full-time members. In addition, the Audit & Supervisory Board meets regularly with outside directors and creates other opportunities to exchange opinions with other non-executive officers concerning issues to be addressed by the company, the risks surrounding it, important audit issues, and other matters. They thus strive to exchange information and share recognition with other non-executive officers and deepen relationships of trust with them. Board by describing them in the notice of convocation of the General Shareholders' Meeting.

Structure of the Audit & Supervisory Board

A total of five members, including three outside members and two full-time members. They include two independent outside members who meet our independence standards.

Policy and procedures on the nomination of candidates for directors and Audit & Supervisory Board members

In nominating candidates for directors and Audit & Supervisory Board members, we consider the breadth of knowledge, ethical standards, and depth of experience of potential candidates, in addition to their eligibility in light of laws and regulations.

Policy on appointment and dismissal of representative directors as senior management executives and executive officers who serve concurrently as directors

We define the upper age limits of incumbent officers and their maximum terms of office on a position-by-position

basis in accordance with our Rules on Upper Age Limits of Incumbent Officers. We use these limits as the prior conditions for the nomination of officers so that they will be replaced appropriately.

Based on this, we have made it a requirement that nominations of officers, including the appointment and dismissal of the CEO, should be deliberated by the Nomination and Remuneration Committee to ensure the transparency and fairness of the process. Specifically, we take the following initiatives.

Appointment and dismissal of CEO

We position the judgments regarding the appointment of the CEO and whether to allow the CEO to remain in office as the most important agenda items of the Nomination and Remuneration Committee and focus our efforts on them.

Judgment regarding whether to allow the active CEO to remain in office

Judgment regarding whether to allow the active CEO to remain in office (after the expiry of the service agreement period) is made by the Nomination and Remuneration Committee in the following manner, premised on the upper limit stipulated in the Rules on Upper Age Limits of Incumbent Officers.

- When assuming the post, the CEO suggests his/her commitments (goals to achieve definitely) for his/her assumed term of office, and the Nomination and Remuneration Committee deliberates the pros and cons of the commitments.
- In the following years, the CEO explains the status of the progress of the commitments, the earnings forecast, and other aspects. After the CEO leaves the meeting room, the four outside directors as members of the committee deliberate as to whether to allow the CEO to remain in office.

We have devised measures for improving the effectiveness of deliberations on whether to allow a CEO to remain in office in the following fiscal year and preventing him/her from becoming a mere façade. These measures include having the deliberations made after the CEO leaves the meeting room.

CEO succession planning

We are proactive in creating opportunities for outside directors to monitor candidates after the Nomination and Remuneration Committee report, and we share the following details on a regular basis.

- Creating a list of candidates for the next CEO (in the event of an emergency, replacement before the expiration of the term, or replacement due to the expiration of the maximum term)
- Clarifying the requirements for the CEO
- Plan to develop each candidate and proposed transfers of candidates to fields that they should experience

We have also systematically introduced training programs. These include the Business Leader Program, which is given to selected managers, and the Business Executive Program, which is given to people who have been appointed as executive officers. We invest sufficient time and resources to develop candidates for the next CEO.

Appointment of outside officers

We consider the breadth of knowledge, ethical standards, and depth of experience of potential candidates, in addition to their eligibility in light of laws and regulations.

Outside directors

We appoint human resources from different fields and industries to manage the company in a balanced manner by absorbing a wide range of opinions provided from objective, specialist perspectives. We mainly invite people with sufficient practical experience in the business world because we expect outside directors to oversee and advise on the appropriateness of decisions made by the management, in addition to supervising business execution.

Outside Audit & Supervisory Board members

We appoint human resources from different fields and industries to ensure supervision from a neutral, objective perspective. In particular, we expect outside Audit & Supervisory Board members to check the appropriateness of the decision-making process by the management and the contents of the decisions from legal and accounting perspectives. We therefore invite people with a wealth of knowledge and experience in each field.

Independence standards

We have established our own Independence Standards of Outside Officers of Isetan Mitsukoshi Holdings as the judgment criteria for the independence of outside directors and outside Audit & Supervisory Board members who will be appointed as independent officers. We appoint five outside officers (three outside directors and two outside Audit & Supervisory Board members) who fall under none of the following categories as independent officers.

1. A person from the Group who executes its business
2. A person for whom the Group is a major business partner, or an executive director, executive, or manager thereof
3. A major business partner of the Group, or an executive director, executive, manager or other employee thereof
4. A person who executes business at a financial institution that has trading relations with the Group
5. A consultant or accounting or legal expert who has received financial or other economic benefits from the Group exceeding a certain sum, other than remuneration of directors or Audit & Supervisory Board members
6. A shareholder or an executive officer thereof who holds at least 5% of the total issued shares of the company
7. Any person who has fallen under categories 1 to 5 above in the last three years
8. Spouses or relatives within the second degree of kinship of anybody falling under categories 1 to 5 above

A “major business partner” in 2 and 3 above means any business partner for whom the annual transaction amount with the company, on a consolidated basis, exceeds 1% of the total annual transaction amount of either party over the preceding three years, even if this

occurs on only one occasion, and a “certain sum” in 5 above means a sum of at least 10 million yen in any of the preceding three fiscal years.

Analyses and evaluations of the effectiveness of the Board of Directors

We evaluate the effectiveness of the Board of Directors by applying objective, quantitative methods including questionnaire surveys of all internal and outside directors and Audit & Supervisory Board members. We thereby confirm that the effectiveness of the Board of Directors is secured from a broad perspective in view of not only its structure and operational aspects but also its institutional design and the nomination and remuneration of its members. At the same time, to enhance its functions further, we propose improvement measures against issues surrounding the Board of Directors, which are identified in the evaluation process, and implement the measures on an ongoing basis.

These initiatives have produced specific effects, including the appointment of the first female outside independent director (who has been in office since June 2018) and improvements for timely, effective agenda setting. In addition to improvements in the aspect of operation, we lead the initiatives to a multilateral, fundamental review of what our governance should be like, including the institutional design, the standards for the appointment and dismissal of officers, and the officer remuneration system.

Business Execution Structure

We employ an executive officer system to ensure prompt business execution. General managers of divisions that are important for achieving the management goals of the Group are appointed as executive officers, and a significant portion of the authority has been transferred to them by clarifying their executive responsibilities.

Chief Officer System

In the current fiscal year, we introduced the Chief Officer System to powerfully promote the Medium-Term Management Plan and improve our earnings strength as quickly as possible. We have clarified the administrative operations of the chief officers to strengthen their cross-divisional coordination functions.

We have the following chief officers.

- CEO : Chief Executive Officer
- CDTO : Chief Digital Transformation Officer
- CSRO : Chief Strategy and Restructuring Officer
- CACO : Chief Administration and Compliance Officer
- CHO : Chief Human resource Officer
- CIO : Chief Information Officer



Measures for invigorating deliberations by the Board of Directors

To invigorate deliberations by the Board of Directors, we provide prior explanations to all outside directors individually before each meeting.

To secure sufficient time for discussions, we allocate two hours and 30 minutes for each meeting of the Board of Directors and encourage directors to exchange opinions in a free, vigorous, and constructive manner about a wide range of agenda items, including management issues and the medium- and long-term directions of the Group and the status of the progress of the main businesses, in addition to passing resolutions and reviewing reports that are necessary in decision-making procedures.

Internal control and risk management systems of the Board of Directors

We have established systems for internal control and risk management by introducing relevant rules and policies including the Basic Policy on Internal Control System Construction, the Basic Risk Management Policy, and the Basic Regulations on Risk Management. The Board of Directors regularly reports on the status of the operation of the Group Hotline (a whistleblowing system), reporting lines related to incidents and accidents, and other aspects, and supervises the statuses of their operation in a comprehensive manner.

Chief Officer Committee

The Chief Officer Committee is convened by the President and CEO and meets once a week, in principle. It is a body for resolving and deliberating on matters of importance related to the Group’s business execution that are equivalent to the agenda items of the Board of Directors in a timely and flexible manner.

Promotion committees

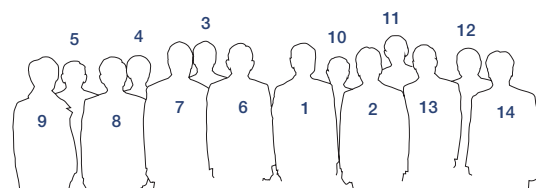
Aimed at promoting important matters of the Group, our promotion committees consist of members from across the Group and pursue higher-level operations.

- Committee for Promoting Our Philosophy
- Compliance and Risk Management Promotion Committee
- Workstyle Reform Promotion Committee
- Sustainability Promotion Committee

We have introduced Casual Fashion Day for staff members of the head office and headquarters to encourage each of them to be conscious of changes and take actions accordingly, thereby enabling them to create new ideas and value. Members of the Chief Officer Committee also wear casual clothing and have lively discussions on a range of matters every time they meet on a Casual Fashion Day.



Board Members



Directors

Chairman and Representative Director

1 Ken Akamatsu Born September 5, 1952

Joined what was then Mitsukoshi, Limited in 1975. After serving as General Manager of the Administration Headquarters, he became Director and Managing Executive Officer of Isetan Mitsukoshi Holdings Ltd. when the Company was established in 2008. As General Manager of the Administration (Management) Headquarters, who is the chief control manager of the General Administration Division, the Accounting Division, the Administration and Property Division and the Logistic Planning Division, he focused on the development and enhancement of infrastructure, cost reduction and the construction of a government system of the Group. He subsequently became Vice Chairman of Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), an equity method affiliate of Isetan Mitsukoshi Holdings Ltd., in 2016 before serving as Chairman and Representative Director of Isetan Mitsukoshi Holdings Ltd. and Isetan Mitsukoshi Ltd. in 2017. He now contributes to enhancing the corporate value of Isetan Mitsukoshi Holdings Ltd. and further strengthening its governance with his wealth of knowledge and remarkable leadership, and has sought to develop the overall department store industry as Chairman of the Japan Department Stores Association since 2017.

Director

3 Toru Takeuchi Born May 21, 1960

Joined what was then Isetan Co., Ltd. in 1983. Since then, he has engaged mainly in sales of men's and women's clothing and led the sales department for many years. After becoming President and CEO of Sapporo Marui Mitsukoshi Ltd. in 2013 and General Manager of the Group Human Resources Headquarters of Isetan Mitsukoshi Holdings Ltd. in 2016, he became Director of Isetan Mitsukoshi Holdings Ltd. and Senior Managing Executive Officer and General Manager of the Department Store Business Planning & Operation Headquarters of Isetan Mitsukoshi Ltd. in 2017. He now makes a significant contribution to the corporate value of the Group by leading the overall department store business, the core business of the Group, with his extensive and considerable experience.

President, CEO and CDTO

2 Toshihiko Sugie Born February 15, 1961

Joined what was then Isetan Co., Ltd. in 1983. In 2009, he became Executive Officer and General Manager of the Food Division in Merchandising Headquarters, Business Planning & Operation Headquarters after working in the living and ladies' goods divisions and as a sales employee. He subsequently became Director and Managing Executive Officer of Isetan Mitsukoshi Holdings Ltd. In 2012 and took the initiative in developing Group strategies as the General Manager of the Strategic Planning Headquarters. In 2017, he became President and CEO of Isetan Mitsukoshi Holdings Ltd. and Isetan Mitsukoshi Ltd. He now contributes to enhancing the corporate value of the entire Group with his capabilities and knowledge of all businesses of the Group and with the remarkable leadership that he has cultivated through his considerable experience in both the sales and staff departments. He concurrently serves as CDTO (Chief Digital Transformation Officer) from the current fiscal year to strongly drive forward the digital strategy of Isetan Mitsukoshi Holdings Ltd.

Director, Managing Executive Officer and CSRO (in charge of the Corporate Planning Department, the Business Reconstruction Department and the CRE Strategy Department)

4 Toshinori Shirai Born January 28, 1959

Joined what was then Isetan Co., Ltd. in 1982. From then onward, he worked in the Corporate Planning Division for many years and promoted the growth strategies of the Group as an official responsible for the preparation and implementation of the strategies. In 2017, he became Managing Executive Officer and General Manager of the Strategic Planning Headquarters of Isetan Mitsukoshi Holdings Ltd. to formulate and navigate the management plans of the overall Group. Since 2018, he has also served as CSRO (Chief Strategy and Restructuring Officer) as well as Director and Managing Executive Officer of Isetan Mitsukoshi Holdings Ltd. to contribute to the further enhancement of the corporate value of the Group by taking charge of several departments, including Corporate Planning and Business Reconstruction.

Director, Managing Executive Officer and CACO
(in charge of the General Administration Department, the Finance &
Accounting Department and the Human Resources Department)

5 Takaaki Muto Born November 28, 1956

Joined what was then Mitsukoshi, Limited in 1979. From then onward, he worked in the Human Resources Department and the General Administration Department for many years and became the Executive Officer and General Manager of the Risk Management Office in 2016. Since 2017, he has contributed to the promotion of integrated risk management of the Group as Managing Executive Officer. Since June 2018, he also serves as CACO (Chief Administration and Compliance Officer) as well as Director and Managing Executive Officer of Isetan Mitsukoshi Holdings Ltd. to contribute to the further enhancement of the corporate value of the Group by taking charge of several departments, including General Administration, Finance & Accounting and Human Resources.

Outside Directors

7 Yoshinori Ida Independent Officer Born May 18, 1943

Joined Isuzu Motors Limited in 1966. In 2000, he became President, Representative Director and COO of Isuzu Motors Limited and improved its business performance significantly by promoting fundamental structural reforms and leading management reconstruction, including the reinforcement of overseas business in the company. He currently serves as Special Advisor to Isuzu Motors Limited and assumed the office of Outside Directors of Isetan Mitsukoshi Holdings Ltd. in 2013. Since then, he has been providing useful advice and appropriate supervision on the execution of business from an independent standpoint based on his extensive knowledge and experience.

Outside Directors

9 Michiko Kuboyama Independent Officer Born April 16, 1956

Joined Kao Soap Co. Ltd. (then and now Kao Corporation) in 1980. She worked in the product development, marketing and other departments and served as the Director of the Product Public Relations Center (now Communication Fellow of the Lifestyle Research Center of Kao Corporation). She also teaches in the Tama Graduate School of Business as a visiting professor based on her considerable experience in marketing, and concurrently serves as Outside Director of JACCS Co., Ltd. In June 2018, she assumed the office of Outside Director of Isetan Mitsukoshi Holdings Ltd. and provides useful advice and appropriate supervision on the execution of business from an independent standpoint at meetings of the Board of Directors of the Company, where diverse perspectives including that of consumers are required.

*The official name in the family register of Ms. Michiko Kuboyama is Michiko Iwasaki.

Outside Directors

6 Shoei Utsuda Independent Officer Born February 12, 1943

Joined Mitsui & Co., Ltd. in 1967. In 2002, he became President and CEO of Mitsui & Co., Ltd. and delivered results in terms of fully enforcing the compliance awareness of the company, carrying out institutional reforms and improving business performance as the manager of the general trading company representing Japan. At present, he concurrently serves as Counselor of Mitsui & Co., Ltd. as well as in several outside officer roles, including Outside Director of Tokyo Electric Power Company Holdings, Inc. He became Outside Director of Isetan Mitsukoshi Holdings Ltd. in 2013 and now provides useful advice and appropriate supervision for the execution of business from an independent standpoint based on his extensive knowledge and experience.

Outside Directors

8 Katsunori Nagayasu Born April 6, 1947

Joined what was then Mitsubishi Bank, Ltd. in 1970. He became President of what was then Bank of Tokyo-Mitsubishi UFJ, Ltd. in 2008 and Director and President of Mitsubishi UFJ Financial Group, Inc. in 2010. At present, he concurrently serves as Special Advisor to MUFG Bank, Ltd. and in several outside officer roles, including Outside Director of Kirin Holdings Company, Limited and Outside Audit & Supervisory Board Member of Nippon Steel & Sumitomo Metal Corporation. He became Outside Director of Isetan Mitsukoshi Holdings Ltd. in 2014 and has since been providing useful advice and appropriate supervision on the execution of business based on his considerable experience and knowledge of finance as the manager of the financial institution representing Japan for many years.

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member

10 Hidenori Takeda Born July 5, 1954

Joined what was then Mitsui Bank, Ltd. in 1978. After many years' experience at the bank, he joined what was then Mitsukoshi, Limited in 2006. After working in the corporate planning and sales policy departments, he became President and Representative Director of MICARD Co., Ltd. in 2010 and Director, Managing Executive Officer and General Manager of the Domestic Subsidiaries & Affiliates Headquarters of Isetan Mitsukoshi Holdings Ltd. in 2013, before becoming a Standing Audit & Supervisory Board Member of the Company in 2015. He now conducts audits that make use of his extensive knowledge of finance and accounting and his broad experience in corporate planning and related businesses, and provides appropriate advice and proposals to ensure the validity and adequacy of decision-making at meetings of the Board of Directors and others.

Outside Audit & Supervisory Board Member

12 Koichi Miyata Born November 16, 1953

Joined what was then Mitsui Bank, Ltd. in 1976. In 2011, he became Director and President of Sumitomo Mitsui Financial Group, Inc. At present, he concurrently serves as Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. and in outside officer roles, including as an Outside Director of Sony Corporation. He became Outside Audit & Supervisory Board Member of Isetan Mitsukoshi Holdings Ltd. in 2016 and now contributes to audits of the Company, making use of his considerable experience and knowledge of finance as the manager of the financial institution representing Japan for many years. He also provides appropriate advice and proposals to ensure the validity and adequacy of decision-making at meetings of the Board of Directors of Isetan Mitsukoshi Holdings Ltd. with his extensive insight.

Outside Audit & Supervisory Board Member

14 Takeo Hirata Independent Officer Born January 16, 1960

Joined the Ministry of International Trade and Industry (then and now the Ministry of Economy, Trade and Industry) in 1982. With a change of career in 2002, he became a Senior Member of the Executive Committee of the Japan Football Association. He currently makes a significant contribution to the promotion of the sports business as a professor in the Graduate School of Sports Sciences, Waseda University and serves as Outside Company Auditor of Rakuten, Inc. He also became a Special Advisor to the Cabinet in 2013. Since he became an Outside Audit & Supervisory Board Member of Isetan Mitsukoshi Holdings Ltd. in 2017, he has been exercising his wide-ranging and extensive knowledge in conducting audits of the Company to contribute to further strengthening the governance function of the Group and to provide appropriate advice and proposals from an independent standpoint at meetings of the Board of Directors of the Company, where more diverse perspectives are required.

Standing Audit & Supervisory Board Member

11 Yoshio Takino Born May 11, 1956

Joined what was then Isetan Co., Ltd. in 1981. Subsequently engaging mainly in business related to the sales policy and store operation of department stores, he became Executive Officer of Isetan Mitsukoshi Ltd. and General Manager of Isetan Tachikawa Store in 2011, Managing Executive Officer of Isetan Mitsukoshi Ltd. and General Manager of Isetan Shinjuku Main Store in 2013, and Managing Executive Officer and General Manager of the Risk Management Office of Isetan Mitsukoshi Holdings Ltd. in 2014, before becoming Audit & Supervisory Board Member of the Company in 2016. He conducts audits making use of his considerable experience in the sales department and administrative department, such as compliance and risk management, and provides appropriate advice and proposals to ensure the validity and adequacy of decision-making at meetings of the Board of Directors and others.

Outside Audit & Supervisory Board Member

13 Hirotaka Fujiwara Independent Officer Born May 21, 1954

Joined the Law Offices of Iijima and Yamada in 1985. In 1995, he founded Hikari Sogoh Law Offices. Since 2007, he has been a part-time lecturer at Keio University Law School. In 2015, he became Representative Partner at Hikari Sogoh Law Offices. Since his appointment as Outside Audit & Supervisory Board Member of Isetan Mitsukoshi Holdings Ltd. in 2016, he has been exercising his deep insight cultivated in activities as a lawyer for many years and his experience as a company auditor in other companies for conducting audits and building and maintaining the compliance system in Isetan Mitsukoshi Holdings Ltd., and providing appropriate advice and proposals to ensure the validity and adequacy of decision-making at meetings of the Board of Directors of the Company.

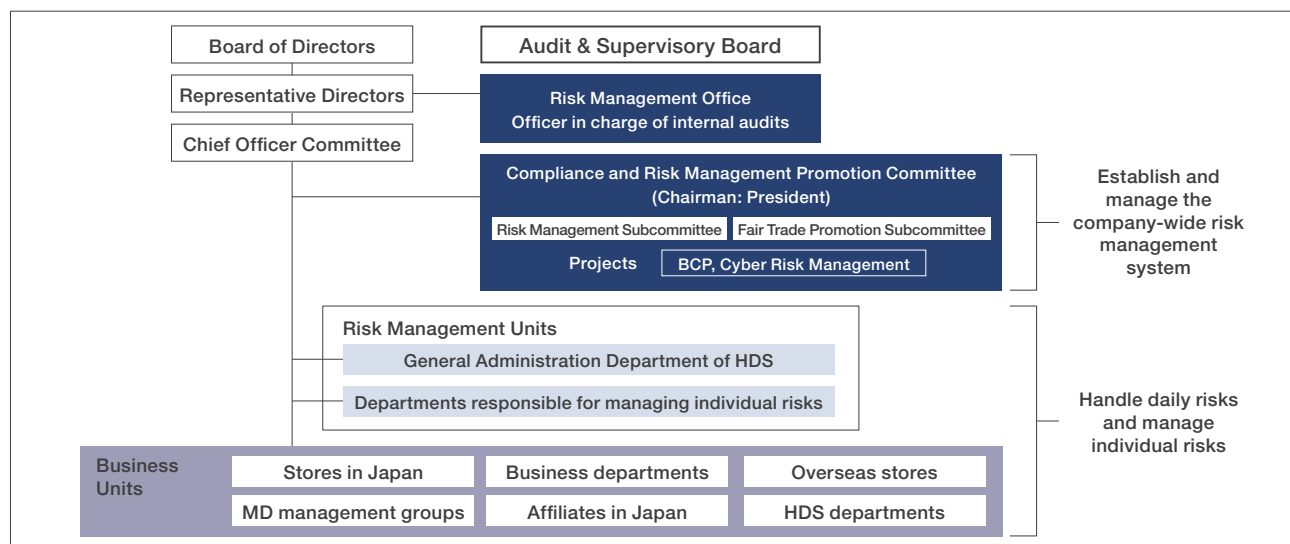
Risk Management (as of November 2018)

Our Views on Risk Management

At the Isetan Mitsukoshi Group, we have established our Basic Regulations on Risk Management to implement overall risk management for all Group companies. Under these regulations, we implement 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.

Our 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 Promotion Committee (from FY2018 onward)

To improve the effectiveness of the Compliance and Risk Management Committee, which existed until FY2017, we have converted this entity into the Compliance and Risk Management Promotion Committee in FY2018. To minimize the impacts of risks that are realized and prevent the occurrence of risks, this committee is promoting initiatives for realizing the integrated risk management of all Group companies by monitoring action plans related to individual risks and how they are addressed.

The Compliance and Risk Management Promotion Committee consists of 20 members -- the president as the chair and 19 members appointed by the chair -- and meets twice every year. Audit & Supervisory Board

members and people from related divisions also participate in meetings of this committee to share information.

Business continuity plan (BCP)

We have formulated a business continuity plan (BCP) by assuming major natural disasters (such as earthquakes and flooding) and pandemics. We also conduct training to improve the effectiveness of the BCP in a well-planned manner and verify its effects in our efforts to continue improving the plan.

Establishment and operation of an information security management system

Concerning information systems and related information owned and managed by the Group internally, we have formulated standards on measures for handling and managing them and ensuring compliance in the Regulations on Information Security Management with the aim of protecting the systems and information from risks including those of accidents, crimes, and negligence. The Cyber Risk Management Project, which is a subordinate body of the Compliance and Risk Management Promotion Committee, suggests and promotes measures for addressing cyber risks to the overall Group. It engages in activities focused on governance, employee training, daily preventive measures, and reviews of daily monitoring flow.

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. For this purpose, we have adopted our Corporate Code of Ethics and Conduct based on Our Philosophy as a code of conduct for executives and other employees. We strive to ensure that the Corporate Code of Ethics and Conduct is embraced throughout the Group and to maintain and enhance our compliance system 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.

Case example Sound corporate culture

Training for persons responsible for preventing inappropriate requests

At the Isetan Mitsukoshi Group, for the purpose of responding to inappropriate requests from antisocial forces with a firm attitude, we encourage the site managers of our stores and affiliates to undergo training for persons responsible for preventing inappropriate requests. The training includes lectures given by officials from the Metropolitan



Number of persons who underwent the training

2015	142
2016	98
2017	105

Police Department and the Tokyo Center for Removal of Criminal Organizations and commissioned lecturers, as well as learning through a video produced for the training. A certificate of attendance is granted to those who have completed this training. They apply what they have learned through the training in actual settings.

Establishment and operation of a whistleblowing office

We have established the Group Hotline Rules to swiftly bring to light and correct inappropriate conduct, illegal conduct, and harassment that occur within the Group. We have also established the Group Hotline, our whistleblowing system for all employees of the Group and the Group's business partners. Under this system, a specialized internal division and external entities (including a law firm) accept whistleblowing.

Initiatives for preventing unreasonable restraint of trade (cartel and bid-rigging)

On January 12, 2018, Isetan Mitsukoshi Ltd. was handed a cease and desist order and an Order for Payment of Surcharge by the Japan Fair Trade Commission under the Antimonopoly Act. The company has responded to these orders by conducting employee training and taking initiatives to prevent recurrence. In response, we at the Isetan Mitsukoshi Group have renewed our determination to promote fair trade. For this purpose, we have formulated rules on interactions with our competitors, under which we prohibit unfair restraint of trade. We are striving to ensure fair trade with these and other initiatives.

Major Financial Data

	FY2008	FY2009	FY2010	FY2011
Net sales	1,426,684	1,291,617	1,220,772	1,239,921
Gross profit	397,446	360,685	342,005	347,788
Selling, general and administrative expenses	377,863	356,508	331,012	323,954
Operating income	19,582	4,177	10,993	23,834
Recurring income	35,052	19,730	27,093	38,452
Net income attributable to parent company shareholders	4,683	(63,521)	2,640	58,891
Total assets	1,351,633	1,238,006	1,237,775	1,227,947
Shareholders' equity	475,369	413,861	406,501	456,583
Net assets	489,740	425,120	418,152	468,479
Interest-bearing debt	232,842	197,283	213,925	173,264
Cash flows from operating activities	18,162	(3,604)	33,211	57,843
Cash flows from investing activities	(27,429)	47,443	(24,419)	(15,939)
Cash flows from financing activities	7,116	(41,688)	11,241	(44,940)
Capital investment	30,120	28,256	32,937	19,243
Depreciation	24,253	22,411	22,933	22,406
Net income per share (yen)	12.08	(162.51)	6.69	149.28
Net assets per share (yen)	1,225.85	1,049.09	1,030.60	1,157.37
Cash dividend per share (yen)	14.00	10.00	7.00	10.00
Gross profit margin	27.86%	27.93%	28.02%	28.05%
SG&A expense ratio	26.5%	27.6%	27.1%	26.1%
Operating profit margin	1.4%	0.3%	0.9%	1.9%
Return on equity (ROE)	1.0%	(14.3%)	0.6%	13.6%
Return on assets (ROA)	1.4%	0.3%	0.9%	1.9%
Rate of return on invested capital (ROIC)	—	—	0.9%	2.3%
Shareholders' equity ratio	35.2%	33.4%	32.8%	37.2%
Payout ratio	115.9%	(6.2%)	104.6%	6.7%

*In sections with "—", the value is not stated because data are not available.

*Percentage figures are rounded off to one decimal place.

*Data for the fiscal year ended March 31, 2018 are financial data disclosed on May 9, 2018

(Millions of yen)

FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
1,236,333	1,321,512	1,272,130	1,287,253	1,253,457	1,268,865
347,410	370,022	355,456	361,768	365,609	367,282
320,771	335,376	322,372	328,660	341,673	342,869
26,639	34,646	33,083	33,107	23,935	24,413
34,217	38,440	34,563	36,704	27,418	27,325
25,292	21,166	29,886	26,506	14,976	(960)
1,223,677	1,284,658	1,291,560	1,293,043	1,312,074	1,284,208
491,001	524,591	560,362	563,264	568,858	576,396
505,127	541,069	577,655	574,316	579,782	588,091
181,263	171,285	160,601	175,871	186,751	139,972
4,438	46,022	49,448	43,099	35,373	72,972
(26,312)	(19,221)	(34,374)	(24,481)	(40,913)	(26,981)
2,339	(16,151)	(17,372)	(3,711)	2,413	(52,753)
30,499	31,569	29,279	40,043	34,200	38,446
21,559	22,228	22,818	23,020	23,562	25,272
64.11	53.65	75.74	67.41	38.27	(2.47)
1,244.54	1,329.45	1,421.72	1,438.17	1,460.32	1,478.74
10.00	11.00	11.00	12.00	12.00	12.00
28.10%	28.00%	27.94%	28.10%	29.17%	28.95%
25.9%	25.4%	25.3%	25.5%	27.3%	27.0%
2.2%	2.6%	2.6%	2.6%	1.9%	1.9%
5.3%	4.2%	5.5%	4.7%	2.6%	(0.2%)
2.2%	2.8%	2.6%	2.6%	1.8%	1.9%
2.5%	3.1%	3.0%	3.0%	2.2%	2.3%
40.1%	40.8%	43.4%	43.6%	43.4%	44.9%
15.6%	20.5%	14.5%	17.8%	31.4%	—

Consolidated Balance Sheets (Millions of yen)

ASSETS	Fiscal 2016 (As of March 31, 2017)	Fiscal 2017 (As of March 31, 2018)
Current assets		
Cash and bank deposits	61,722	55,710
Notes and accounts receivable-trade	134,718	134,082
Marketable securities	953	380
Merchandise	57,726	50,164
Finished goods	489	427
Work in process	418	374
Raw materials and supplies	993	924
Deferred tax assets	14,209	16,439
Other current assets	43,824	26,853
Less: Allowance for doubtful accounts	(3,623)	(3,194)
Total current assets	311,433	282,163
Property and equipment		
Tangible fixed assets		
Buildings and structures, net	172,172	174,148
Land	526,996	539,724
Construction in progress	7,410	8,035
Other tangible fixed assets, net	21,892	22,715
Total tangible fixed assets	728,471	744,624
Intangible fixed assets		
Software	24,761	22,534
Goodwill	11,118	6,794
Other intangible fixed assets	43,895	30,035
Total intangible fixed assets	79,775	59,364
Investments and other assets		
Investment securities	116,061	126,673
Long-term loans receivable	938	332
Guarantee deposits	62,141	59,288
Net defined benefit assets	3,456	3,476
Deferred tax assets	3,000	1,866
Other assets	7,273	6,537
Less: Allowance for doubtful accounts	(528)	(250)
Total investments and other assets	192,343	197,923
Total property and equipment	1,000,590	1,001,912
Deferred assets		
Bond issue costs	51	132
Total deferred assets	51	132
Total assets	1,312,074	1,284,208

LIABILITIES	Fiscal 2016 (As of March 31, 2017)	Fiscal 2017 (As of March 31, 2018)
Current liabilities		
Notes and accounts payable	115,712	113,119
Current portion of bonds payable	–	10,000
Short-term borrowings	60,451	30,672
Commercial paper	37,000	–
Income taxes payable	6,271	5,272
Gift vouchers	83,434	82,084
Deferred tax liabilities	94	1
Reserve for bonuses	9,735	12,466
Allowance for point cards	9,291	9,686
Reserve for loss from redemption of gift vouchers	27,761	29,258
Other current liabilities	93,648	108,921
Total current liabilities	443,399	401,483
Long-term liabilities		
Bonds payable	20,000	30,000
Long-term debt	69,300	69,300
Deferred tax liabilities	138,426	138,464
Net defined benefit liability	40,693	37,597
Provision for loss on business of subsidiaries and affiliates	111	105
Liabilities from application of equity method	4,539	1,874
Other long-term liabilities	15,822	17,292
Total long-term liabilities	288,892	294,632
Total liabilities	732,291	696,116
NET ASSETS		
Shareholders' equity		
Common stock	50,328	50,461
Capital surplus	322,699	322,807
Retained earnings	195,184	193,239
Less: Treasury stock	(9,286)	(9,294)
Total shareholders' equity	558,925	557,214
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities	5,989	10,094
Deferred gains (losses) on hedges	0	39
Foreign currency translation adjustments	5,697	9,858
Remeasurements of defined benefit plans	(1,754)	(810)
Total accumulated other comprehensive income	9,933	19,182
Stock acquisition rights	1,946	2,028
Non-controlling interests	8,977	9,666
Total net assets	579,782	588,091
Total liabilities and net assets	1,312,074	1,284,208

*In sections with "–", the value is not stated because data are not available.

*Data for the fiscal year ended March 31, 2018 are financial data disclosed on May 9, 2018

Consolidated Statements of Income (Millions of yen)

	Fiscal 2016 (From April 1, 2016 to March 31, 2017)	Fiscal 2017 (From April 1, 2017 to March 31, 2018)
Net sales	1,253,457	1,268,865
Cost of sales	887,848	901,582
Gross profit	365,609	367,282
Selling, general and administrative expenses	341,673	342,869
Operating income	23,935	24,413
Non-operating income	15,615	14,851
Non-operating expenses	12,131	11,939
Recurring income	27,418	27,325
Extraordinary gain	1,228	1,232
Extraordinary loss	13,924	26,124
Income before income taxes	14,722	2,433
Income taxes - current	6,396	5,807
Income taxes - deferred	(6,460)	(2,527)
Total income taxes	(64)	3,279
Net income (loss)	14,787	(845)
Net income (loss) attributable to nonattributable interests	(188)	114
Net income (loss) attributable to parent company shareholders	14,976	(960)

Consolidated Statements of Cash Flows (Millions of yen)

	Fiscal 2016 (From April 1, 2016 to March 31, 2017)	Fiscal 2017 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities	35,373	72,972
Cash flows from investing activities	(40,913)	(26,981)
Cash flows from financing activities	2,413	(52,753)
Effect of exchange rate changes on cash and cash equivalents	(1,087)	432
Net increase (decrease) in cash and cash equivalents	(4,214)	(6,329)
Cash and cash equivalents at beginning of year	64,238	60,024
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	—	275
Cash and cash equivalents at end of year	60,024	53,969

Environment

Environmental Policy

Yes <https://pdf.irpocket.com/C3099/sCL4/kqH7/UGRu.pdf>

Climate Change

Policy on Climate Change

Yes

Included in the Isetan Mitsukoshi Group Environmental Policy
<https://pdf.irpocket.com/C3099/sCL4/kqH7/UGRu.pdf>

		Boundary ¹	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
GHG Emissions	GHG Scope 1	Group	t-CO ₂	43,219	39,899	38,095	42,905	38,972
	GHG Scope 2			156,446	149,421	144,064	139,479	129,427
	Subtotal (Scopes 1 and 2)			199,665	189,320	182,159	182,385	168,399
	GHG Scope 3 (15 categories) ²			–	–	–	–	3,439,049
	Total (Scopes 1, 2 and 3)			–	–	–	–	3,607,448
CO ₂ Emissions	Direct CO ₂ Emissions	Group	t-CO ₂	43,219	39,899	38,095	38,061	35,868
	Indirect CO ₂ Emissions			156,446	149,421	144,064	139,479	129,427
	Total			199,665	189,320	182,159	177,541	165,295
CO ₂ Emissions per Unit (Business hours × Total floor area)		Group	–	–	37.6	37.6	37.4	36.0
Fluorocarbon Emissions ³	HFC	Group	t-CO ₂	–	–	–	2,600	1,949
	HCFC			–	–	–	1,185	353
	CFC			–	–	–	1,059	802
	Total			–	–	–	4,844	3,104
Energy Consumption		Group	GJ	3,997,147	3,817,663	3,680,789	3,563,663	3,306,816
	Electricity Used		Thousands of kWh	409,544	391,154	377,130	365,129	338,813
	Natural Gas Used			539,672	510,798	512,115	512,037	489,151
	District Heating and Cooling			103,413	96,174	105,017	110,985	102,179
	Diesel and Heavy Oil A Usage			19,181	20,549	18,773	18,312	11,940
	Steam		GJ	4,315	3,442	2,971	3,642	4,535
	Water Usage by Air-Conditioning Equipment			148,106	121,938	82,911	76,304	73,804
	Renewable Energy Used			583	747	655	632	583
	Total			4,812,416	4,571,309	4,403,231	4,285,576	3,989,008
Energy Consumption per Unit (Business hours × Total floor area)		Group	–	–	908.7	908.7	903.0	869.6
Total Amount of Renewable Energy Purchased or Generated		Group	Thousands of kWh	60	77	67	65	60
ISO 14001 Certified Sites		Group	Sites	0	0	0	0	0

1. Boundary: Boundary (Group) pertaining to the environment includes Isetan Mitsukoshi Holdings Ltd., Isetan Mitsukoshi Ltd., the Group department stores in Japan and (some) affiliates in Japan.

2. Scope3: "Scope3," which is greenhouse gas emissions through supply chains, is calculated. The boundary in Scope3 varies in each category. Emissions have been verified by a third-party institution. → Verification results report

3. Fluorocarbon Emissions: This refers to the amount of leakage of fluorocarbons of freezers, refrigerators and air-conditioning equipments used at our stores reported under the Act on Rational Use and Proper Management of Fluorocarbons.

*In sections with "–", the value is not stated because data are not available.

*Percentage figures are rounded off to one decimal place.

*"Isetan Mitsukoshi" in the boundary refers to Isetan Mitsukoshi Ltd. (companies in the Department Store Business located in the Tokyo Metropolitan area).

Resources and Waste

Resource Use Policy	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy https://pdf.irpocket.com/C3099/IZkL/xqq6/ZNwA.pdf					
Waste Reduction Policy	Yes	Included in the Isetan Mitsukoshi Group Environmental Policy and the Isetan Mitsukoshi Group Procurement Policy https://pdf.irpocket.com/C3099/sCL4/kqH7/UGRu.pdf https://pdf.irpocket.com/C3099/IZkL/xqq6/ZNwA.pdf					
Chemical Phase-Out and Management Policy	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy https://pdf.irpocket.com/C3099/IZkL/xqq6/ZNwA.pdf					
Biodiversity Policy	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy https://pdf.irpocket.com/C3099/IZkL/xqq6/ZNwA.pdf					
	Boundary ¹	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Raw Materials Used (Resources for Packaging)	Group	t	4,662	4,859	4,950	4,794	4,679
Total Waste	Group	t	32,571	31,972	30,412	29,359	27,886
Waste Recycled	Group	t	22,849	22,805	21,930	21,524	20,410
% of Recycled Materials	Group	%	70.2	71.3	72.1	73.3	73.2
Waste Sent to Landfills	Group	t	9,721	9,167	8,482	7,835	7,476
Waste Sent to Landfills per Unit (Sales amount)	Group	t	8.1	8.0	7.3	6.9	6.6
% of Recycled Foodstuff Wastes	Group	%	68.3	71.9	72.5	77.6	75.9
NOx Emissions	Isetan Mitsukoshi	t	145	141	140	70	66
PM Emissions	Isetan Mitsukoshi	t	18	18	18	1	1

Water

Water Policy	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy https://pdf.irpocket.com/C3099/IZkL/xqq6/ZNwA.pdf					
	Boundary ¹	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Total Water Used	Group	Thousands of m ³	3,321	3,114	2,970	2,958	2,849
Recycled wastewater usage	Group	Thousands of m ³	932	853	851	850	824
Total Wastewater	Group	Thousands of m ³	2,905	2,737	2,646	2,588	2,536

Compliance

	Boundary ¹	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of Environmental Fines and Penalties	Group	Violations	0	0	0	0	0
Total Cost of Environmental Fines and Penalties	Group	Yen	0	0	0	0	0

Society

Policies		
Human Rights Policy	Yes	Included in the Isetan Mitsukoshi Group Human Rights Policy https://pdf.irpocket.com/C3099/nWIP/aBvg/sWIX.pdf
Policy Against Child Labor	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy https://pdf.irpocket.com/C3099/IZkL/xqq6/ZNwA.pdf
Policy Against Forced Labor	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy https://pdf.irpocket.com/C3099/IZkL/xqq6/ZNwA.pdf
Equal Opportunity Policy	Yes	Included in the Isetan Mitsukoshi Group Human Rights Policy https://pdf.irpocket.com/C3099/nWIP/aBvg/sWIX.pdf
Policy Supporting the Right to Freedom of Association	Yes	Internal Regulation "Collective Labor Agreement" only
Policy Supporting the Right to Collective Bargaining	Yes	
Health and Safety Policy	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy https://pdf.irpocket.com/C3099/IZkL/xqq6/ZNwA.pdf

Business Partners							
	Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of Explanatory Forums for Business Partners	Isetan Mitsukoshi	Times	1	1	1	1	1

Information Security							
	Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
ISO 27001 Certification Sites	Group	Sites	2	2	2	2	2
ISO 20000 Certification Sites	Group	Sites	1	1	1	1	1
Number of JISQ15001 (Privacy Mark-Certified) Group Companies	Group	Companies	3	5	5	5	5
Number of Data Security Violations	Group	Violations	0	0	0	0	0
Total Cost of Fines for Information Security Violations	Group	Yen	0	0	0	0	0

*In sections with "–", the value is not stated because data are not available.

*Percentage figures are rounded off to one decimal place.

**"Isetan Mitsukoshi" in the boundary pertaining to society/governance refers to Isetan Mitsukoshi Ltd. (companies in the Department Store Business located in the Tokyo Metropolitan area).

**"Group" in the boundary pertaining to society/governance refers to Isetan Mitsukoshi Holdings Ltd., Isetan Mitsukoshi Ltd., the Group department stores in Japan and (some) affiliates in Japan.

**"Overseas" in the boundary pertaining to society/governance refers to (some) affiliates based overseas.

Employees									
			Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of Employees ¹ (Employees and Region-based Employees)	Women	Isetan Mitsukoshi	Persons	4,727	4,901	5,167	5,254	5,181	
	Men			2,978	2,939	2,890	2,826	2,617	
	Total			7,705	7,840	8,057	8,080	7,798	
Number of Temporary Employees ¹ (Number of Part-Time Employees)	Women	Isetan Mitsukoshi	Persons	3,172	3,199	3,069	2,671	2,554	
	Men			189	190	180	139	126	
	Total			3,361	3,389	3,249	2,810	2,680	
Average Number of Consecutive Years Served ¹ (Employees)	Women	Isetan Mitsukoshi	Years	20.4	18.5	22.0	20.6	20.7	
	Men			25.3	24.2	25.2	21.4	21.3	
	Total			22.5	21.0	23.5	21.0	20.9	
Average Age of Employees ¹ (Employees)	Women	Isetan Mitsukoshi	Age	42.1	40.6	43.2	42.3	42.6	
	Men			48.9	47.6	48.2	44.3	44.2	
	Total			45.0	43.6	45.6	43.3	43.3	
% of Disabled in Workforce ²		Group	%	2.10	2.21	2.16	2.30	2.41	
Females	Number of Females Officers	Group	Persons	1	2	3	4	3	
	Number of Females in Management Positions	Isetan Mitsukoshi	Persons	547	554	573	587	576	
	% of Females in Management Positions	Isetan Mitsukoshi	%	19.7	20.3	21.5	22.6	23.9	
Paid Maternity Leave (Employees and Region-based Employees)	Women	Isetan Mitsukoshi	Persons	155	137	163	124	134	
	Men			13	18	25	4	4	
	Total			168	155	188	128	138	
Shortened Working Hours for Childbirth or Childcare Purposes (Employees and Region-based Employees)	Women	Isetan Mitsukoshi	Persons	450	442	457	462	451	
	Men			0	0	0	0	0	
	Total			450	442	457	462	451	
Number of Returners from Paid Maternity Leave (Employees and Region-based Employees)		Isetan Mitsukoshi	Persons	95	86	86	91	97	
% of Employees Unionized (Employees and Region-based Employees)		Isetan Mitsukoshi	%	100.0	100.0	100.0	100.0	100.0	
OHSAS 18001 Certification Sites (Occupational Health and Safety Management System)		Isetan Mitsukoshi	Sites	0	0	0	0	0	
Number of New Graduate Employees (Employees and Region based Employees)	Women	Isetan Mitsukoshi	Persons	226	318	262	191	151	
	Men			63	76	67	56	32	
	Total			289	394	329	247	183	
% of Females in New Graduate Employees		Isetan Mitsukoshi	%	78.2	80.7	79.6	77.3	82.5	
Number of Occupational Accidents		Isetan Mitsukoshi	Sites	156	163	153	152	139	
Annual Total Actual Working Hours		Isetan Mitsukoshi	Times	–	–	–	1,954	1,944	
Paid Leave Usage Rate		Isetan Mitsukoshi	%	–	–	–	68.5	74.9	
Training Hours ³ Total number of employees participating in training (regular employees, region-based employees, part-time employees and employees of business partners)		Isetan Mitsukoshi	Hours	–	–	–	–	5,770	
			Persons	–	–	–	–	24,377	
Ratio of local employees to executives (officers, etc.) at overseas offices		Group	%	44.3	42.5	29.6	31.2	33.8	

1. As of April 1 of each year

2. As of June 1 of each year

3. Training hours refer to hours spent for basic trainings (training for employees up to the third year after joining the company and training for employees of business partners at our stores), occupational training, area-specific training and qualification training. In terms of hours per day, it is 15.8 hours.

Governance

Corporate Governance										
			Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	As of June 30, 2018
Number of Directors	Number of Internal Directors	Women	HDS	Members	0	0	0	0	0	0
		Men			6	6	5	5	5	5
		Total			6	6	5	5	5	5
	Number of Independent Directors	Women			0	0	0	0	0	1
		Men			2	2	2	2	2	2
		Total			2	2	2	2	2	3
	Number of Outside Directors (other than Independent Directors)	Women			0	0	0	0	0	0
		Men			1	1	1	1	1	1
		Total			1	1	1	1	1	1
	Total				9	9	8	8	8	9
Number of Corporate Executive Officers on the Board			HDS	Members	6	6	5	5	3 ¹	3 ¹
% of Corporate Executive Officers on the Board			HDS	%	66.6	66.6	62.5	62.5	37.5	33.3
% of Independent Directors on the Board			HDS	%	66.6	66.6	66.6	66.6	66.6	75.0
% of Women on the Board			HDS	%	0	0	0	0	0	11.1
Average Age of Directors (including Outside Members)			HDS	Age	63.5	63.4	64.7	65.3	65.3	65.1
Average Age of Directors (Internal Members only)			HDS	Age	59.6	59.8	60.6	61.0	60.4	60.4
Number of Nominating and Compensation Committee Members	Number of Internal Nominating and Compensation Committee Members	Women	HDS	Members	0	0	0	0	0	0
		Men			2	2	2	2	2	1
		Total			2	2	2	2	2	1
	Number of Independent Nominating and Compensation Committee Members	Women			0	0	0	0	0	1
		Men			2	2	2	2	2	2
		Total			2	2	2	2	2	3
	Number of Outside Nominating and Compensation Committee Members (other than Independent Nominating and Compensation Committee Members)	Women			0	0	0	0	0	0
		Men			1	1	1	1	1	1
		Total			1	1	1	1	1	1
	Total				5	5	5	5	5	5
Number of Nominating and Compensation Committee Meetings			HDS	Times	12	12	10	11	12	3
Nominating and Compensation Committee Meeting Attendance			HDS	%	94.9	96.6	100.0	100.0	96.6	100.0

1. Excluding two executive officers without the status of executive officer at Isetan Mitsui Holdings Ltd.

*In sections with “—”, the value is not stated because data are not available.

*Percentage figures are rounded off to one decimal place.

“HDS” in the boundary refers to Isetan Mitsukoshi Holding Ltd.

Corporate Governance									
			Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of Board Meetings			HDS	Times	14	14	15	17	15
Board Meeting Attendance			HDS	%	94.4	97.6	99.1	97.7	95.0
Attendance of Independent Directors at Board Meetings			HDS	%	92.0	96.4	96.6	100.0	100.0
Number of Directors Attending Less Than 75% of Board Meetings			HDS	Members	0	0	0	0	0
Number of Audit & Supervisory Board Members	Number of Internal Audit & Supervisory Board Members	Women	HDS	Members	0	0	0	0	0
		Men			2	2	2	2	2
		Total			2	2	2	2	2
	Number of Independent Audit & Supervisory Board Members	Women			0	0	0	0	0
		Men			1	1	1	1	2
		Total			1	1	1	1	2
	Number of Outside Audit & Supervisory Board Members (other than Independent Audit & Supervisory Board Members)	Women			0	0	0	0	0
		Men			1	1	1	1	1
		Total			1	1	1	1	1
	Total				4	4	4	4	5
% of Independent Audit & Supervisory Board Members among Outside Audit & Supervisory Board Members			HDS	%	50.0	50.0	50.0	50.0	66.6
% of Female Audit & Supervisory Board Members			HDS	%	0	0	0	0	0
Number of Audit Committee Meetings			HDS	Times	14	13	14	14	15
Audit Committee Meeting Attendance			HDS	%	98.2	100.0	100.0	100.0	96.9
Attendance of Independent Auditors at Board Meetings			HDS	%	92.8	100.0	100.0	100.0	91.6
Number of Auditors Attending Less Than 75% of Board Meetings			HDS	Members	0	0	0	0	0

Governance

Compensation								
		Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Compensation of Directors (Excluding External Directors)	Base Salary ¹	HDS	Millions of Yen	152	153	144	153	159
	Stock Options			63	75	48	72	75
	Bonuses			94	68	58	0	0
	Total			310	297	251	226	234
Compensation of Audit & Supervisory Board Members (Excluding External Audit & Supervisory Board Members)	Base Salary ¹	HDS	Millions of Yen	44	44	44	44	44
	Stock Options			–	–	–	–	–
	Bonuses			–	–	–	–	–
	Total			44	44	44	44	44
Compensation of External Directors and External Audit & Supervisory Board Members	Base Salary ¹	HDS	Millions of Yen	50	51	51	51	58
	Stock Options			–	–	–	–	–
	Bonuses			–	–	–	–	–
	Total			50	51	51	51	58

Shareholder Rights								
Anti-Takeover Measures		None						

Accounting Audits								
		Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Compensation of Accounting Auditors		HDS	Millions of Yen	275	262	269	253	260

1. Excluding subsidiaries

*In sections with “–”, the value is not stated because data are not available.

*Percentage figures are rounded off to one decimal place.

Compliance							
Business Ethics Policy	Yes	Isetan Mitsukoshi Group Code of Ethical Behavior https://imhds.disclosure.site/ja/themes/86#925					
Anti-Corruption Policy	Yes	Anti-Bribery Policy https://www.imhds.co.jp/ir/governance/compliance.html					
Anti-Bribery Policy	Yes	Stated in the Anti-Bribery Policy and the Anti-Bribery Rules, internal rules https://www.imhds.co.jp/ir/governance/compliance.html					
Employee Protection / Whistle-Blower Policy	Yes	Group Hotline Rules https://www.imhds.co.jp/ir/governance/compliance.html					
	Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of Fines and Penalties for Corruption	Group	Violations	0	0	0	0	0
Total Cost of Fines and Penalties for Corruption	Group	Yen	0	0	0	0	0
Number of Incidents of Non-Compliance	Group	Incidents	0	0	0	0	1
Total Cost of Incidents of Non-Compliance	Group	10 thousand yen	0	0	0	0	819

Corporate Governance							
	Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Number of members in the Corporate Philosophy Committee	Group	Persons	261	246	235	249	255
Number of meetings of the Corporate Philosophy Committee	Group	Times	2	2	1	1	1
Number of members in the Compliance and Risk Management Committee	Group	Persons	17	20	22	24	19
Number of times Compliance and Risk Management Committee meetings are held	Group	Times	2	2	2	2	2
Number of Environment CSR Promotion Committee Members	Group	Persons	62	59	61	63	62
Number of Environment CSR Promotion Committee Meetings	Group	Times	2	2	2	2	2

Other

Other Data							
	Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Total Number of Stores	Department stores in Japan	Stores	26	26	27	25	24
Customer traffic	Isetan Mitsukoshi	Thousand people	109,339	109,977	109,095	103,409	94,000
Number of proper card accounts	Group	10 thousand accounts	280.0	277.9	272.4	269.4	268.5
Proper card transaction volume	Group	Millions of Yen	963,436	1,000,486	1,042,684	1,077,390	1,093,369
Proper Card Utilization Rate	Group	%	81.6	82.3	82.6	82.7	82.5
Tax-free sales ²	Group	Millions of Yen	15,302	31,859	60,266	52,272	67,511

2. Total sales that went through tax exemption procedures

Long-Term History of Our Challenges

Challenges taken on by Isetan Mitsukoshi

Edo Period

Startup period of Mitsukoshi (Echigoya) as Kimono Fabric shop

We gained support from many customers by launching a range of unique services, which were innovative for services from a retailer in those days.



Large Perspective Picture of Echigoya Draper's Shop in Surugacho
Artist: Okumura Masanobu

1673 Echigoya is founded with the slogan "Cash payment in store, honest prices"

M

Launch of the world's first sales based on cash payment and honest, fixed prices indicated on labels Echigoya launched in-store sales based on cash payment, which was revolutionary in those days when retailers mostly brought products to customers, such as feudal lords, samurai, and merchants, and sold them on credit. Echigoya sold products based on fixed prices indicated on labels, which enabled it to speed up its capital turnover and earn the trust of a wide range of customers, resulting in the expansion of its customer base.



The double-sided sign of Echigoya, which says "Cash payment, honest price."

"We sell pieces of cloth cut according to your needs."

While kimono shops in those days only sold cloth by the roll, Echigoya sold pieces of cloth by cutting them according to customer needs. This made the products accessible to common people as well as those from privileged classes such as samurai and merchants. It thus gained support from and was enormously well-received by many people.

Meiji Restoration

The Meiji Restoration changed society significantly, resulting in the end of the samurai society and the loss of the customer base. To survive in this environment, we transformed ourselves and created new business models.

1886 Foundation of Iseya Tanji Kimono Fabric Shop

I

Suggesting highly unique kimono and obi The conditions surrounding Iseya Tanji Kimono Fabric Shop, including its location, were not advantageous because it was a late-comer kimono shop. To gain customer support in these conditions, the store focused on obi and patterns as symbols of women and suggested highly unique products such as kimono with the Goshuden Pattern. It thus gained popularity, mainly among people with a high sense of fashion.



Iseya Tanji Kimono Fabric Shop

1888 Opening of Mitsukoshi Yofuku Ten (Western clothing store)

M

Challenge of the Westernization of clothes In 1886, when signs of the Westernization of clothes began to be seen, we decided to establish a Western clothing department ahead of others. We opened a Western clothing store in 1888 by inviting sewing workers from Europe. We later closed this store and reopened the Western clothing department in 1906 in response to the growing demand for such clothes. We thus began to offer tailor-made men's clothing in the latest British style.



Exterior view of Mitsukoshi Yofuku Ten

1895 Starting in-store display of products for sale

M

Introduction of glass showcases Previously, kimono shops would show products at the request of customers. Because this way of selling products, which was called zauri, was inefficient, we began to display products in glass cases, making customers free to see and choose them.



In-store display of products (2nd floor of the main store)

1899 Establishment of an out-of-store sales and mail order service department

M

Expanding trade area by strengthening traveling sales in regional towns and cities and launch of mail-order service In response to the development of telecommunication and transportation infrastructures, we commenced out-of-store sales in regional towns and cities on a full-scale basis and began publishing a PR magazine. We thus started to offer information about our products and accept orders by mail, improving the convenience of our customers all over Japan.



Mail order

Foundation of modern department stores

Mitsukoshi became Japan's first department store, an achievement enabled by its management reforms that resulted in its transformation from a kimono shop to a modern retailer. Isetan opened a modern department store in Shinjuku after the Great Kanto Earthquake in anticipation of changes in the market.

1904 The Department Store Declaration

M

Birth of Japan's first department store The Westernization of clothing had been in progress since the Meiji Restoration. Feeling a sense of crisis, the management team pushed through management reforms, aiming for transformation from a traditional kimono shop into a modern retailer, and declared the business transformation into a department store. We then began to expand the range of products we offered, from Western clothes to cosmetics, sundries, imported goods, and others. We announced this in newspapers nationwide in 1905.



An advertisement announcing our transformation into a department store, which was published in a national newspaper

1907 Opening of a department for foreigners

M

We were the first to establish a department targeting foreign customers, offering Japanese silk products, kimono, clothing materials, fine arts and crafts, and other products. We started selling them by preparing an English brochure. Western clothes to cosmetics, sundries, imported goods, and others. We announced this in newspapers nationwide in 1905.



Product brochure for foreigners

1907 Establishment of the New Fine Art Department

M

We established Japan's first New Fine Art Department for customers with a strong interest in culture and art. We collected works of Japanese art, Western art, and craft created by renowned artists and began special display sales of the works. Since then, we have continued to create opportunities for artists to publish their works and deliver excellent culture and art to our customers.



Establishment of New Fine Art Department (declaration)

1914 Completion of Mitsukoshi Main Store's new building

M

Completion of a modern department store Having started with a traditional timber and clay (kura-style) building, we built a wooden Western-style building as our makeshift store and then a five-story reinforced concrete building in the Renaissance style as a fully-fledged modern department store. This building had Japan's first escalator, as well as an elevator, restaurant, and restroom. In addition, we introduced the food department, bonito department, and tea department, which were the first among department stores in Japan. In this way, we completed the form of the modern department store.



New Main Store building at the time of its completion



Escalator

Times have been changing significantly since our foundation, and we have overcome several challenges by transforming ourselves and creating business models. While facing a tough environment, we anticipate changes in social and customer needs and continue to make new proposals by connecting people and bridging times. This policy is in our DNA at the Isetan Mitsukoshi Group.

M =History of Mitsukoshi **I** =History of Isetan

1923 The Great Kanto Earthquake

Both Iseya Tanji Kimono Fabric Shop and Mitsukoshi Main Store were seriously damaged in the earthquake. However, we committed ourselves to helping people with the reconstruction. Specifically, we took initiatives such as raising funds to return accounts receivable to our business partners by placing emphasis on credit and giving discounts to customers in credit sales. Mitsukoshi opened markets in Shinjuku and Ginza in succession and offered daily necessities, thereby contributing to stabilizing people's lives in the aftermath of the disaster.



Mitsukoshi Hall

1927 Opening of the Mitsukoshi Hall (now known as Mitsukoshi Theater)

We opened Mitsukoshi Hall, a hall with a double-height ceiling, on the 6th and 7th floors of the main building of the Main Store. In this hall, we hosted various theatrical performances, traditional performing arts shows, and other performances to help address the shortage of theaters in those days and contribute to the development of Japanese culture. It was the only theater in a department store. partners by placing emphasis on credit and giving discounts to customers in credit sales. Mitsukoshi opened markets in Shinjuku and Ginza in succession and offered daily necessities, thereby contributing to stabilizing people's lives in the aftermath of the disaster.

1933 Relocation of Isetan Main Store to Shinjuku

While the environment surrounding Kanda had changed drastically after the Great Kanto Earthquake, we relocated the main store to Shinjuku, which was a promising area where trade zone expansion was expected. With this move, we laid the foundations for the leap forward that we made later.



Panoramic view of the Shinjuku Main Store at the time of its opening

Post-war economic growth

The mass-consumption society arrived and consumer spending increased, with people pursuing affluent lives. In this trend, we took a range of initiatives by anticipating changes in the market.

1956 Teenagers' shop

In response to the growing interest in fashion associated with the economic growth, we collected fashion items for teenage girls as a new category and began selling them. This shop gained a foothold as a representative department.



Teenagers' shop

1960 The industry's first parking building (first in Japan)

Anticipating the coming motorization ahead of others, we built the industry's first parking building for the convenience of customers who come to the store by car.



Industry's first parking building

1960 Bank-affiliated credit card (first in Japan)

The era of consumer credit had arrived, and we began credit card sales based on credit guaranteed by a bank.



Japan's first bank-affiliated credit card

1963 Unification of size system of women's ready-to-wear clothing (first in Japan)

Amid the shift from haute couture to the expansion of ready-to-wear clothing, we diversified the sizes of those items of clothing to make them fit the Japanese physique, in conjunction with other department stores. The sizes later became unified sizes of clothing from department stores.



Unification of size system of women's ready-to-wear clothing

Maturation period

Living standards improved, resulting in the emergence of various categories of business and the diversification of values and patterns of consumer spending. In this trend, we took a range of unique measures.

1993 Birth of Only I, a selection of original products from Isetan

Only I, a selection of original products developed based on customer feedback, was born. It was renamed Only MI in 2011, after the integration, and has since been the pillar of Isetan Mitsukoshi's uniqueness.



Only I

1994 Opening of Kaiho-ku

On the 1st floor of the Main Store, we opened a department called Kaiho-ku (liberation area), a space for delivering information. This was our new initiative for incubating up-and-coming designers and bringing products designed by them into the world. It had a major impact on the fashion industry.



Kaiho-ku

2003 Opening of remodeled Men's Building of Isetan Shinjuku Main Store

In 1968, when men began to be interested in fashion, we opened Asia's first Otoko-no-shinkan (new building for men). In 2003, the entire building was remodeled for the first time in its 35 years of history and was reborn as the Men's Building. It was remodeled into a building for men who purchase and coordinate their clothes on their own, instead of having others choose and purchase clothes for them.



Front entrance of the Men's Building

2008 Establishment of Isetan Mitsukoshi Holdings Ltd. through business integration

While the market environment grew tougher, due in part to the population decline and increasingly fierce competition, we implemented business integration to make maximum use of the two companies' management resources and take advantage of their strengths.



Business integration (news conference in 2007)

2012 Opening of small-scale stores focused on the specific strengths of Isetan

We opened ISETAN MIRROR Make & Cosmetics, small-scale stores offering cosmetic products of selected brands, mainly in station buildings. These stores are well-received because customers can purchase cosmetics without receiving counselling, or they can receive counselling if they wish. We have also opened Isetan Haneda Store, which offers selected men's and ladies' goods and food and drinks, in the Haneda Airport terminals. It consists of three zones, two for men and one for ladies. We also opened one of these stores at Chubu Centrair International Airport in 2016.



ISETAN MIRROR Make & Cosmetics (the first store)

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 50.503 billion yen
Representatives	Ken Akamatsu, Chairman and Representative Director (concurrently Chairman and Representative Director, Isetan Mitsukoshi Ltd.) Toshihiko Sugie, President, CEO and CDTO (concurrently President and CEO, Isetan Mitsukoshi Ltd.)	Fiscal year end	March 31

List of Group 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.*
Itm Clover Co., Ltd.*

Credit, Finance and Customer Organization Management Businesses

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

Retail, Specialty Store and Mail-order Businesses

IM Food Style 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.
Leotex Co., Ltd.
Century Trading Co., Ltd.
Isetan Mitsukoshi Italia S.r.l.

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.*
NOMURA FUDOSAN MITSUKOSHI ISETAN KAIHATSU GODO KAISHA*

Logistics Businesses

Isetan Mitsukoshi Business Support Ltd.

Information Processing and Media Businesses

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

Travel Businesses

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

Beauty Businesses

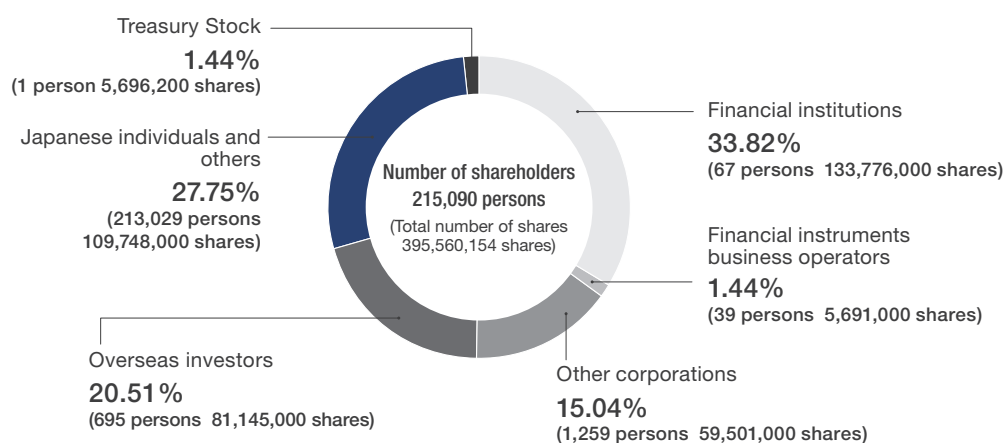
SWP Holdings Inc.
Socie World Co., Ltd.
Taiwan Socie World Co., Ltd.

*Equity method company

Stock Information

Number of shares authorized	1,500,000,000 shares
Number of shares per unit (tangen)	100 shares
Number of shares issued	395,560,154 shares
Number of shareholders	215,090 persons

Shareholding ratio



Major shareholders

Name of Shareholders	Number of Shares Held (shares)	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	35,277,400	9.04
Japan Trustee Services Bank, Ltd. (Trust account)	21,912,200	5.62
Mitsukoshi Health and Welfare Foundation	13,667,832	3.50
Isetan Mitsukoshi Group's partner holding companies	7,731,078	1.98
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,178,500	1.84
Japan Trustee Services Bank, Ltd. (Trust account 9)	7,068,400	1.81
SHIMIZU CORPORATION	6,200,000	1.59
Meiji Yasuda Life Insurance Company	5,697,279	1.46
MUFG Bank, Ltd.	5,342,995	1.37
JP MORGAN CHASE BANK 385151	5,271,447	1.35

*Treasury stock (5,696,200 shares) is deducted from Voting Rights Percentage.



ISETAN MITSUKOSHI HOLDINGS