

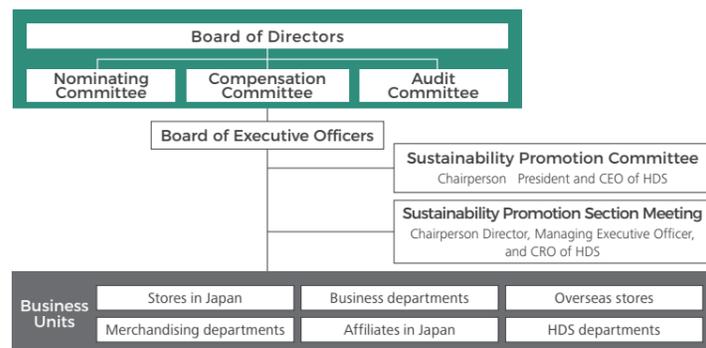
Sustainability Initiatives of the Isetan Mitsukoshi Group

System for Promoting Sustainability

In FY2018, the Isetan Mitsukoshi Group dramatically revised the Group structure for the management of conventional CSR activities, including environmental measures, from the viewpoints of the environment, society, and governance (ESG) and the sustainable development goals (SDGs). On this occasion, we established the Sustainability Promotion Committee chaired by the CEO. Under the leadership of senior management, the Committee aims to achieve sustainable business management by both solving social issues and improving corporate value through business.

Based on "the Isetan Mitsukoshi Group connecting people and bridging times" in "Our Philosophy," the Group selected priority initiatives (material issues) in response to changes in the social and consumption environments, positioning the promotion of sustainability as a key issue for Group companies.

Organization for promoting sustainability in FY2020



Sustainability Promotion Committee

The Sustainability Promotion Committee seeks to promote and raise awareness for the measures and priority initiatives of our sustainability activities across the Isetan Mitsukoshi Group. Chaired by the CEO of Isetan Mitsukoshi Holdings, the Committee consists of the general managers of departments (business unit representatives) and affiliate representatives. The Committee met twice in FY2019.

Sustainability Promotion Section Meeting

The Sustainability Promotion Section Meeting operates under the Sustainability Promotion Committee. Chaired by the CRO of Isetan Mitsukoshi Holdings, this Meeting for advancing sustainability measures consists of managers (business subunit chiefs), including the general managers of the general affairs departments of the Group companies and Group stores. The Committee met twice in FY2019.

Policies for the Promotion of Sustainability

Our Philosophy
Connecting people and bridging times

Standards of Corporate Ethical Behavior

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 accomplish to realize both prosperous future for all stakeholders and a sustainable society by playing the role.

Human Rights Policy

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 improvement of health ⑧ Ensuring occupational safety and health

Procurement Policy

① Compliance and fair trade ② Quality control ③ Sustainability ④ Responding to biodiversity ⑤ Reducing human impact on the environment and preventing pollution ⑥ Waste prevention and resource recycling ⑦ Eliminating chemical substances ⑧ Respecting human rights and prohibiting unfair labor practices 12 items including those written above

Environmental Policy

To achieve a sustainable society in which humans are in harmony with the global environment, the Group looks at environmental conservation activities as its corporate social responsibility and acts on this.

Corporate Governance Guidelines P31

Process for Selecting Priority Initiatives (Material Issues)

At the Isetan Mitsukoshi Group, priority initiatives (material issues) are identified based on discussions at management conferences and other meetings, the opinions of external advisors, and the findings of customer questionnaire surveys. We have selected three priority initiatives (material issues) from among the social issues we have identified and requests from our stakeholders, from the perspective of making the most of our strengths as a company running a department store business as our core business, through the process described below.



Issues with a significant impact on society and the Group's businesses

1	Measures for the expansion of the wealthy population
2	Measures for the expansion of the diversity of consumption patterns
3	Measures for the declining birthrate and the growing proportion of elderly people, and increased lifespans
4	Measures for people returning to urban areas to live and depopulation in rural areas
5	Evolution of artificial intelligence (AI) and robots
6	Expansion of e-commerce business
7	Being the best company to work for in Japan
8	Sustainable procurement
9	Lower-carbon energy
10	Waste prevention and resource recycling
11	Promoting the protection of marine and land-dwelling creatures
12	Growing awareness of environmental protection among customers and business partners
13	Promoting initiatives for revitalizing local communities
14	Corporate governance / Compliance

Customer questionnaire survey conducted in February 2020

Every year, many customers responding to the survey choose "guaranteeing product quality and safety and accurate labeling" as a measure that they want the Isetan Mitsukoshi Group to take. However, recent years have seen a growing proportion of respondents select "sustainable use of resources," "offering products and services that solve social issues," and "the development of a comfortable working environment where employees can achieve growth and personnel training."

Measures that customers want the Isetan Mitsukoshi Group to take (Each respondent was asked to select the three most desired measures.)

1	Sustainable use of resources (reuse and recycling)	46.8%
2	Guaranteeing product quality and safety and accurate labeling	45.4%
3	Reduction of food loss	30.0%
4	Development of a comfortable working environment where employees can achieve growth and personnel training	24.3%
5	Offering products and services that solve social issues	23.0%
6	Cultural promotion	18.9%
7	Measures addressing plastic issues (plastic shopping bags)	18.0%
8	Ensure compliance	11.4%

*Conducted in February 2020, with approx. 8,300 web members responding

Three Priority Initiatives (Material Issues) on Sustainability

The Isetan Mitsukoshi Group promotes the following three priority initiatives based on group governance and communications, with the goal of continuing to be an entity which connects our customers around the world who are seeking affluence with people, local communities, the times and society.

Material Issue 1 | Connecting People and Local Communities
Connecting areas and producers including artists with customers

Relevant stakeholders: Customers, Business Partners, The Community

To help customers enrich their lifestyles, we take initiatives and connect people with many areas. This includes the creation of opportunities to feel the emotions and aesthetics of people and the introduction of the local cultures, traditions, and specialties of many regions.

Material Issue 2 | Connecting a Sustainable Society and the Times
Ensuring that a safe and secure environment can be handed down to future generations

Relevant stakeholders: Customers, Business Partners, Employees, The Community

To pass on a sustainable society to future generations, we are implementing initiatives to reduce our environmental impact, including the provision of safe, reliable products and services, the contribution to the building of a low-carbon society, and resource conservation.

Material Issue 3 | Improving the Satisfaction of Employees
Developing a comfortable working environment and investing in personnel

Relevant stakeholders: Employees, Customers

To achieve the goal of being the best company to work for in Japan, we are taking measures to build a workplace environment where employees are able to work with peace of mind. They include productivity improvement through operational reforms, the creation of an open workplace environment, and recommending that employees get enough rest.

Group Governance and Communication
Promoting fair trade and business activities

Specific activities for priority initiatives (material issues)

Material Issue 1 | Connecting People and Local Communities

To help customers enrich their lifestyles, we take initiatives and connect people with many areas. This includes the creation of opportunities to feel the emotions and aesthetics of people and the introduction of the local cultures, traditions, and specialties of many regions.

Isetan Mitsukoshi Furusato Nozei* Connecting customers and local specialties from all over Japan

With the goal of providing customers with a catalyst for their discovery of the appeal of the diverse regions of Japan, Isetan Mitsukoshi Furusato Nozei (donating to the local government of a city, town, or village where one does not live) is an initiative introducing information about regions and their specialties by taking advantage of the nationwide network of the Isetan Mitsukoshi

Group. Return gifts are selected by buyers from the Isetan Mitsukoshi Group. As of December 2020, 114 local governments have expressed their intent to participate in this project and 89 have participated. We will continue to increase the number of participating local governments and return gift options in our effort to revitalize local industries.



Isetan Mitsukoshi Furusato Nozei

*Donating to the local government of a city, town, or village where one does not live



NIIGATA EPPIN

NIIGATA EPPIN Connecting gems from Niigata and customers all over Japan | Niigata Isetan Mitsukoshi

NIIGATA EPPIN is a project to convey the charm of Niigata (a province located in northeastern Japan) by providing the EPPIN (gems) of Niigata, filtered and gathered by Isetan Mitsukoshi. This shop was renovated and reopened in September 2020. We provide in-depth explanations about the producers and materials of the products to the customers visiting this shop, attaching more importance to explaining the stories behind the products than selling the products. We also offer these products at the Isetan Mitsukoshi Online Store, to ensure that the gems of Niigata are introduced widely to customers all over Japan.



Restyle on the 3rd floor of the Isetan Shinjuku Main Store

Restyle Connecting people's minds via fashion | Isetan Shinjuku Main Store

Restyle, which is located on the 3rd floor of the Isetan Shinjuku Main Store, was renovated and reopened in August 2020. The sales floor consists of four zones themed on particular people, a strength of department stores. They are zones offering curators' selections, stylists' selections, designers' selections, and customers' selections. This provides customers with the opportunity to see a variety of aesthetic styles. To commemorate the reopening, this shop held The Power of Choice event with the theme, "My idea of sustainability." Through The Power of Choice, the shop offered approx. 100 items from 15 global brands that represented designers' suggestions about the sustainability using clothes. Restyle will further expand the possibilities of fashion by acting as a platform for customers, employees, designers, and producers to share their feelings.

Material Issue 2 | Connecting a Sustainable Society and the Times

To pass on a sustainable society to future generations, we are implementing initiatives to reduce our environmental impact, including the provision of safe, reliable products and services, the contribution to the building of a low-carbon society, and resource conservation.

Formulation of Medium-Term Environmental Targets for 2030 and an initiative to formulate Long-Term Environmental Targets for 2050 | Stores operated by Group companies

In FY2018, we formulated the Isetan Mitsukoshi Group Medium-Term Environmental Targets for 2030. The Group is working to reduce total CO₂ emissions under the banner of measures to address climate change as the group targets. Similar to the Paris Agreement, the Group has adopted FY2013 as the base fiscal year for its emissions reduction targets and set targets higher than the Japanese government's. CO₂ emissions in FY2019 were 31.3% below the FY2013 level. The achievement percentage of the Medium-Term Environmental Targets for 2030 was 74.5%. In addition, we are creating a roadmap to achieve virtually zero CO₂ emissions as one of the Long-Term Environmental Targets for 2050.

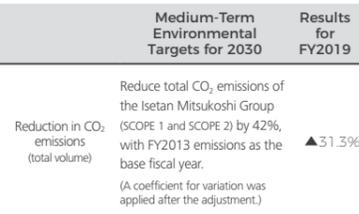
Introduction of LED lights in department stores in Japan | Stores operated by Group companies

We are proactively replacing lights in stores with LED lights as a measure to reduce total CO₂ emissions. In September 2020, we replaced the exterior lights of the Isetan Shinjuku Main Store with LED lights. This will enable us to reduce power consumption by approx. 50% from the previous level and cut total CO₂ emissions by approx. 26 tons every year. In addition, we set the target of reducing the energy consumption (energy consumption per unit) of all of the Isetan Mitsukoshi Group's department stores in Japan by 20% compared to the FY2010 level, with the target year set as FY2020. We achieved this target in FY2019, when total CO₂ emissions were 24.2% below the FY2010 level.

Encouraging customers to bring their own shopping bags | Stores operated by Group companies

At the Isetan Mitsukoshi Group's department stores in Japan, we began ending the use of our own plastic shopping bags gradually on July 1, 2020 in response to the mandatory fee for plastic shopping bags, instituted by a revised ministerial ordinance related to the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging. Customers declining to use plastic shopping bags from July to October 2020 resulted in the reduction of CO₂ emissions by 465 CO₂-t (equivalent to the amount of CO₂ absorbed by approx. 33,000 cedar trees).^{*} Moving forward, we will be even more sure to ask customers if they have their own shopping bags and continue to sell our original shopping bags. Through these activities, we will strive to habitualize the use of personal reusable plastic bags and make it a part of the standard lifestyle, together with customers.

^{*}Calculated based on the 3R Kodo Mieruka Tool (tool for visualizing 3R activities) from Japan's Ministry of the Environment and Sugi-no ki Kansan (cedar tree equivalent) from the Forestry Agency of Japan



Exterior lighting design of the Isetan Shinjuku Main Store



About the Isetan Mitsukoshi Group P02-14	Medium-Term Management Plan P15-22	Capital Policy P23-24	Sustainability P25-28	Measures Addressing COVID-19 P29-30	Corporate Governance P31-44	Financial and Non-Financial Data P45-58
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Material Issue 3 | Improving the Satisfaction of Employees

To achieve the goal of being the best company to work for in Japan, we are taking measures to build a workplace environment where employees are able to work with peace of mind. They include productivity improvement through operational reforms, the creation of an open workplace environment, and recommending that employees get enough rest.

Employee satisfaction survey | Stores operated by Group companies

We conduct the employee satisfaction survey as a tool for two-way communication with employees, with the goal of achieving our target of being one of "the most comfortable companies to work in Japan". In FY2020, Group companies began conducting a common survey for group-wide cooperation. We conduct the survey every six months, two times a year, so that each company is able to continue to quantitatively improve.

Reduction of total working hours | Stores operated by Group companies

We continue to reduce total working hours to ensure the good physical and mental health of our employees. In April 2019, Group companies including Isetan Mitsukoshi Ltd. began to review regular working hours and set targets exceeding those required by law, such as 50% usage of annual paid leave. To achieve this, we are more proactively using Office 365 and working to reform operations and improve productivity, including the promotion of paperless operations.

Encouraging remote work | Stores operated by Group companies

To enable employees to leverage diverse workstyles, Isetan Mitsukoshi Ltd. and other Group companies have introduced a work-from-home system. In response to the COVID-19 pandemic, we are working to enable even more employees to use this system. We have adjusted the staff attendance rates of Isetan Mitsukoshi Holdings Ltd. and other companies. We are also quickly improving our network environment to enable people to work from home. With these initiatives, we are establishing an operational environment in the COVID-19 pandemic based on staggered attendance. In addition, the Group companies' key meetings and presentations are conducted remotely, enabling staff to easily participate from distant areas and bringing about other positive changes that have led to the improvement of productivity and lively discussions. We will continue striving to improve productivity and to build a workplace environment where employees can work safely with peace of mind.

Promotion of diversity | Stores operated by Group companies

We are working to build an environment where all employees are able to actively participate, regardless of gender or type of employment. Isetan Mitsukoshi Soleil, Co., Ltd. is a special subsidiary company that proactively improves business efficiency by identifying operations that allow employees with intellectual disabilities to use their abilities and allocating these operations to them. These employees engage in operations that are incidental to sales at department stores (including the creation of gift-wrapping ribbons and labels). This has led to the reduction of in-store operations equivalent to approx. 4,000 to 4,500 hours per month. We also proactively promote and redeploy female employees and work to create an environment enabling them to work comfortably, to expand opportunities for women to actively participate. Isetan Mitsukoshi Ltd. has set the target of increasing the percentage of female employees in management positions to 30% or greater by March 2023 (26% as of the end of FY2019). The company holds seminars and takes other measures to achieve this target.

Prevention of harassment | Stores operated by Group companies

We take thorough measures to prevent harassment under the slogan, "Never harass, never let others harass, and never overlook harassment." In addition to distributing an awareness-raising leaflet to all employees of the Group, we put up harassment prevention posters and include a harassment prevention program in various internal training programs. We provided e-learning training on the prevention of harassment to Group company employees in management and executive positions, including officers, in Japan (3,700 employees) in January 2020 and to employees at large (12,000 employees) in November of the same year. We have also established a system for solving problems in a fair, prompt manner when a harassment complaint has been filed, including the establishment of a Harassment Hotline staffed by external counsellors, the establishment of a group hotline for whistleblowing, and a Harassment Prevention Committee with meetings that include employees and senior management from each company.



An employee working remotely



Employees of Isetan Mitsukoshi Soleil, Co., Ltd. at work

^{*}The company was renamed Isetan Mitsukoshi Soleil, Co., Ltd. in March 2011 as a result of the integration of Isetan and Mitsukoshi.



A leaflet raising awareness of harassment prevention