In fiscal year 2018, the Isetan Mitsukoshi Group dramatically revised the Group structure for managing conventional CSR activities, including environmental measures, from the viewpoints of environment, society, and governance (ESG) and sustainable development goals (SDGs). On this occasion, the Group established the Sustainability Promotion Committee chaired by the president and CEO of the Isetan Mitsukoshi Holdings. Under the leadership of senior management, the Committee aims to achieve sustainable growth in management in both solving social issues and improving corporate value through our business. Since we declared “the Isetan Mitsukoshi Group connecting people and bridging times” as our common ideal view in “Our Philosophy,” the group see promoting sustainable growth as our significant issues, the Group selected priority initiatives (material issues) in response to changes in the social and the consumption environments, positioning the promotion of sustainability as a key issue for Group companies.

**Organizational Structure of Promoting Sustainability in FY2019**

**Sustainability Promotion Committee**
- Chair: President and CEO of HDS

**Sustainability Promotion Section Meeting**
- Chair: Director and Managing Executive Officer (CEO) of HDS

**Business Units**
- Stores in Japan
- Business departments
- Overseas stores
- Merchandising departments
- Affiliates in Japan
- HDS departments

**Policies on Promotion of Sustainability**

**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 the surrounding people 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 biological diversity
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

**Environmental Policy**
- To achieve the sustainable society which harmonize human beings with local environment, the group looks at environmental conservation activities as corporate social responsibility and takes it in action.

**Corporate Governance Guidelines**
- P.31
Process for Selecting Material Issues

The Group identified material issues for FY2018 by reflecting discussions in the Chief Officer Committee, opinions from external advisors and findings from a survey of customers. As a result, we select three material issues among social issues and requests from our stakeholders, with the perspective of making the most of our strengthen as a company running department store business as our core business, through the process described below.

Step 1: Selecting specific issues
- Identifying 100 social issues and those on environmental change that are believed to affect the sustainable growth of a company

Step 2: Internal discussions
- Make plots based on the impact on society and the influence on our business, by referring our business strategy and opinions from external advisors. Narrow those issues down to 14 items and categorize into 3 material issues.

Step 3: Stakeholder assessment
- Confirming the course of direction on selected material issues through stakeholder interviews including a survey to our customers

Step 4: Setting KPIs and monitoring
- Setting KPIs and monitoring on significant issues

Survey to our customers (about 11,000 online members responded in March 2019)

Parameters that our customers most expect the Isetan Mitsukoshi Group to address:

- Guarantee of product quality and safety: 48.3%
- Sustainable use of resources (reuse and recycling): 44.8%
- Reduction of food loss: 29.8%
- Offering products and services that solve social issues (universal responses): 23.6%
- Development of a comfortable working environment where employees can achieve growth and personnel training: 22.8%
- Cultural promotion (holding cultural exhibitions and support for the arts): 22.5%
- Measures for plastic issues (plastic shopping bags): 12.8%
- Compliance: 10.5%

The Group identified material issues for FY2018 by reflecting discussions in the Chief Officer Committee, opinions from external advisors and findings from a survey of customers. As a result, we select three material issues among social issues and requests from our stakeholders, with the perspective of making the most of our strengthen as a company running department store business as our core business, through the process described below.

The Isetan Mitsukoshi Group promotes following 3 material issues to being as the “connector” for “our customers in the world” who are seeking “wealth,” and “people, local communities, time, the Society” based on governance and communications.

Three Material Issues on Sustainability

The Isetan Mitsukoshi Group promotes following 3 material issues to being as the “connector” for “our customers in the world” who are seeking “wealth,” and “people, local communities, time, the Society” based on governance and communications.

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

Material Issue 2
Connecting a Sustainable Society and Times
Handing a safe and secure environment from the past to the future

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

Group Governance and Communication
Promoting fair trade and business activities
The following are the examples of our efforts based on the three material issues.

### Connecting People and Local Communities

To contribute our customers to spend more high-quality life, the Isetan Mitsukoshi Group is introducing cultures and arts around the world, use of our archives, collaborating business with young artists, supporting revitalization of regional industries in rural areas and so on.

#### Material Issue 1: Connecting People and Local Communities

**Support for the revitalization of regional industries**

“NIIGATA EPPIN” is a project to send out lures of Niigata (a province located north-east Japan) through the filter of Isetan Mitsukoshi by gathering “EPPIN (gems) of Niigata.” From April 2017, we send information about products and experience under weekly or monthly theme at Niigata Isetan regularly. We also try new challenge such as restaurant-bus tours visiting places of origin and a project named “EPPIN EYE” to develop original products collaborate with local manufacturers (including artists). Isetan Mitsukoshi Holdings gave “NIIGATA EPPIN nail file” as a commemorative item for the annual General Meeting of Shareholders” in June 2019. The nail file is manufactured by Karasawa Yasuri LLC. where has 80 years history in Tsubame-Sanjo area in Niigata. The area is famous for high-quality metal working.

**Industry-academia collaboration**

The Isetan Mitsukoshi Group held an industry-academia collaborative event “STUDENT DENIM REMAKE”, at Isetan Shinjuku Main Store in May 2019. We supplied denim fabric to both students and students societies who is interested in fashion industry with the supports from denim manufactures such as Edwin Co.,Ltd. The students created products with their style and exhibited. After the exhibition, those products are sold in Isetan Shinjuku Main Store. This year we held the event for the third time. This event is expected to hand the lures of denim fashion to students by upcycling use the fabric which normally destroyed, that links to sustainable work.

**Creative young artists**

The Isetan Mitsukoshi Group holds an event “the Mitsukoshi Art & Creation” to offer customers a chance to experience art in a familiar environment. This event cultivates young artists through activities including the provision of a place to exhibits their works.

In 2018, the Group exhibited the works of about 100 young artists enrolled in or graduated from the graduate schools of the Tokyo University of the Arts at the art gallery in Mitsukoshi Nihombashi Main Store, collaborate with the University. The Group also organized a competition for designing wrapping paper for Mitsukoshi Nihombashi Main Store. The store used the Grand Prix design as their wrapping paper for a limited period.

### Connecting a Sustainable Society and Times

The Isetan Mitsukoshi Group promotes both reducing human impacts on the environment by realizing low-carbon society and resource conservation, and offering secure and safe products and services to hand the sustainable society to the future.

#### Material Issue 2: Connecting a Sustainable Society and Times

**Formulating Medium-Term Environmental Targets for 2030**

In FY2018, the Isetan Mitsukoshi Group formulated Isetan Mitsukoshi Group Medium-Term Environmental Target for 2030 in the increase of social needs for measure for low-carbon. The Group is working to reduce total CO₂ emissions under the banner of measures for the climate change as the group targets. Similar to the Paris Agreement signatories, the Group adopts FY2013 as the base fiscal year for the emission reduction targets and set at higher levels than those of the Japanese government.

<table>
<thead>
<tr>
<th>Medium-Term Environmental Targets for 2030</th>
<th>Results for FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce total CO₂ emissions of the Isetan Mitsukoshi Group (SCOPE 1 and SCOPE 2) by 42%, adopting FY2013 emissions as the base fiscal year (a coefficient of variation is applied after the adjustment).</td>
<td>▲ 20.2%</td>
</tr>
</tbody>
</table>

...
Participation in the Nihombashi Smart City Project

The Isetan Mitsukoshi Group is participating in the Smart City Project in progress in the Nihombashi area, which is scheduled to start supplying power to Mitsukoshi Nihombashi Main Store’s Main Building by the end of FY2019. Through the Project, the Main Building will receive electricity and heat from a high-efficiency generator and a cogeneration system1 installed at a plant within the Nihombashi Mitsukoshi Tower. The combination of the high earthquake-resistant and water-proof functions of the plant and the base-isolated structure of Mitsukoshi Nihombashi Main Store’s Main Building will achieve stable energy supply and high capacity to deal with the business continuity plan (BCP) in the event of a devastating disaster. The Project will also allow the Mitsukoshi Nihombashi Main Store to protect customers in the case of unable to return home and enhance functions needed as social infrastructure lifelines, such as the operation of the food floor.

1“Cogeneration system: It converts heat produced at the point of high-efficiency power generation into hot water and steam and uses the hot water and steam for cooling and heating in a specific area (air-conditioning and hot water supply).

Works on roof greening <The Nihombashi Garden>

The Isetan Mitsukoshi Group opened “the Nihombashi Garden,” a new landmark in the Nihombashi area redevelopment in progress, on the roof of Mitsukoshi Nihombashi Main Store’s Main Building on May 1, 2019. This garden, a space full of sense of liberation where is unlikely to the top of the department store located at the centre of the city, offers visitors the chance to experience nature that changes seasonally under the concept of “a forest of connection.”

Since the height of the Main building is same as the altitude of “Kokyo (The Imperial Palace)” (31m. located at the centre of Tokyo), the Isetan Mitsukoshi Group reproduced the fertile forests in the Palace on the roof to create a starting point to connect with the nature in the city. We aim to create the environment that links to conservation of biological diversity which is comfortable for not only for human beings but also for other living things.

Promotion of resources recycling

More than one million tons of clothing is disposed in Japan every year. The Isetan Mitsukoshi Group sympathizes with the activity of a recycling project “BRING” operated by JEPLAN INC., where recycles those disposed clothes to fuel and material for making polyester. Since fiscal year 2017, we collect disused clothes in respective stores. In June 2019, four Group stores ran a campaign titled “Simple Life That Leads to the Future,” we collected and recycled unneeded clothing and offered remodeling, repair and rental services. In August 2019, the Mitsukoshi Ginza Store also collected unneeded clothing for the first time. The Isetan Mitsukoshi Group plans to increase stores that collect clothing and expand items for collection sequentially.

Material Issue

Improving the Satisfaction of Employees

To achieve the goal of being one of “the most comfortable companies to work in Japan,” the Isetan Mitsukoshi Group is focusing on workstyle reforms, including those for maintaining and improving mental and physical health, and activities for developing an environment where employees can work without anxiety.

In FY2018, the Isetan Mitsukoshi Group established the Workstyle Reform Promotion Committee, chaired by the President and CEO of Isetan Mitsukoshi Holdings, to address Group-wide issues including the greater use of paid holidays, enhance productivity through rules established for simplifying in-house e-mails and documents, and the eradication of harassment at work. In FY2018, the number of paid holidays taken by senior position holders (subsection chiefs and higher-ranking employees) in the entire Group, which had been problematic, rose sharply at a rate of 128% compared with previous year. We attempts to further reduce of the total working hours by promoting reduction of regular working hours (from April 2019) and expansion of use of the telework system to enhance the productivity. We also aim to achieve higher level to observe the Act on the Arrangement of Related Acts to promote Work Style Reform such as setting the upper limit for overtime hours (45 hours per month) and the compulsory acquisition of five paid holidays.

About 100 Isetan Mitsukoshi Group employees, mainly staff members at the head office and members in charge of merchandising, are using the telework system. The Group will continue to increase the number of telework system users in step with digital infrastructure development. The Group will improve the satisfaction of employees and productivity by expanding workstyle options to respond various values and demands.

Shortening of regular working hours at Isetan Mitsukoshi Ltd.

<table>
<thead>
<tr>
<th></th>
<th>FY2018</th>
<th>FY2019</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual working hours</td>
<td>1,972</td>
<td>1,840</td>
<td>a decrease of</td>
</tr>
<tr>
<td></td>
<td>hours</td>
<td>hours</td>
<td>132 hours</td>
</tr>
<tr>
<td>Daily working hours</td>
<td>7 hours and 55 minutes</td>
<td>7 hours and 25 minutes</td>
<td>a decrease of 30 minutes</td>
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</table>

Collection of unneeded clothing from a customer

INTEGRATED REPORT 2019