

# Isetan Mitsukoshi Holdings Report 2019

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**Integrated Report** <Second edition issued December 2019>

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## Editorial Policy

The Isetan Mitsukoshi Group has been issuing the Integrated Report since fiscal year 2018, 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 financial information and non-financial information 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.

Environment  
Social  
Governance



Guidance for  
Collaborative  
Value Creation

### Our philosophy

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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 raison d’être 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 23,000 employees from more than 60 Group companies\*<sup>1</sup>. It boasts the highest sales among department stores in Japan. It engages in business activities in four segments\*<sup>2</sup>: 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 22 department stores and around 130 small and midsize stores all over Japan and a total of 34 overseas stores, which are located mainly in China and Southeast Asia.

## Connecting People and Bridging Times the Isetan Mitsukoshi Group

### Customers

MI Card Membership  
Approximately  
**3.4**  
million members



### Shareholders

Number of shareholders  
Approximately  
**220,000**



### Business Partners



Number of business partners of  
department stores in Japan  
Approximately  
**24,000** companies

### Local Communities / Society

Annual customer traffic  
Approximately  
**250** million



### Employees



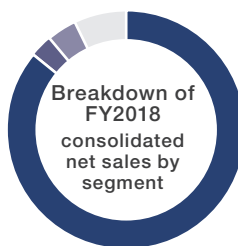
Number of Group employees  
Approximately  
**23,000**

### FY2018 consolidated net sales

**1,196.8** billion yen

Ranked **6th** among retailers in Japan

Ranked **1st** among department stores in Japan



■ Department store business	86%
■ Credit & finance business /customer organization management business	3%
■ Real estate business	4%
■ Other businesses	7%

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 people.

\*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



The Group develops a wide range of store networks in Japan and overseas centered on those in the Tokyo Metropolitan area, the largest market in Japan.

### Real Estate Business



Owns excellent stores in Shinjuku, Nihombashi, and Ginza.

### Finance Business



Approximately 16% of all households in Japan with an annual income of 20 million yen or more are MI Card members.

## Stores of the Isetan Mitsukoshi Group



### The four brands

Mitsukoshi Isetan  
Marui Imai Iwataya



### Domestic

#### Stores in Japan

**22** department stores  
in Japan

Approximately  
**130** small and  
midsize stores



### Overseas



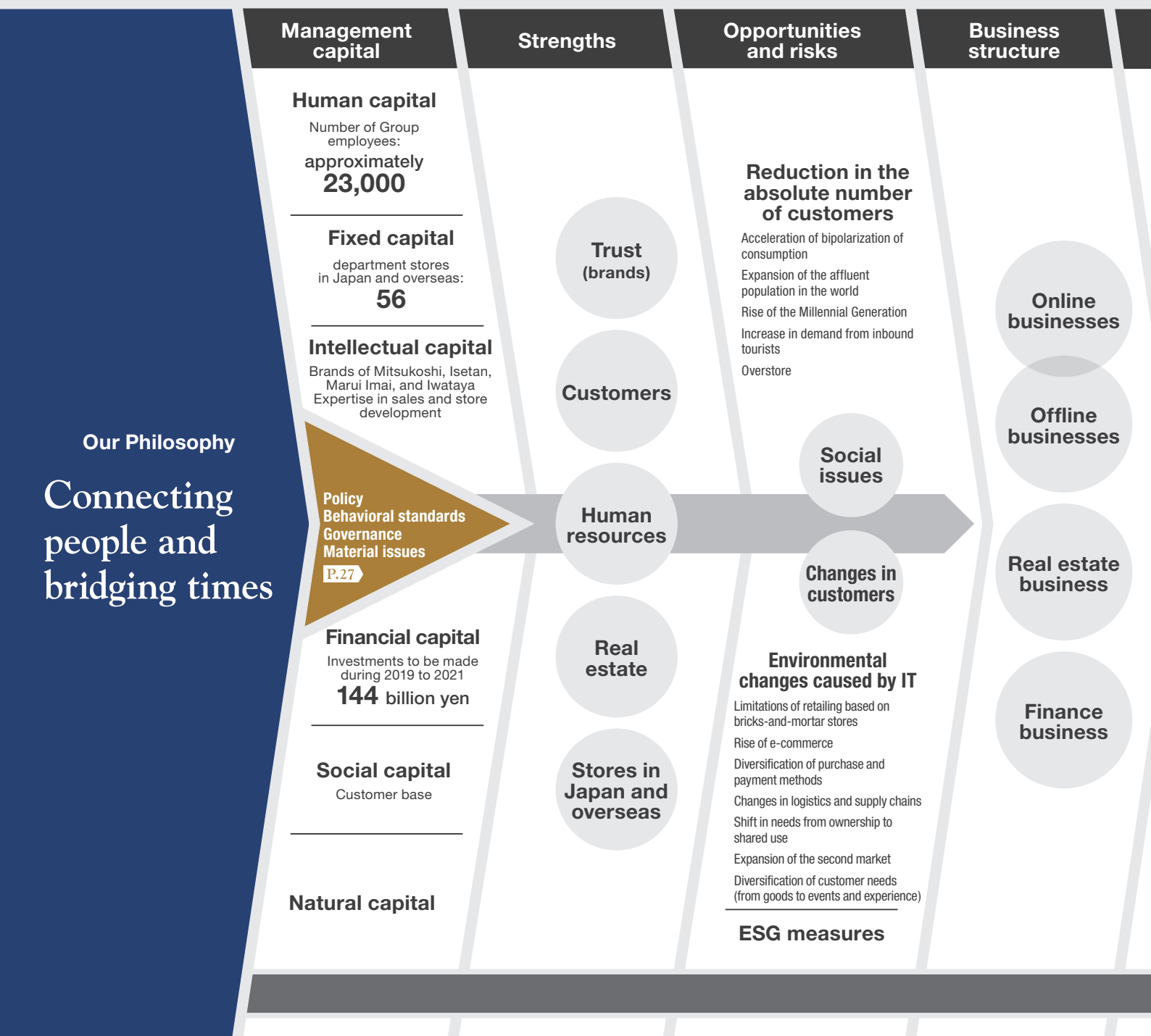
#### Overseas stores

**34** overseas stores

**19**  
Isetan Mitsukoshi  
stores

**15**  
Shinko Mitsukoshi  
stores

# 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 will reform the business model of  
the Isetan Mitsukoshi Group to  
**connecting people and  
bridging times.**

President and CEO  
**Toshihiko Sugie**



## **The application of digital technologies offers a chance to reform our business model**

I am Toshihiko Sugie, President and CEO of Isetan Mitsukoshi Holdings. The Isetan Mitsukoshi Group clearly set a course of actions for Group companies in Our Philosophy in April 2018 to mark the 10-year milestone since its formation.

We announced a three-year plan (for fiscal 2019 to fiscal 2021) based on Our Philosophy in November 2018. We are aiming to transform into the future of department stores or platformers that make the most of IT, stores and people to offer new value to customers and move on to the next stage of growth.

Customers are the Isetan Mitsukoshi Group's greatest asset. All ages and sexes go to our stores in Japan and overseas and many take advantage of the variety of content we offer in areas where the Isetan Mitsukoshi Group maintains stores and enjoys wide recognition. It is essential for us to continue taking steps to make our new services and products more accessible to existing customers while expanding the scope of customers by making the most of IT, stores and people.

In the course of these efforts, the application of digital technologies and the promotion of seamless online and offline service integration will eliminate the limits of time and place, and form a diverse product lineup.

For example, department stores once sold products such as fishing tackle and antique coins. Some of those products disappeared gradually following trends. We can capitalize digitally on the strengths of those products to enhance the department stores' attractiveness and better satisfy the demand of customers.

The application of digital technologies offers a great chance to reform our business model.

## **We will discard the experience of past success and aim to build a new business model**

Business models for mainstream department stores in Japan have not broken free from past success. The Isetan Mitsukoshi Group is working to free itself and promptly change its business model.

Markets for women's apparel expanded during the business boom about 30 years ago when women led consumption. Apparel companies brought attractive products to the market. A variety of fashion magazines launched and many customers supported them. Business models focused on highly profitable women's apparel and achieved success, but department stores stopped evolving those models before anyone noticed.

In retrospect, supermarkets appeared and joined the retail industry during that period, followed by low-price specialty stores called category killers. More customers wanted to buy goods of a certain quality at low prices. As a result, department stores switched to the business model of narrowing their product lineup. This switch gradually narrowed the customers, too.

We must give this situation a second look. We will advance the expansion of our product categories by promoting seamless online and offline service integration. However, the once successful approach of stocking highly valuable products that customers want by relying on existing suppliers no longer guarantees sales. We must stock products based on customer demand. We must also take steps forward without adhering to traditional methods adopted by department stores, including transaction patterns, to introduce original shops. We should free ourselves from the idea of department stores in the good old days and attempt to build a new business model.

## **The promotion of seamless online and offline service integration holds the key to growth strategies**

We are gradually advancing our initiatives to build a new business model, making the most of digital technologies. For example, ISETAN DOOR, our proposal-based, periodic online home delivery service, has gained more than 10,000 subscribers since its launch in June 2018 and is developing favorably.

In February 2019, we launched meeco, a website for marketing 200 brand cosmetics available at our department stores. We will expand the lineup of products and services available.

We also opened a digital studio in April 2019. It completed our system for the web registration of products sold at our brick-and mortar stores.

However, EC product lineup and sales expansion are not the only reasons for our initiatives toward digitization. We must calmly look at the fact that EC accounts for about 3% of our consolidated sales and slightly less than 7% of our current total retail sales nationwide. Many customers must wish to buy products after holding them in their own hands, instead of purchasing them online. The Isetan Mitsukoshi Group sells a large variety of products. However, it is not sufficiently communicating products sold at respective stores to customers who have trouble finding related information. It is important to promptly prepare conditions that enable customers to visit our stores after confirming the products sold, because it has become commonplace to search online before visiting a department store. I think this is the starting point. For example, a famous confection in Kyoto is so popular

# We will meet customer requests to further our growth.

that people form long lines to buy it at the JR Kyoto Isetan Store. Meanwhile, they can buy this sweet without waiting at the Isetan Shinjuku Main Store. Many customers would gladly visit the Isetan Shinjuku Main Store in Tokyo if we could sufficiently communicate they can buy the sweet there. In the past, we were limited to print media. However, by making the most of today's digital technologies, we can inform more customers of the wide variety of products sold at our department stores. We can reduce opportunity losses and increase demand by posting information about more products on the web and enhancing our web search functions. New ideas will arise if we integrate the advantages of online and offline services.

## **Strengthening connections with customers by making the most of digital technologies**

Isetan Mitsukoshi Holdings started new services that offer convenience and value to customers by introducing digital technologies, which had been provided on an analog basis.

We improved reception at the Mitsukoshi Nihombashi Main Store using digital technologies to coincide with its remodeling in fall 2018. Customers wishing to consult with a concierge about shopping can make a reservation after confirming the concierge's schedule and profile online. Previously, customers had to call the store. Now they can make a reservation for a consultation with a concierge as well in-store events and other services using our app. We also set up lounges and launched services for loyal customers at the Mitsukoshi Nihombashi Main Store and the Isetan Shinjuku Main Store. Customers at these two stores can relax in lounges with free drinks and sweets by presenting their membership certificate on the app. Customer purchases rose more than 20% at the two stores after we introduced this service. These results reflect the customers' evaluation of the sense of exclusiveness from use of the lounges.

We have been unable to offer enough of these services in the past. Now I understand their importance. In fact, clues for growth strategies are also hidden in regular services, not advanced technologies and novel ideas.

We will meet customer requests using digital technologies to expand our product lineup and evolve our approach to customer service. I believe the Isetan Mitsukoshi Group can remain in a position to further its growth by driving those initiatives forward.



## New digital marketing research in China

Our initiatives on digital technologies are not limited to Japan. We are experimenting with unusual approaches at our stores in China because marketing using digital technologies is more advanced than in Japan. A face recognition system is one of those approaches. If the shop uses this system during a promotional event and accumulates effective data such as which doorways used by customers and how they moved before making a purchase it enables the shop to create new measures. Practical application of these initiatives will take more time. However, stores will become places for marketing in addition to selling products with the establishment of this system in the future. Customers will also spread information about stores via social media. Integrated online and offline marketing will be possible if we follow the movements of customers using systems that make the most of digital technologies.

## Strengthening connections with customers by making the most of real estate in Japan and overseas

As in the department store business, we will also build and strengthen points of contact with customers in the real estate business.

We own many pieces of real estate in Japan, including in Shinjuku and Nihombashi. However, we have not been able to use them effectively. I am considering the redevelopment of our real estate holdings, building points of contact with customers, linking them with our profits in the future. We must work on this plan for 10 or 15 years. Results will not emerge quickly. However, I would like to sow the seeds now, properly grow plants from them and produce big flowers in the future.

Looking overseas, Japanese-style department stores were able to achieve profits in the past. However, competition has intensified in both China and Southeast Asia. We must significantly change our overseas business model.

Our current strategy is to commercialize real estate overseas by considering its development together with our businesses.

Integrated commercial, residential, office and hotel development characterizes many real estate development projects in places such as China and Southeast Asia. There is room for development because those economies are expanding.

In that environment, we have maintained a format of department stores until now. Renting space for opening



The Committee for Promoting Our Philosophy

stores in pre-developed commercial facilities has been our business model. We have been able to profit with this approach, but it has become difficult in China and Southeast Asia because costs have risen and competition has intensified in step with economic growth. Securing profits will become difficult in the future unless we participate in real estate development in addition to businesses.

In composite development projects of this type, attractive integrated commercial facilities and hotels increase added value. We have the chance to participate in those projects because local companies often lack sufficient, original knowhow regarding commercial facilities. Thankfully, Mitsukoshi and Isetan are well-known brands in China and Southeast Asia. We will approach business model reform overseas by participating in the construction of commercial facilities in the future.

## We aim to increase earning power in two steps.

We will take the following two steps to advance initiatives for increasing earning power, as explained earlier.

The first step is the review of the structure of income and expenditures. A huge gap remains between profits we must produce originally and our current profits. We must generate profits by advancing efficiency enhancement and normalizing costs. Completing those tasks in the next several years is the key to future growth.

The second step is earning power enhancement. We will increase earning power by advancing growth strategies,



A Dialogue during the Discussion Meeting on Our Philosophy

including those related to digitization and the real estate businesses in Japan and overseas. We must sow those seeds as the first step. Then we will be able to harvest the fruits of our labor. People often ask when growth strategies will yield profits. The answer complex because we must sow some of the seeds now in order to secure consolidated sales and profits in the future, in addition to realizing immediate gains.

As the first step, which is reviewing the structure of income and expenditures, we have advanced reforms in the structure of our stores and businesses. We continue to reduce costs because we have not yet decreased the ratio of SG&A expenses sufficiently. Prospects for major structural reforms have become certain, but problems remain that must be solved one by one.

For example, our business flows and systems have remained virtually unchanged. Many portions are useless. To solve this problem, we must update our organizations, business flows and systems to the latest versions and reduce costs.

We can streamline personnel by enhancing operational efficiency. However, we must avoid actions that may weaken our job sites, because serving customers is our very foundation. As a company, Isetan Mitsukoshi Holdings must restore the corporate culture needed to secure superior personnel, pay remuneration that matches evaluations and build systems that prevent sales

capabilities from declining.

For Isetan Mitsukoshi Holdings to do so, all employees must understand how their work contributes to the Company.

For example, an owner of a ramen shop should immediately know how much the shop earned in a day because he understands basic costs, such as daily rent, fuel and lighting expenses. In other words, the owner can calculate the number of bowls his shop must sell to break even. I strongly feel the need for us to build systems that enable us to track profits in this way. The ability to grasp whether a business generated profits affects job satisfaction. It also informs employees how their work is contributing. They become more motivated if they understand how profits return to them as remuneration. We will introduce new workstyles for the seamless integration and digitization of our online and offline services. I hope to increase employee satisfaction (ES) in this environment so ambitious staff can grasp how they are contributing to the Company and work with high motivation.

### **Initiatives on sustainability to cope with changes in consumer confidence**

Sustainability initiatives are very important to further our growth while confronting many social issues and contributing to solutions through our activities. The Isetan Mitsukoshi



# We will generate new value by integrating people and digital technologies.

Group's stance on sustainability is to work on seemingly ordinary things yet benefit customers.

Let me explain the Group's stance using cashmere sweaters as an example. Our customers used to buy cashmere sweaters if we appealed to the high quality. Now we cannot influence customers unless we sufficiently communicate the background and other information about the concerned products, such as place of production, manufacturing processes adopted at plants and fair forms of transactions.

Advancing digitization also offers a good chance to work on sustainability. The application of digital technologies will expand possibilities, such as a concrete explanation of cashmere production areas and the background of cashmere distribution using videos.

Sufficient communication of our current activities to customers is important as far as sustainability is concerned.

We started to actively disclose corporate governance information last year and continuing to disclose what we are implementing is essential. I hope to facilitate constructive dialogues with our stakeholders including shareholders and reflect their opinions on our business administration, implementing a cycle of improvement. I ask all stakeholders including shareholders for their continued support.



# Connecting people and bridging times

## Taking environmental changes as business opportunities

### Aiming for department stores in the new era that connect customers with goods and events via platforms

More than 10 years have passed since the formation of the Isetan Mitsukoshi Group and the environment surrounding us has changed significantly.

The Group formulated a three-year plan (for FY2019 to FY2021) and began to execute it in the current fiscal year for the next growth stage, in an environment of ongoing changes such as digitalization and population decline. We will continue growing as a 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.

#### Major changes in social trends

##### Major changes in social trends

###### 1 Demographic changes

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

###### 2 Evolution of digital technologies

Environmental changes attributed to the IT revolution  
Expansion of sharing economy

###### 3 Establishment of a sustainable society

##### Changes in the environment surrounding the Isetan Mitsukoshi Group

###### 4 Reduction in the absolute number of customers

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

###### 5 Environmental changes caused by IT

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  
Shift in needs from ownership to shared use  
Expansion of the second market  
Diversification of customer needs (from goods to events and experience)

#### Strengths and business structure of the Isetan Mitsukoshi Group

##### Strengths of the Isetan Mitsukoshi Group



##### Businesses of the Isetan Mitsukoshi Group



With the 10th anniversary of business integration in 2018, which formed the Isetan Mitsukoshi Group as an opportunity, Isetan Mitsukoshi Holdings adopted connecting people and bridging times as the vision called Our Philosophy, which describes the meaning of the Group's existence and how the Company wants the Group to be. In Our Philosophy, the Company clearly set a course of action for Group companies. The Group is now advancing initiatives based on that course of action, aiming to be future department stores that make the most of IT, stores and people.

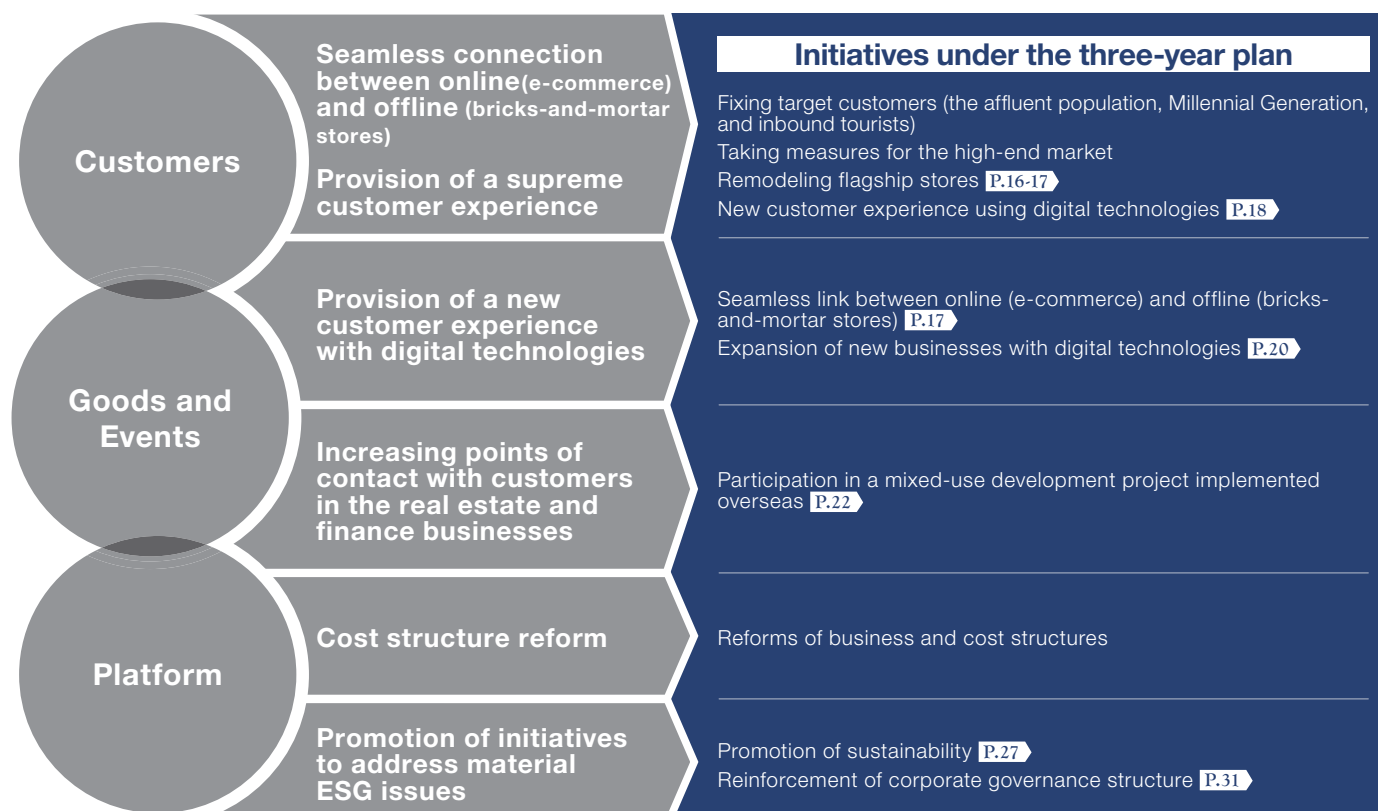
By nature, department stores have been serving customers as places for not only shopping but also enjoying dining and pastimes. However, customer needs have been changing, reflecting the changes of the times. Our latest goal is to be a new mediator, which is different from conventional department stores,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

## Future direction of value creation

### Department Stores in the New Era that make use of the power of IT, stores, and people (platform operators)



# Three-Year Plan of the Isetan Mitsukoshi Group

Through FY2018, we proceeded with transformation through structural reform as a preliminary measure.

From the current fiscal year, 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.

## How the Company Wants the Group to Be

Connecting People and Bridging Times

Department stores in the new era that makes use of the power of IT, stores, and people (platform operators)

- I. Providing a supreme customer experience, both online and offline
- II. Providing a new customer experience by combining the Group's strengths with digital technologies
- III. Increasing points of contact with customers in the real estate business

Cost structure reform

The Isetan Mitsukoshi Group's strengths and business structure

## Outline of the Three-Year Plan

### 1 Business Strategies by Segment

#### Strategy for the Retail (Department Store) Business

We will achieve a seamless state in which customers around the world can freely go back and forth between the online and offline stores of the Isetan Mitsukoshi Group.

In the online channel, we will create a system to significantly increase points of contact with customers by promoting the digitalization of information based on the products at Isetan Shinjuku Main Store.

In the offline channel, we will establish a store model that satisfies both the creation of liveliness and the securing of revenue by creating shops with the ability to draw more customers.

#### Strategy for the Real Estate Business

We will promote the stable commercialization of shopping center operation and the maximization of value for company-owned real estate properties in Japan, as well as mixed-use development projects overseas.

### 2 Capital Policy

After the fundamental structural reforms of the existing businesses of the Group, which we have pursued since FY2017, we will work to maintain a sound financial base from FY2019 to expand the revenue base in the future while making appropriate strategic investments.

Specifically, we will strive toward the profitability of business, capital efficiency and optimal balance sheets in response to the continuously changing business environment.

### 3 Promotion of Sustainability

As the Isetan Mitsukoshi Group, which connects people and bridges the times, we will set and implement three focused initiatives.

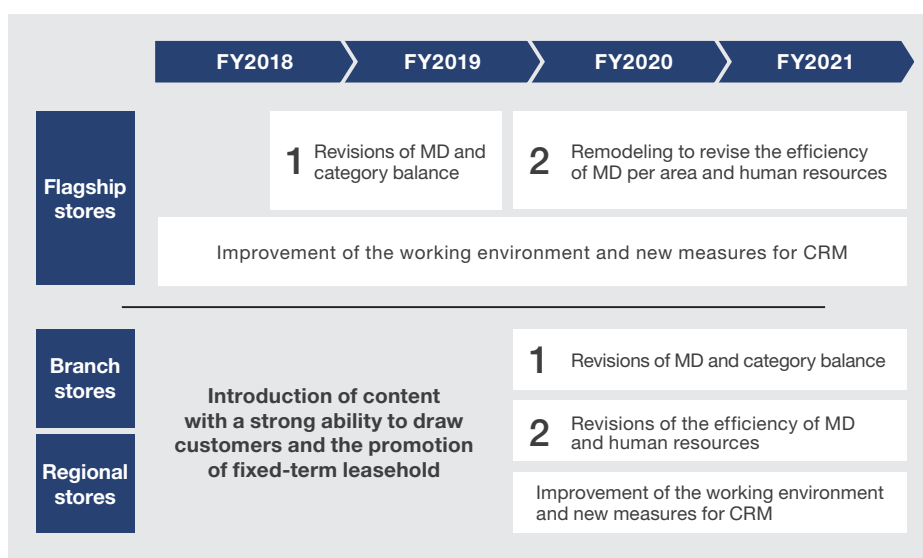


# 1 Business Strategies by Segment

## Strategy for the Retail (Department Store) Business

### 1 Innovation of MD to Improve Profitability

We are implementing an initiative to bridge the gap between customer needs and the floor area and the product lineup at stores by revising MD and category balance, which we have not addressed for many years at flagship stores. In the next phase, we will consolidate unprofitable sales floors offering self-selected products and revise each brand and MD in the period up to FY2021 and lead these efforts toward improvements in the profitability of MD per area and the efficiency of human resources. We will also improve profitability at Group stores other than flagship stores by implementing similar initiatives to those at flagship stores from FY2020.



We have embarked on the revisions of MD and category balance at flagship stores by remodeling them in FY2018 and FY2019, ahead of other Group stores.

### Remodeling of Mitsukoshi Nihombashi Main Store



Exterior view of Mitsukoshi Nihombashi Main Store



Watches on the sixth floor of the main building



Men's personal order salon on the second floor of the main building

We are proceeding with the remodeling of Mitsukoshi Nihombashi Main Store to convert it into a department store with world-class hospitality, centered on customer service—the greatest strengths of the store.

In October 2018, the store had its grand opening after the first-phase remodeling. We introduced a new system for hospitality by combining our people, environment and services with digital technologies. About 150 category specialists are on each floor to help customers make purchases beyond the boundaries of brands and categories by meeting their

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

We plan to complete the second-phase remodeling within FY2019. In this phase, we will expand and enhance the product lineup of categories (men's order, luxury brands, watches, jewelry and art) in which target customers have a high interest. We are also revising MD and category balance by consolidating women's apparel and living categories, and making changes to the MD structure at the new building.

## Remodeling of Isetan Shinjuku Main Store



Exterior view of Isetan Shinjuku Main Store



Cosmetics on the second floor of the main building



Ladies' shoes on the second floor of the main building

At Isetan Shinjuku Main Store, we will create new value through activities such as the dedicated pursuit of authenticity and substance, the expansion of the product lineup, and the suggestion of a new customer experience.

After the first-phase remodeling in FY2018, we have renovated the entire men's building for the first time since its opening in 2003. It has been renewed as a men's fashion store that meets requests of each customer and achieves the desired look by dramatically renovating the products, the environment and services with the changes of the times and customers.

In the second-phase remodeling, which we are working on in FY2019, we focus on the revisions of MD and category balance, which lost touch with the needs of target customers. Specifically, we have consolidated unprofitable women's apparel and living categories as we did at Mitsukoshi Nihombashi Main Store. In addition, we have expanded and enhanced the lineup of luxury brands, cosmetics, jewelry and watches, for which the floor area and the product lineup ran short, despite high customer needs, and provided a new purchase experience by using digital technologies. We are thus striving to make the store even more distinctive.

## 2 Promotion of Seamless Linkage

### Providing a Supreme Customer Experience, both Online and Offline

We will provide the best customer experience by building a platform on which customers around the world can freely go back and forth between online and offline stores. We will become a department store supported

by customers once again by providing them with distinctive recommendations and services through the encouragement of the customer journey from online to offline and vice versa.

### 1 Making Products Offered at Flagship Stores Purchasable Anytime and Anywhere (making them available online and at brick-and-mortar stores)

As the starting point for offline, we will build a system for customers to be able to obtain information and purchase products at Isetan Shinjuku Main Store both at the brick-and-mortar store and online by posting information about its products online. For that purpose, we will expand data

linkage with our business partners, aiming to digitalize our products. We will also proceed with a studio photoshoot of our products and posting the images online. Meanwhile, we will provide the same product lineup as the flagship stores online to customers in regions without a nearby our store.

### Seamless Integration of Online EC Services and Offline Brick-and-Mortar Store Services



\*The image is for illustrative purposes only.

## 2 Providing a New Customer Experience by Using Digital Technologies (improving the quality of customer services)

We will be able to provide services tailored to each customer seamlessly both online and offline by having them register with a digital ID. We will offer optimal suggestions to customers both online and offline by digitalizing and accumulating qualitative information obtained through our customer service. We will thus create a new customer experience to improve the quality of our customer service. In stores, we will share qualitative information accumulated about customers who are planning to visit stores with all shops and store staff. Based on this information, we will find

the best matches for each customer by searching through our wealth of information on products and services beyond the boundaries of shops.

As a tool for connecting customers with stores, we will use a members-only website that can be accessed with both computers and smartphones. On this website, members can make reservations for a range of services and events, check information including their purchase history, receive recommendations tailored to each customer and use other functions. We plan to expand these services.

### Example of a New Customer Experience Using Digital Technologies —— Isetan Shinjuku Main Store's Efforts ——

#### YourFIT365 Service: Stress-Free Shoe Purchase Experience

YourFIT365 commenced in the ladies' shoe section of Isetan Shinjuku Main Store following the August 2019 renewal. The new service seamlessly connects our online store with our B&M store under the theme of "Find a pair that perfectly fits your feet."

Through digital foot measurement and product recommendations with a perfect fit, in addition to customer service by our expert stylists, the personal shoe fitting service allows women who have difficulty finding the right pair or who want to fashionably wear pumps to experience stress-free shoe shopping.

#### ● Offline Measurement

In the physical store, we will visualize foot data with a 3D foot measurement device, match it with the wooden last data, and show recommendations based on the products displayed and in stock. We will suggest shoes in the right size from readymade and made-to-order products.

Additionally, our expert stylists, such as shoe counsellors, will help you find a pair that suits your taste and size.

The service has started with pumps, in which comfort is important. Our database contains the wooden last data on 1,000 models of readymade pumps manufactured by eight domestic and overseas brands under a collaboration with them.

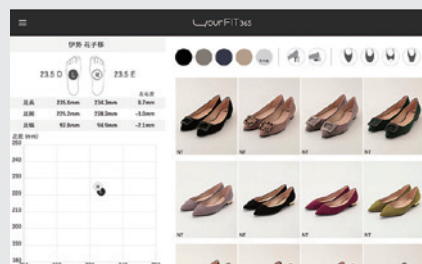
#### ● Online Measurement

Using the Isetan Mitsukoshi app, check your foot data that has been created at the store. The app recommends products that fit your feet and allows you to purchase them through e-commerce anywhere, any time.

Make an appointment for storefront services on the website or app.



Foot measurement in stores (given for illustrative purposes)



Recommended shoes (given for illustrative purposes)



Foot measurement data screen (given for illustrative purposes)

\*Click here (See the following) for more details of YourFIT365. <https://www.isetan.mistore.jp/e.az.hp.transer.com/shinjuku/service/yourfit365.html>

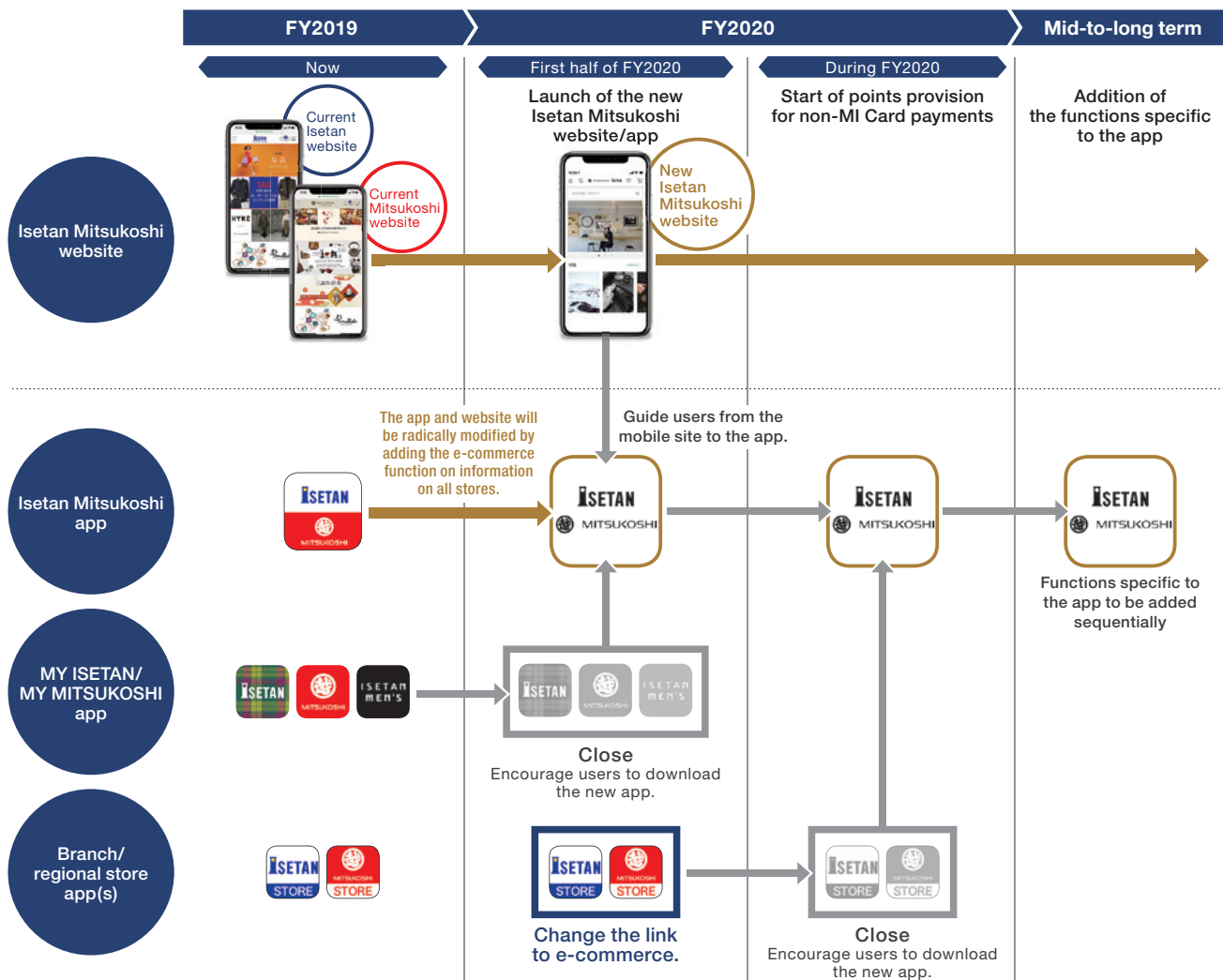
### Enhancement of Contact Points with Customers (integration into a new website/app)

In spring 2020, multiple websites and apps of Mitsukoshi and Isetan will be unified. The shopping function and store event information will be integrated into a single platform to merge points of contact with customers to ensure seamlessness.

The new website and app, by boosting the various service contents according to customers interests such

as using videos for communicating product's texture and world views of brands while adding store information and e-commerce functions, will reinforce the platform base as a customer contact point and promote the attraction of customers and online shopping for products that customers find at the B&M store.

#### Plan for Transfer to a New Website/App



\*The transfer plan was made in December 2019.

\*The images are given for illustrative purposes.

### Optimal Transmission of Information and Content

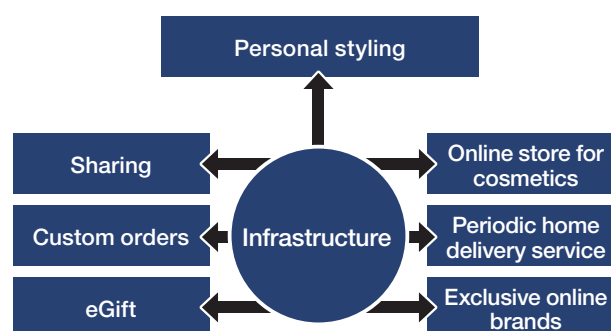
At the physical store, we are currently providing information for customers based on a variety of attributes via social media as a trial. First, obtain a digital ID by registering. Then, we will analyze customer segments in the details, provide customers with more personalized

information more seamlessly online or offline, and analyze their interest in real time by referring to the hit rates of transmitted information. Those information will be used for making next business plans.



## Providing a New Customer Experience by Combining the Group's Strengths with Digital Technologies

To provide customers with a new purchase experience, the Company is strengthening and expanding 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

### meeco (an online store for cosmetics)

Launched in February 2019

We newly launched the online store for cosmetics with Japan's largest assortment, information and content allowing customers to find what they want, combined with the convenience necessary for e-commerce. The website is very convenient for satisfying a variety of needs, for example, if you usually buy cosmetics at a department store yet have difficulty returning to the store for additional purchases, if there are no department stores nearby even though you are interested, or if you have never bought cosmetics at department stores. In November, we launched meeco variety, the online store specialized in low-priced cosmetic products. The website was renewed as an unprecedented online store for both high-end cosmetics and low-priced cosmetics.

meeco



<https://meeco.mistore.jp>

meeco  
variety



<https://meeco.mistore.jp/variety>

### 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.



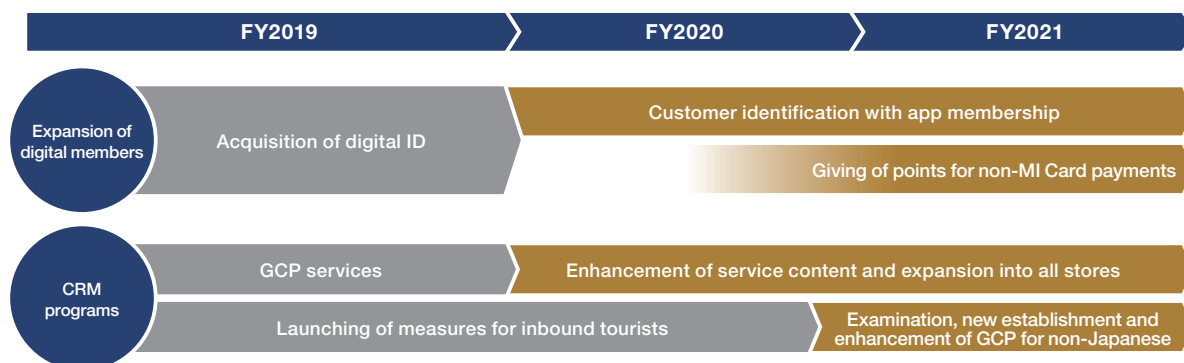
ISETAN  
DOOR



<https://isetandoor.mistore.jp>

## 3 Promotion of CRM

### Initiatives for Three Years



## CRM Strategies

CRM strategies of the Isetan Mitsukoshi Group deepen and expand connections with customers.

### 1. Development of the Customer Base

To deepen connections with customers, which is a strength of the Company, we will develop the customer base by increasing digital members and expanding identified customers. We will build a system that is able to make optimal suggestions tailored to all customers both online and offline.

We will acquire app members by providing attractive content and services in apps that will be integrated in FY2020 and expand point services for customers who make payments with a non-MI Card.

### 2. Development of Infrastructure to Provide Value to Customers

#### Enhancement of the Group Customer Program (GCP)

As a new infrastructure to support connections with customers, we introduced the Group Customer Program in the second half of FY2018 as a new way to use the environment, customer service and services, which are strengths of the Group. We offer services according to the purchase amount in the previous fiscal year. They include the Lounge Service that provides Lounge Service where customers can have relaxing breaks at Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store, the Family Ties, a coupon for dinner and travel to deepen family ties, a free parking service, and a store attendant service. We will enhance service content and expand it from stores in the Tokyo Metropolitan area to those across the country. In the first half of FY2019, the frequency of customers visiting our stores and their amount of purchases increased from a year ago, suggesting that these services have been well received.

#### Expansion of One-to-One Sales

We will stand closer to loyal customers with one-to-one digital technologies and people.

### 3. Measures for Inbound Tourists

We will also consider offering the Group Customer Program and one-to-one sales for foreign customers.



Mitsukoshi Nihombashi Main Store, The Lounge



Isetan Shinjuku Main Store, The Lounge

\*Refer to this for details on the Group Customer Program. <https://cp.mistore.jp/common/service/gcp.html>

### 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 Company will apply leasing knowhow gained through businesses launched in areas such as Yokohama and Kokubunji in the previous fiscal year to existing businesses such as department stores.

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

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. Through the development project, a commercial complex on a lower level is scheduled to be completed in 2021, followed by four condominium towers that are scheduled for completion in 2027.

In Tianjin, China, we are proceeding with the development of a new digital experience-based shopping center under the concept of a shopping museum, aiming for a partial opening at the end of 2020 by establishing a joint venture company with Yanlord Land Investment Management (Shanghai) Co., Ltd., which develops commercial facilities in China.

In the future, we will engage in mixed-use development projects overseas in cooperation with local leading companies.



FOOD & TIME ISETAN YOKOHAMA



mi:ts KOKUBUNJI



Mixed-use development project in Manila, the Philippines



# Aspiring to provide the ultimate customer experience both online and offline to achieve seamless linkage.



**Executive Vice President  
and Chief Merchandising Officer  
Toru Takeuchi**

## **A totally new way of shopping**

In the three-year plan (FY2019 to FY2021) announced last November, we expressed the provision of the ultimate customer experience both online and offline as seamless linkage. In the current three-year plan, we describe the specifics of this seamless linkage to facilitate deeper understanding.

The seamless linkage has two aspects. One is seamless linkage in customer shopping and the other is seamless linkage in our sales services.

Digital strategies that we are currently accelerating, including the improvement of our website, apps and the initiative to make all products dealt with at Isetan Shinjuku Main Store available online, for example, are never an attempt to convert our operations into the EC business. Today, most people do research on the Internet or a smartphone before going out. If there is no information about our stores available online, the priority for visiting our stores will decline significantly. However, if information is properly available on the Internet, the number of customers who visit our stores, including new customers, will increase.

In addition, all products offered at Isetan Shinjuku Main Store can be purchased online, which will be more convenient for customers in less urban areas where our Group stores are located. As indicated by the announcement of the closure of a large store of our apparel business partner, it is a heavy burden for our business partners as well as department stores to operate by assorting products while keeping staff members as well as shift workers. The situation is harsher in small cities than in urban areas with a large number of customers. Suppose, for example, that shops from the same business partner are operated at a single store. It may be better to set a new space or create a corner where the brands of these shops are together and customers can try different items as well as ones in different sizes or colors by ordering them online if they are not in the store, rather than servicing customers in each of these shops.





Another possible idea is that we create a shop without products, called “MI Online Shop.” This is a place where customers can relax with a cup of tea and search for various products on a tablet while a concierge offers advice when customers have questions.

A place for shopping created with a new way of thinking will enable us to improve the efficiency of human resources and costs more effectively than operating shops separately, raising the level of the digital infrastructure and investing in the creation of a place for spending more quality time.

Customers will be able to shop with the necessary information at home or in a store, wherever and whenever they want. To see the actual product, instead of walking around searching for it by themselves, they can go to a store when it is convenient by placing an order in advance. They can also feel at ease when receiving courteous service. This is a new method of shopping that a conventional department store is unable to offer. This is the first aspect of seamlessness in shopping.

### **Providing one-to-one service both offline and digitally**

Conventionally, the CRM had had no choice but uniformly corresponding the needs of only the middle class, which had been considered most Japanese were consist of. But it can be changed to respond to needs of individual customers.

In terms of points of contact with customers, we will be able to send customized information to customers through smartphones and the Internet and promptly receive requests from them to maintain a close, bi-directional connection, instead of one-way communication, such as DM in other points of contact than stores.

In our services, we will increase customer purchases and the frequency visiting our stores by offering a new Group Customer Program that corresponds to MI Card users, general card and cash users and inbound tourists.

Although we provided uniform services to customers who

purchased a large amount, we will respond according to the amount of their purchases by making the lounge and parking available and providing an attendant service in addition to card points. We will develop a system to raise the level of our one-to-one services, making full use of digital technologies. This is the second aspect of the seamlessness in our sales services.

### **Services at actual stores that we keep polishing**

In the future, other retail companies will compete in enhancing the first type of seamless linkage, which makes shopping more convenient.

However, a great advantage through which we can differentiate ourselves is our three different flagship stores in Shinjuku, Nishinomiya and Ginza, prime locations in Japan and the world. Perhaps we are a unique department store group.

I believe that because the three flagship stores continue to shine in the real world, our seamless linkage with value even in local cities and the Customer Program will become a status symbol and be appealing for customers.

For these flagship stores to continue to shine, it is important to keep making the necessary investments to maintain shops. However, it is more important to continue the state for customers to say that Isetan and Mitsukoshi are great and impressive by continuing to polish our sales services. Unless we can provide a wealth of knowledge and warm and smart services tailored to all customers who have taken the trouble to visit our stores, they will say that it would be better to do research with a smartphone. It is competition with the evolution of digital technologies rather than competition with rivals, each stylist (sales clerk) constantly has to study to upgrade their skills. Our digital strategy enables us to increase synergy among our stores, which are the strength of the Group, and it is absolutely necessary to achieve new growth. With the digital strategy, we will achieve our targeted key performance indicators (KPIs).

## 2 Capital Policy

We aim to achieve the KPIs by promoting strategies for the department store business and the real estate business, in addition to the complete streamlining of underperforming businesses and the cost structure reform, which we have been promoting since FY2017. As for the free cash flows that we will gain in the three-year plan, we will consider using them for continuous and flexible shareholder returns by maintaining a balance with growth investments.

### KPIs <Operating Income of ¥50 billion and ROE of 5.0% or Higher in FY2021 >

\*Current target values based on estimates.

Plans for  
FY2019

Operating income  
¥**30** billion

ROE  
**2.4%**

ROA  
**2.4%**

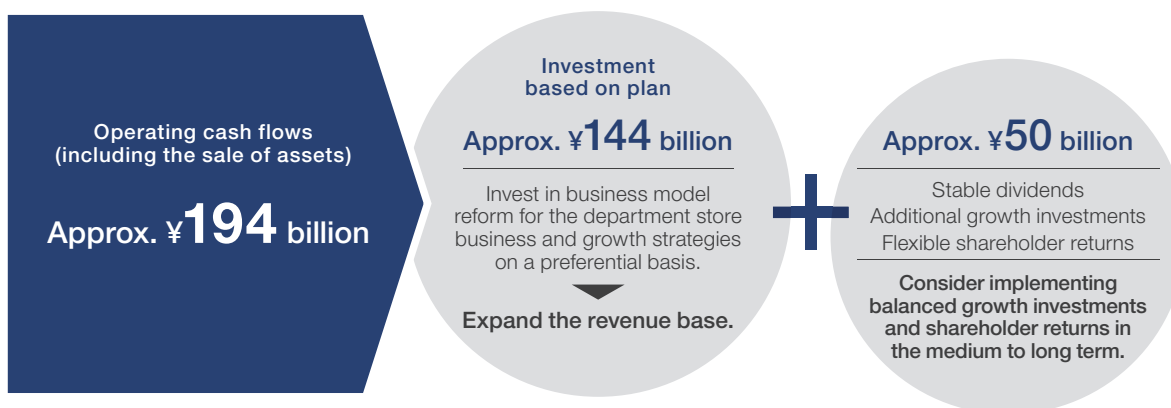
Targets for  
FY2021

Operating income  
¥**50** billion

ROE  
**5.0% or higher**

ROA  
**4.0% or higher**

### Cash Flows in the Three-Year Plan



### Concept of Shareholder Returns

	Actual results	Current three-year plan			
	FY2018	FY2019	FY2020	FY2021	During and after FY2022
Annual dividends (annual)	¥12	¥12	Aim to increase dividends stably over the medium to long term in line with growth in profits.		
Payout ratio	34.7%	33.4%	Aim to maintain the dividend level of 30% or higher and improve it over the medium to long term.		
Share buyback	-	¥10 billion (maximum)	Consider share buyback continuously and flexibly as we prioritize growth investments.		
Total return ratio	34.7%	104.9%	Aim to increase the total return ratio over the medium to long term, together with the payout ratio.		

# Optimization of three important elements in future Group management

Profitability of business, capital efficiency and the content of balance sheets

Director, Managing Executive Officer and Chief Financial Officer  
**Hidehiko Igura**



## Review of FY2017 and FY2018

The Isetan Mitsukoshi Group announced the current three-year plan (FY2019 to FY2021) in November 2018, and the fiscal year under review is the first year of the plan. Looking back on FY2017 and FY2018 immediately before the current three-year plan, these two years were the period when we worked on structural reforms by fundamentally reviewing the existing businesses of the Group to rebuild its business base.

While the total assets of the Group at the time (end of FY2016) when we embarked on the structural reforms had increased to nearly ¥1,310 billion, we reduced the total assets to slightly more than ¥1,240 billion (net interest-bearing debt was also reduced by slightly more than ¥40 billion) at the end of FY2018 as a result of reviewing and streamlining of underperforming stores and businesses.

In the structural reform initiative, we also reviewed our assets from the perspective of increasing added value and using them more effectively. Specifically, we sold non-commercial properties in Tokyo and newly acquired office properties for self-use in Nishi-Shinjuku. In addition, we acquired real estate properties surrounding Isetan Shinjuku Main Store in preparation for future business expansion. We will continue to improve the efficiency of assets by effectively using and recomposing them.

## Initiatives in the current three-year plan

While structural reforms are ongoing in FY2019, the initiative has entered the next stage and shifted focus to the innovation of the business model for the department store business and further cost structure reforms. Even during the period of the current three-year plan, we will maximize efforts to improve profitability and asset efficiency and make appropriate strategic investments to expand the revenue base in the future.

In the first year of the current three-year plan, we worked on the specific review of the three-year financial plan and the examination of the capital policy in the first half. As a result, we have decided to allocate about ¥144 billion of ¥194 billion (including the sale of assets), which are operating cash flows for three years, to existing businesses and investments in new businesses on the premise of maintaining the target operating income of ¥50 billion and ROE of 5.0% or higher, which are important management indicators for FY2021.

Regarding the investment allocation, we will allocate about two

thirds to capital investment to maintain the department store business in Japan, which is the current core business, and to investments to strengthen the earning power of our stores, centered on the flagship stores in the Tokyo Metropolitan area. We will allocate the remaining one third to initiatives for seamless linkage and digitalization, which are the new strategic pillars, and investments in the real estate business and overseas business.

As mentioned above, the basic stance on investments during the period of the current three-year plan is to make investments within the range of operating cash flows, and we will strive to maintain a sound financial base (maintain the “A” rating and the borrowing potential).

## Current capital policy

It goes without saying that the entire Group will enhance its corporate value over the medium to long term by expanding the revenue base through various initiatives in the current three-year plan. While we recognize that our asset efficiency (ROA) and capital efficiency (ROE) has been remaining low due to the accumulation from the past and we recognize those as management and financial issues. We would like to improve these issues over the medium to long term by implementing business strategies to improve our earnings strength and examining and practicing capital policies and financial strategies.

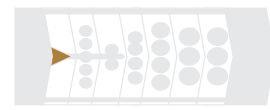
Specifically, we will allocate free cash flows of about ¥50 billion in the current three-year plan to additional growth strategies and shareholder returns in an appropriate balance. Regarding the basic policy on shareholder returns, we will aim to maintain and improve the payout ratio and increase the total return ratio over the medium to long term.

From the perspective of CFO, I recognize that in the future Group management will be the most important aspect to bring the three elements of the profitability of business, capital efficiency and the content of balance sheets closer to the optimal state in response to the continuously changing business environment. To improve them, we will achieve the management indicators in the current three-year plan. In addition, we will take offensive and defensive measures under a good balance and proceed with bold management reforms to lead to the enhancement of our corporate value over the medium to long term.



## Promotion of Sustainability

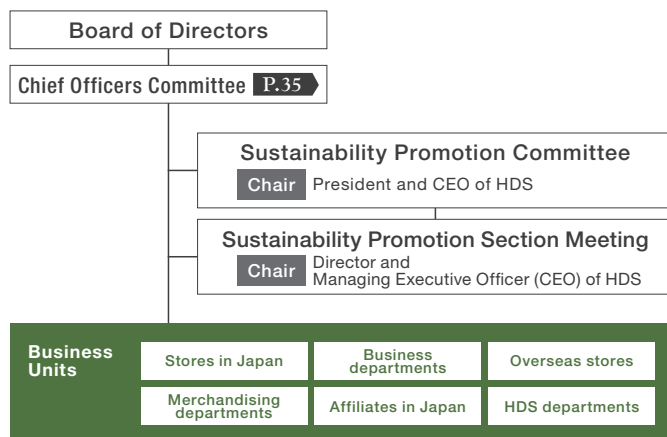
Value creation process P.05



### System for Promoting Sustainability

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 sees 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.

#### <Organization for promoting sustainability in FY2019>



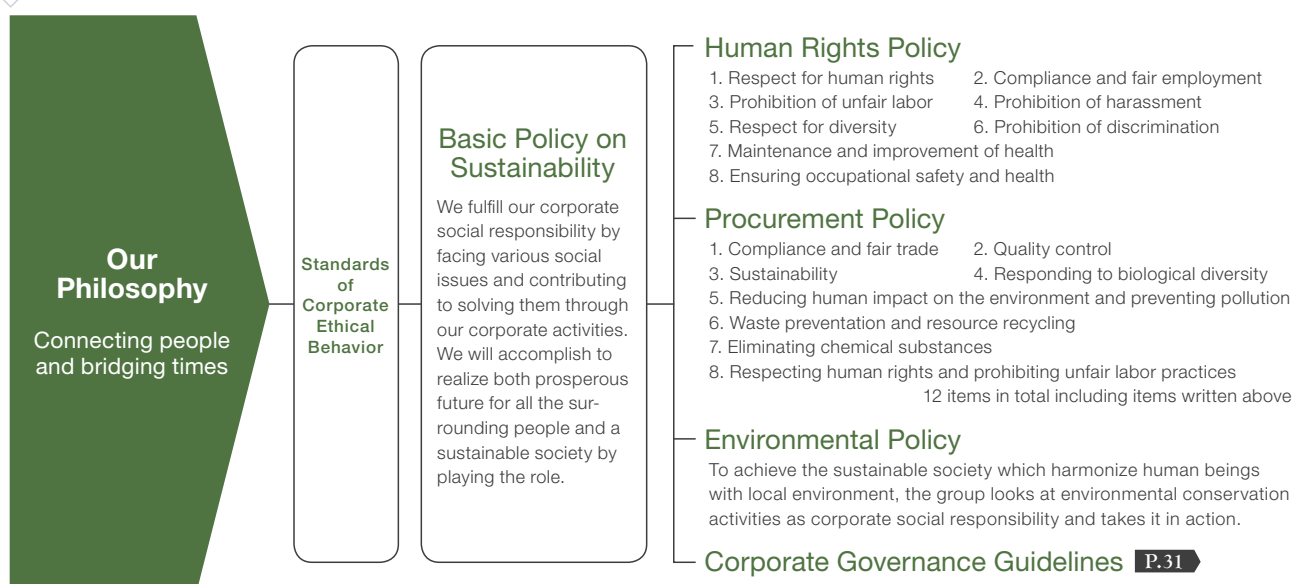
#### Sustainability Promotion Committee

The Sustainability Promotion Committee seeks to promote and raise awareness the measures and significant efforts on 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 FY2018.

#### Sustainability Promotion Section Meeting

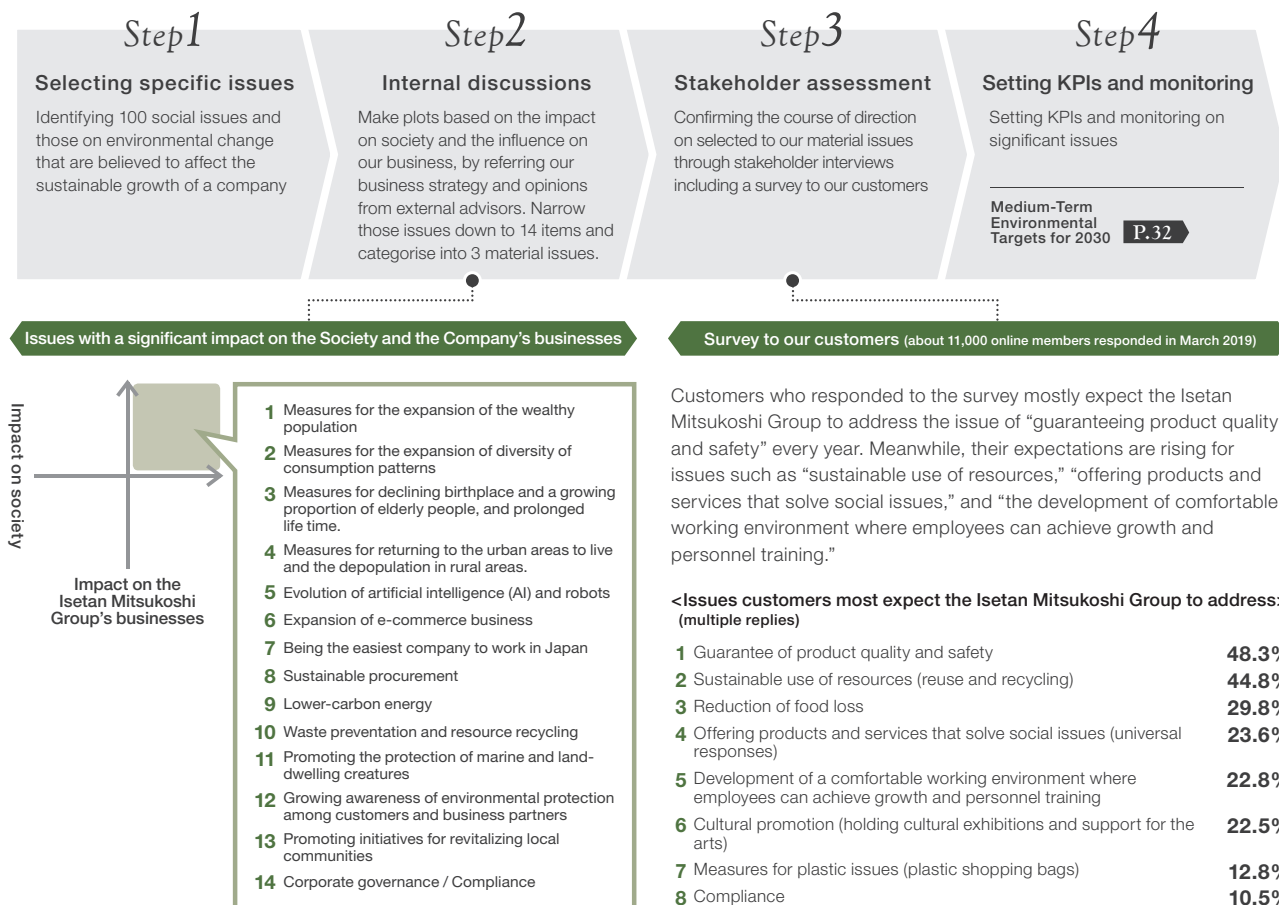
The Sustainability Promotion Section Meeting operates under the Promotion Council described above. Chaired by the CAO of Isetan Mitsukoshi Holdings, this Council for advancing sustainability measures consists of managers (business subunit chiefs), including the general managers of the general affairs departments at respective Group companies and Group stores. The Council met twice in FY2018.

### Policies on Promotion of Sustainability



## 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 strength as a company running department store business as our core business, through the process described below.



## 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.

### The Isetan Mitsukoshi Group Connecting People and Bridging Times

#### Material Issue<sup>1</sup>

##### Connecting People and Local Communities

Connecting areas and producers including artists with customers



#### Material Issue<sup>2</sup>

##### Connecting a Sustainable Society and Times

Handing a safe and secure environment from the past to the future



#### Material Issue<sup>3</sup>

##### 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.

## Material Issue 1

### 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.

#### Support for the revitalization of regional industries

#### NIIGATA EPPIN (from 2016)

Isetan Isetan

"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.



NIIGATA EPPIN  
nail file

#### Industry-academia collaboration

#### STUDENT DENIM REMAKE (from 2018)

Isetan Shinjuku Main Store

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.



Student works sold at the event

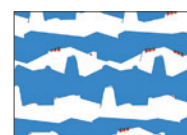
#### Creative young artists

#### Mitsukoshi Art & Creation (from 2014)

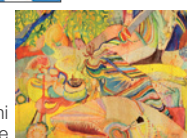
Mitsukoshi Nihombashi Main Store

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.



Grand Prix



Mitsukoshi  
Audience Prize

## Material Issue 2

### 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.

#### 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 CO<sub>2</sub> 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.

Medium-Term Environmental Targets for 2030		Results for FY2018
Reduction in CO <sub>2</sub> emissions (total volume)	Reduce total CO <sub>2</sub> 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).	▲ 20.2%

## Participation in the Nihombashi Smart City Project

### Mitsukoshi Nihombashi Main Store

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 system\* 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.

\*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>

### Mitsukoshi Nihombashi Main Store

The Isetan Mitsukoshi Group opened "the Nihombashi Garden," a new landmark in the Nihombashi area redevelopment is 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.



The Nihombashi Garden

## Promotion of resources recycling

### Respective stores operated by Group companies

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.



Collection of unneeded clothing from a customer

## Material Issue<sup>3</sup>

## 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.

	FY2018	FY2019	Changes
Annual working hours	1,972 hours	1,840 hours	a decrease of 132 hours
Daily working hours	7 hours and 55 minutes	7 hours and 25 minutes	a decrease of 30 minutes

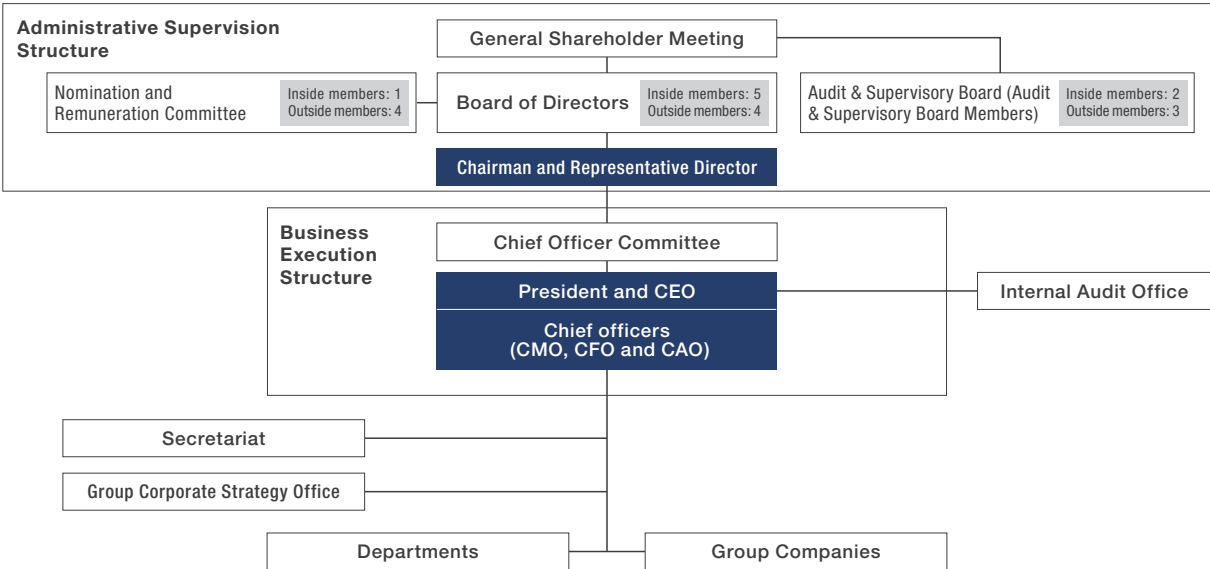
# Corporate Governance

## Basic Views

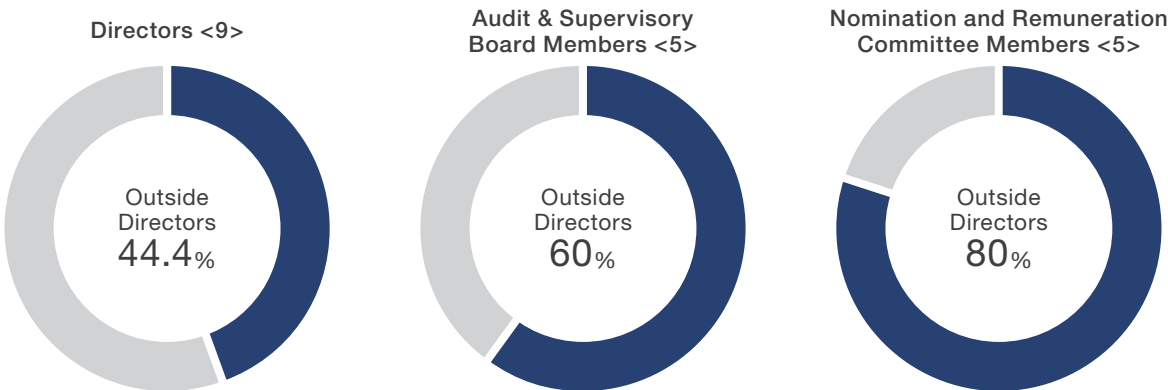
We pursue initiatives in corporate governance with the aim of contributing to the sustainable growth of the Isetan Mitsukoshi Group and improving its corporate value over the medium to long terms.

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.

## Corporate Governance System



## Structure of Directors and Audit & Supervisory Board Members





# Administrative Supervision Structure

## 1 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 the Board of Directors fulfills its roles and responsibilities in a highly effective manner, the Company has prepared a system that enables the Board to secure diversity in its composition and perform its administrative oversight function sufficiently. With regard to outside directors, the Company has invited individuals from industries where experience and areas of specialty vary since its establishment in 2008, taking their diversity into consideration, based on the idea of asking them to oversee and give advice on the appropriateness of decisions made by the management, in addition to supervising business execution.

### Structure of the Board of Directors

\*12th Term (June 2019 to the present)

A total of nine directors, including four outside directors (two men and two women) and five directors (five men)

They include three independent outside directors who satisfy the Company's criteria for independence.

### Nomination and Remuneration Committee

The Company has established the Nomination and Remuneration Committee as a voluntary advisory body to the Board of Directors. This Committee deliberates on matters related to nomination, including the nomination of candidates for the President and CEO, his/her successor, officers, the presidents of the Company's affiliates, and matters related to remuneration, including the officer remuneration system, bonuses for directors and executive officers, and the overall framework for the remuneration of directors and Audit & Supervisory Board members.

The Nomination and Remuneration Committee meets at least ten times a year. The Committee contributes significantly to enhancing governance functions as a key element of corporate governance.

### Structure of the Nomination and Remuneration Committee

\*12th term (June 2019 to the present)

A total of five members, including the President and CEO and four outside directors (three independent outside directors and one outside director)

The Company has secured sufficient transparency and fairness in the Committee by appointing an outside director to the position of chairman.

### Measures for stimulating deliberations by the Board of Directors

To stimulate deliberations by the Board of Directors, the Company is providing explanations to all outside directors individually before each Board meeting.

Furthermore, to secure sufficient time for discussions, the Company allocates two hours and 30 minutes for each meeting of the Board of Directors. The Company is encouraging directors to exchange opinions not only on resolutions and reports required for decision-making procedures but also a wide range of agenda items, including management issues for the Group, courses it should take in the medium and long terms and progress in its main businesses, in a manner that is free, vigorous and constructive.

### Analyses and evaluations of the effectiveness of the Board of Directors

The Company evaluates the effectiveness of the Board of Directors by incorporating objective, quantitative methods including questionnaire surveys on all internal and outside directors and Audit & Supervisory Board members. The Company confirms the guaranteed effectiveness of the Board of Directors from a wide range of viewpoints including not only the structure and management of the Board but also its institutional design, nomination and remuneration. At the same time, the Company proposes measures for improving variety of issues surrounding the Board of Directors, which has been identified through the evaluation process, and implements those measures continuously to strengthen

the functions of the Board.

These initiatives have produced specific effects, including an increase in the number of independent outside directors (from June 2018) and improvements toward the timely, effective setting of agenda items. Furthermore, the Company has determined that its governance became more transparent as a result of the greater disclosure of information related to matters that include methods for appointing and dismissing the CEO, and for implementing the succession plan and policies for nominating officers.

## 2 Audit & Supervisory Board and Its Members

As members of an independent body that has a mandate from its shareholders, Audit & Supervisory Board members oversee business execution by directors to achieve the Group's sustained growth, realize Group value over the medium to long term and contribute to establishing a sound corporate governance system that can fulfill social trust. Furthermore, Audit & Supervisory Board members build a system for securing the effectiveness of audits by regularly exchanging opinions with representative directors and accounting auditors and sharing information on matters including audit results with the Internal Audit Division.

Recognizing certain expectations for the expression of objective opinions on audits from their independent, neutral positions, Outside Audit & Supervisory Board members convey their opinions frankly. Full-time Audit & Supervisory Board members make constructive efforts to improve the auditing environment and collect internal information, taking the characteristics of full-timers into consideration. They also monitor and examine the establishment and management of internal control systems on a daily basis. Audit & Supervisory Board members also work to help non-executive officers exchange information and share awareness, and deepen relationships of mutual trust by exchanging opinions on matters, such as issues the Company should address and related risks, with outside directors at regular meetings and on other occasions.

### Structure of the Audit & Supervisory Board

\*12th term (June 2019 to the present)

A total of five members, including three outside members and two full-time members

They include two independent outside members who satisfy the Company's criteria for independence.

## 3 Nomination of candidates for directors and Audit & Supervisory Board members

The Company has set upper age limits for incumbent officers and their maximum terms of office on a position-by-position basis in accordance with the Rules on Upper Age Limits of Incumbent Officers to facilitate their appropriate replacement as a prerequisite for the nomination of officers.

Under the arrangement, the Company takes the following concrete initiatives regarding the nomination of officers, including the appointment and dismissal of the CEO, with deliberation by the Nomination and Remuneration Committee as a prerequisite to guarantee transparency and fairness throughout the process.

### 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.

Regarding whether to allow the CEO to remain in office in the following year, we adopt methods to increase effectiveness and ensure the process is not a mere formality, for instance by holding deliberations 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.

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

In nominating candidates for directors and Audit & Supervisory Board members, the Company takes the wide scope of knowledge, high ethical standards, and abundance of experience into consideration, in addition to legal eligibility.

#### Outside directors

The Company appoints individuals from different fields and industries to the post of outside director to obtain a wide range of opinions from objective, specialist perspectives and manage itself in a balanced manner. The Company mainly invites individuals with sufficient experience in the business world, hoping to gain their supervision and advice on matters ranging from the supervision of business execution to the appropriateness of management decisions.

#### Outside Audit & Supervisory Board members

The Company aims to have outside Audit & Supervisory Board members conduct audits on points, including the legal and ac-

counting appropriateness of the management decision-making process and decision details, from neutral, objective perspectives. Based on this idea, the Company invites individuals with abundant knowledge and experience in the respective fields.

#### Criteria for independence

The Company has established the Independence Standards of Outside Officers of Isetan Mitsukoshi Holdings as its criteria for judging the independence of outside directors and outside Audit & Supervisory Board members before appointing them as independent officers. Based on the Independence Standards, the Company appoints five outside officers (three outside directors and two outside Audit & Supervisory Board members) who do not fall under 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, an executive or a manager thereof
- ③ A major business partner for the Group, an executive director, an executive, a manager or an employee of any other type thereof
- ④ A person who executes business at a financial institution that has business relations with the Group
- ⑤ A consultant, an accounting expert, a legal specialist or the like who has received financial and other economic benefits from the Group exceeding a certain sum other than remuneration for directors and Audit & Supervisory Board members
- ⑥ A shareholder or an executive officer of the Company who holds a 5% or higher ratio of its total outstanding shares
- ⑦ Any person who has fallen under any of the categories ① to ⑤ above in the last three years
- ⑧ A spouse or a second-degree relative of anyone who falls under any of the categories ① to ⑤ above

A major business partner in categories (2) and (3) above mean any business partner whose consolidated annual transactions with the Company have exceeded 1% of total consolidated annual transactions by either party at least once in the past three years. A certain sum in category (5) refers to 10 million yen or more in any of the last three fiscal years.

#### 4 Remuneration for officers

Basic principles related to remuneration for officers (excluding outside directors and outside Audit & Supervisory Board members)

- ① Promotion of common interests between shareholders and officers
- ② Expansion of the effects of incentives for improving business results and shareholder value
- ③ Provision of standards that compare favorably with those of competitors (at the point of target achievement)
- ④ Guaranteed objectivity and transparency in evaluation and remuneration determination methods

The Company guarantees objectivity and transparency throughout the remuneration determination process by assigning effective deliberations to the Nomination and Remuneration Committee, an advisory body to the Board of Directors, based on the basic principles related to remuneration for officers as stated above.

#### Types of remuneration for officers

##### • Basic salaries

The Company pays fixed monthly amounts as basic salaries for directors (including outside directors), executive officers and Audit & Supervisory Board members (including outside Audit & Supervisory Board members) based on a remuneration table provided in Director Remuneration Guidelines.

##### • Bonuses

The Company has introduced a bonus structure linked with consolidated operating results and the level of qualitative target achievement within the range of 0% to 200% to give executive officers (including those who serve concurrently as directors) strong motivation for achieving targets, adopting an amount equivalent to basic salary for six months as a basic bonus.

##### • Stock options as stock-based compensation

The Company grants stock options as stock-based compensation to directors (excluding outside directors) and executive officers with an amount corresponding to their basic salary for six months as the upper limit for encouraging officers to hold shares and raising their awareness of shareholder value enhancement over the long term.

#### 5 Policies related to cross-shareholdings

##### • Policy on cross-shareholdings

To realize effective corporate governance, and help the Group sustain its growth and enhance its value over the medium and long term, the Company enters into cross-shareholding arrangements with other companies as deemed necessary for safeguarding and strengthening transactions, such as product supplies and financing. The Board of Directors of the Company comprehensively examines factors including the purpose of holding individual issues, transaction status and dividend earnings from quantitative and qualitative perspectives every year. Based on the examination, the Company seeks to reduce cross-shareholdings by selling shares whose possession is deemed no longer reasonable.

##### • Criteria for exercising voting rights related to cross-shareholdings

The Company duly exercises voting rights based on cross-shareholdings for each agenda item pertaining to comprehensive judgment over points, including whether their exercise will lead the concerned companies to sustainable corporate value enhancement and whether their exercise will lead the Group to sustainable enhancement of its value.

##### • Policy in cases where cross-shareholders indicate their intention to sell shares

The Company does not engage in any act that prevents sales and the like, including the suggestion of transaction reduction, in cases where companies that own the Company's shares for the purpose of cross-holding (cross-shareholders) indicate an intention to sell them and take similar actions.

## Business Execution Structure

The Company adopts an executive officer system to accelerate business execution. Positioning the general managers of divisions vital for achieving Group management goals as executive officers, the Company has transferred a significant portion of authority to them after clarifying their executive responsibilities.

### Chief Officer System

The Company introduced the Chief Officer System in fiscal 2018 to strongly advance the Medium-Term Management Plan and improve earning power as quickly as possible. Chief officers act as advisors to the CEO, in addition to taking responsibility for internal and external execution in their respective areas of assignment. They support decision-making by the CEO as members of the Chief Officer Committee, a decision-making advisory body. The Company has clarified the administrative operations of chief officers to strengthen their cross-divisional coordination functions.

Areas assigned to chief officers are as follows.

#### CEO: Chief Executive Officer

Chief management executive

#### CMO: Chief Merchandising Officer

In charge of merchandising by Group companies and in possession of ultimate executive power within the scope of authorization

#### CFO: Chief Financial Officer

In charge of budgets for and investments by Group companies and in possession of ultimate executive power within the scope of authorization

#### CAO: Chief Administrative Officer

In charge of businesses, general affairs and corporate social responsibilities (CSRs) at Group companies and in possession of ultimate executive power within the scope of authorization

### Chief Officer Committee

The President and CEO convenes the meetings of the Chief Officer Committee comprising directors, executive officers and the employees of HDS and Group companies who have been nominated and authorized by the Board of Directors. In principle, the Chief Officer Committee meets once a week. The Committee promptly deliberates on and resolves matters of importance related to business execution by the Group that are equivalent to items submitted to the Board of Directors.

### Promotion Committee

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

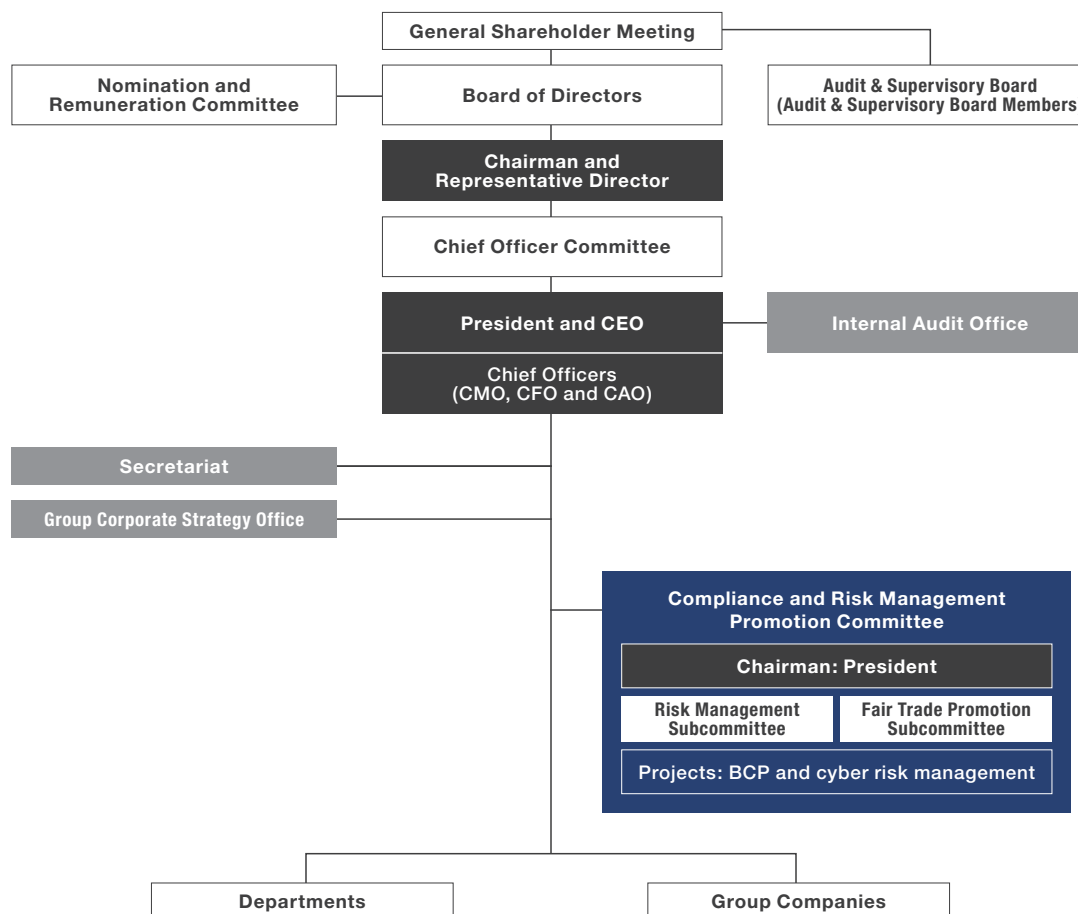
## Basic Policy for Internal Control Systems

The Group enforces the Basic Policy for Internal Control Systems stated below to guarantee that its businesses is administered appropriately and transparently, maximizing its value.

1. Compliance systems
2. Risk management systems
3. Internal control systems regarding financial reporting
4. Information storage management systems
5. Systems for the efficient execution of duties
6. Group company management systems
7. Items relating to audit staff
8. Systems relating to reports to Audit & Supervisory Board members
9. Policy for processing auditing fees
10. Systems relating to the guarantee of the effectiveness of audits by Audit & Supervisory Board members

Visit the following website for details on the policy:  
<https://imhds.disclosure.site/en/themes/132#1072>

## Compliance and Risk Management Systems



## Compliance Systems

### Our Views on Compliance

The Group views it as essential for employees to incorporate compliance into their values, awareness and actions, and practice it to observe laws, ethics, social norms, rules and the like. For that purpose, the Group has established the Corporate Code of Ethics and Conduct for officers and employees based on Our Philosophy. The Group seeks to maintain and improve compliance systems to gain social trust, in addition to working to spread the Code company-wide.

The Group has also established the Internal Audit Division as an independent body for auditing the legality and appropriateness of business.

The Group works to make compliance in everyday businesses known to all employees by posting on the Intranet the Compliance Guidebook, which prescribes laws that should be observed in relation to customers and business partners, and standards for ethical actions by employees.

## Compliance systems

### Initiatives for the protection of personal information

The Group has established and released a Privacy Policy for properly managing personal information received from customers and using it legitimately. The Group meets the expectations and trust of customers in this way.

The Group has also created Personal Information Management Rules based on the Privacy Policy. Under these rules, the Group uses the personal information of customers properly and protects and manages it strictly.

### Establishment and application of systems for preventing insider trading

The Group has established Insider Trading Prevention Rules for handling important internal information that is unreleased. Under these rules, the Group takes the initiative for managing information strictly and raising awareness to prepare and apply management systems equity markets and stakeholders find trustworthy.

The Group has developed systems for preventing insider trading, including compulsory advance notification by officers and other employees belonging to specified divisions who plan to trade shares and the like.

### Establishment of an IR Policy

The Group has established and released an IR Policy so as to gain the trust and understanding of shareholders and investors through its investor relations activities (public relations activities for shareholders and investors). Based on this policy, the Group aims to disclose information fairly and improve communication.

### Establishment and application of systems for promoting fair trade

The Group has established Basic Policy on Fair Trade. Under the policy, the Group promotes the establishment of systems that exclude unfair trade restrictions and the like and their strict application in a bid to remain as a group of companies that adhere to fair and free competition and continue to extensively contribute to society.

### Response to antisocial forces

The Basic Policy for Internal Control Systems states that the Group cuts off relations with antisocial forces, refuses their unreasonable demands and prevents losses.

## Example | Sound corporate culture

### Training for persons responsible for preventing unreasonable demands

The Group provides training for persons responsible for preventing unreasonable demands to persons in charge of job sites at Group companies to enable them to deal resolutely with such demands made by antisocial forces. Participants in the training watch videos and attend lectures by officials from the Metropolitan Police Department and the Tokyo Center for Removal of Criminal Organizations, and commissioned instructors. They receive a certificate of course completion and practice what they learned after training completion.



### Number of persons who underwent the training

2015	142
2016	98
2017	105
2018	117

### Establishment and application of the whistleblowing system

The Group has established Group Hotline Rules to promptly recognize unfair actions and the like, and to make improvements in such cases. It has prepared an internal whistleblowing system called the Group Hotline to enable all Group employees to report the occurrence of such actions to an internal division in charge of whistleblowing and external law offices.

### Initiatives for proper representation in the media used for appeal

MICARD Co.LTD. received an order to take measures based on the Act against Unjustifiable Premiums and Misleading Representations (misleading representation of superiority and greater advantages) from the Consumer Affairs Agency on July 8, 2019, for having made partially improper representation in its membership campaigns for the MI Card and the Gold Card. In response, the company is working on initiatives to prevent the recurrence company-wide, in addition to providing training and education to all employees.

Other companies in the Group are also making efforts to provide proper and accurate representation (information) to customers, in other words, to strengthen and fully enforce compliance by applying internal rules and manuals to representation in the media used for appeals and the like.



## Risk Management Systems

### Promoting Risk Management

The Isetan Mitsukoshi Group maintains and constructs an independent risk management system for each group company, based on the “Basic Policy on Internal Control System Construction.” To achieve the purpose of Group Risk Management, the Isetan Mitsukoshi Group has set up the “Compliance and Risk Management Promotion Committee” to share the current circumstances on measures against risks, and to encourage the understanding of risks that change with the environment surrounding our Group.

#### Risk management systems

The Group has set up the “Group Risk Management Promotion Committee.” The Committee meets regularly to build a basis for Group-wide risk management. (Refer to Compliance and Risk Management Systems on page 36.)

As risk management at ordinary times, the Group establishes, implements and improves a variety of measures for preventing or minimizing the emergence of risks, and for preventing escalation when risks do emerge. The Group establishes plans for dealing with serious risks that may affect corporate value. We implement a Plan-Do-Check-Action cycle through education and training, which can be the basis for improving risk management practice.

In the case of an emergency (including a possibility of emergency), the Isetan Mitsukoshi Group obligates a report to the Promotion Committee. In the case of a serious emergency that requires group-wide organizational measures, we will take the required measures, such as setting up a headquarters, and cooperating with external organizations.

#### Specific actions taken by the “Compliance and Risk Management Promotion Committee”

The Group changed the name of the “Compliance and Risk Management Committee,” which had been positioned as an advisory body to the Management conference from fiscal year 2013 to fiscal year 2017, to the “Compliance and Risk Management Promotion Committee” in fiscal year 2018 to enhance its effectiveness. The Committee continues to address issues, including the selection and review of significant risks that we make serious efforts to tackle.

The action of the Committee is used for daily monitoring by,

- sharing the report on the Plans for risk measures
- updating recognition of current risks.
- limiting the impact of risks, such as preventing risks from emerging.

The President and CEO chairs the “Compliance and Risk Management Promotion Committee,” whose members come from across the Group. The members consist of Department managers appointed by the Chairman. The committee meets twice a year regularly, with auditors attending as observers.

In fiscal year 2018, the Isetan Mitsukoshi Group decided to expand the Committee to strengthen its risk management. The committee became the largest organization in the Group. We practice consolidate risk management, including deliberation over the selection and direction of measures for reducing risks. (The Chairman appointed 78 department managers as members of the Committee in fiscal year 2019, an increase of 59 people from the previous fiscal year).

#### Important initiatives for continuing businesses

##### 1. Business Continuity Plan (BCP)

The Group has formulated the business continuity plan (BPC) to restore business steadily while minimizing the impact, assuming damage caused by unavoidable, large-scale earthquakes, floods, pandemics that may spread, such as avian influenza and the like as natural disasters whose occurrence is difficult to predict. Moreover, the Group provides periodic training and implements the PDCA cycle across its organization to steadily spur the plan into action and deal with the assumed situations.\*


##### 2. Cyber Risk Management Project

The Group organized the “Cyber Risk Management Project” as a computer security incidents response team (referred to as “CSIRT”) to play an important role in Group IT governance, planning and promoting cyber risk countermeasures, and taking safety measures from manpower, organizational and technological perspectives.

The Group positions the CSIRT as a cross-sectional organization in an environment of advancing digitization. The CSIRT organizes original IT system management systems, reviews criteria and other aspects constantly and bolsters cyber risk management systems focused on defense within the Group. The CSIRT works to protect information assets by giving email and other training to employees to counter unauthorized access.

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 Company’s website introduces risk management at department stores.

Initiatives for the safety and security of customers  <https://imhds.disclosure.site/ja/themes/144>

# Board Members



&lt;as of June 17, 2019&gt;

## Directors

- 1** Chairman and Representative Director

**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 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. Akamatsu now contributes to enhancing the corporate value of Isetan Mitsukoshi Holdings Ltd. and strengthening its governance with his wealth of knowledge and leadership in posts including Chairman of the Board of Directors. He has also developed the entire department store industry as Chairman of the Japan Department Stores Association since 2017.

- 4** Director, Managing Executive Officer and CAO\*

**Takaaki Muto**

Born November 28, 1956

Joined what was then Mitsukoshi, Limited in 1979. He worked in the Human Resources Department and the General Administration Department for many years and promoted risk management in the entire Group as Managing Executive Officer and the General Manager of the Risk Management Office of Isetan Mitsukoshi Holdings Ltd. from 2017. He took charge of several departments at Isetan Mitsukoshi Holdings Ltd., including General Administration, Finance & Accounting and Human Resources, as Director, Managing Executive Officer and CACO (Chief Administration and Compliance Officer) from June 2018. Muto became CAO (Chief Administrative Officer) in fiscal 2019. Today he contributes to enhancing corporate value across the Group, exercising his skills as the ultimate executor of operations, general affairs and corporate social responsibilities (CSRs) in the Group.

\*CAO: Chief Administrative Officer

- 2** President, Representative Director, Executive Officer and CEO

**Toshihiko Sugie**

Born February 15, 1961

Joined what was then Isetan Co., Ltd. in 1983. After working in sales departments, such as household articles, women's clothing and accessories, and food, as well as the sales support department, Sugie became Director and Managing Executive Officer of Isetan Mitsukoshi Holdings Ltd. in 2012. He has since led the Group toward the goal of achieving targets set in management plans, taking responsibility for departments, such as those in charge of overseas, system, real estate and related businesses as General Manager of the Strategic Planning Headquarters. He became President and CEO of Isetan Mitsukoshi Holdings Ltd. and Isetan Mitsukoshi Ltd. in April 2017. Sugie promotes corporate value enhancement across the Group with thorough knowledge of the department store business and overall Group operations, as well as his abilities and leadership cultivated through extensive experience in both the sales and planning departments.

- 5** Director, Managing Executive Officer and CFO\*

**Hidehiko Igura**

Born July 5, 1964

Joined what was then Isetan Co., Ltd. in 1987. Igura worked in the United States and Thailand where he was temporarily transferred in the period centered on the 1990s. He worked in the finance and accounting department and engaged in business restructuring during this period. After returning to Japan, Igura took charge of a wide range of duties, including M&A operations, collaboration with external parties and structural reform projects, at the Corporate Planning Division of Isetan Mitsukoshi Holdings Ltd. and through his involvement in the management of MICARD Co.LTD. He became the General Manager of the Corporate Planning Division of Isetan Mitsukoshi Holdings Ltd. in 2018, its CFO (Chief Financial Officer) in April 2019 and its Director in June 2019. He contributes to enhancing corporate value across the Group now, applying his broad-based experiences and skills in finance and business administration as the ultimate executor of budgets, investments and financial affairs for the Group.

\*CFO: Chief Financial Officer

- 3** Executive Vice President, Representative Director, Executive Officer and CMO\*

**Toru Takeuchi**

Born May 21, 1960

Joined what was then Isetan Co., Ltd. in 1983. He has engaged mainly in the sales of men's and women's clothing and led the sales department for many years, several of which he spent at business subsidiaries overseas. Takeuchi became President and CEO of Sapporo Marui Mitsukoshi Ltd. in 2013, General Manager of the Group Human Resources Headquarters of Isetan Mitsukoshi Holdings Ltd. in 2016 during his tenure as Managing Executive Officer of Isetan Mitsukoshi Holdings Ltd. and General Manager of the Department Store Business Planning & Operation Headquarters of Isetan Mitsukoshi Ltd. in 2017 during his term as the company's Director and Senior Managing Executive Officer. He assumed the positions of Executive Vice President, Representative Director, Executive Officer and CMO of Isetan Mitsukoshi Holdings Ltd. in April 2019. Takeuchi contributes significantly to enhancing corporate value across the Group as the ultimate merchandizing executor.

\*CMO: Chief Merchandising Officer

- 6** Outside Directors

Independent Officer

**Michiko Kuboyama**

Born April 16, 1956

Joined Kao Soap Co. Ltd. (currently Kao Corporation) in 1980. Kuboyama worked mainly in the company's product development and marketing departments and served as the Director of its Product Public Relations Center. Today she is Communication Fellow at the Life-style Research Center of Kao Corporation. Kuboyama serves concurrently as Outside Director of Sumitomo Mitsui Banking Corporation. She also works successfully in many other fields, assuming posts such as visiting professor at the Tama Graduate School of Business based on her extensive marketing experience. In 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.



**7 Outside Director**  
**Masami Iijima**  
 Born September 23, 1950

Independent  
Officer

Joined Mitsui & Co., Ltd. in 1974. Iijima became President and CEO of Mitsui & Co., Ltd. in 2009. He exercised his distinguished skills as manager of the leading general trading company in Japan and played an important role in its growth. Today Iijima serves as Representative Director and Chairman of the Board of Directors at Mitsui & Co., Ltd. He is vital to the company's efforts to enhance corporate governance from his position as management supervisor. He serves concurrently as an outside officer, including Outside Director of Ricoh Co., Ltd. and External Board Director of SoftBank Group Corp. Iijima became Outside Director of Isetan Mitsukoshi Holdings Ltd. in June 2019. Currently, he offers useful advice and appropriate supervision for the Company's business execution from an independent perspective based on his broad knowledge.

**8 Outside Director**  
**Miwako Doi**  
 Born June 2, 1954

Independent  
Officer

Joined Tokyo Shibaura Electric Co., Ltd. (currently Toshiba Corporation) in 1979. Doi has made many distinguished achievements as an information technology specialist at Toshiba Corporation, a leading electronics manufacturer, where she has worked as an information technology researcher and manager. She serves concurrently as Auditor at the National Institute of Information and Communications Technology and Outside Director of Nomura Research Institute, Ltd. In addition, Doi works successfully as a Member of the Japan Transport Safety Board of the Ministry of Land, Infrastructure, Transport and Tourism and Executive Director of Nara Institute of Science and Technology. She assumed the position of Outside Director of Isetan Mitsukoshi Holdings Ltd. in June 2019. Doi now offers useful advice and appropriate supervision for the Company's business execution from an independent perspective based on her comprehensive knowledge in the field of information technology.

**9 Outside Director**  
**Takashi Oyamada**  
 Born November 2, 1955

Joined the Mitsubishi Bank Ltd. (currently MUFG Bank, Ltd.) in 1979. Oyamada became President of the Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently known as MUFG Bank, Ltd.) in 2016. He exercised his skills as manager of the one of the leading megabanks in Japan. He has rich financial knowledge gained through many years of experience at a financial institution. Oyamada serves concurrently as Special Advisor for MUFG Bank, Ltd. and outside director at companies including Mitsubishi Electric Corporation. He also occupies the positions of Representative Director and Vice Chair at the Japan Institute of International Affairs. Oyamada became Outside Director of Isetan Mitsukoshi Holdings Ltd. in June 2019. Today he offers useful advice and appropriate supervision for the Company's business execution from his highly specialized standpoint.

## Audit & Supervisory Board Members

**10 Standing Audit & Supervisory Board Member**  
**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.

**11 Standing Audit & Supervisory Board Member**  
**Toshinori Shirai**  
 Born January 28, 1959

Joined what was then Isetan Co., Ltd. in 1982. After working in the accounting and other departments, Shirai worked temporarily at business subsidiaries in Japan and overseas, where he took charge of a wide range of duties associated with general affairs, accounting and overall business administration. He worked in the corporate planning department in the subsequent period. After assuming the positions of Director and Managing Executive Officer at Isetan Mitsukoshi Holdings Ltd., Shirai became General Manager of Strategic Planning Headquarters in 2017 and CSRO (Chief Strategy and Restructuring Officer) in 2018. In those positions, he worked on reforming the business structure. Shirai became a Standing Audit & Supervisory Board Member of Isetan Mitsukoshi Holdings Ltd. in June 2019. Today he conducts audits by applying his vast knowledge of Group operations, and gives appropriate advice and proposals to secure the validity and propriety of decisions made by the Board of Directors and other bodies.

**12 Outside Audit & Supervisory Board Member**  
**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 Banking Corporation 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.

**13 Outside Audit & Supervisory Board Member**  
**Hiroataka Fujiwara**  
 Born May 21, 1954

Independent  
Officer

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.

**14 Outside Audit & Supervisory Board Member**  
**Takeo Hirata**  
 Born January 16, 1960

Independent  
Officer

Joined the Ministry of International Trade and Industry (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.

## Message from Outside Directors



Outside Director and Independent Officer

### Masami Iijima

It has only been a few months since I became an outside director, but I feel that the governance of the Isetan Mitsukoshi Group can be compared favorably with other companies and that it is particularly progressive to frequently hold a meeting of the Nomination and Remuneration Committee. While Isetan Mitsukoshi Holdings Ltd. is now a company with a Board of Auditors, it is necessary to reinforce any shortcomings by analyzing the results of the evaluation of the effectiveness of the Board of Directors, because

there are advantages and disadvantages no matter what form of governance is chosen. Getting into shape is not the end of governance, and it is necessary to put effort into it. The mission of the Isetan Mitsukoshi Group is to make customers happy as a company that directly faces consumers on the front line of the value chain for a variety of products. It is also important to make the employees happy at the same time. Therefore, it is essential to solidly cultivate human resources from an early stage that will undertake management.

Meanwhile, turning our eyes to the external environment, I have to say that it is fairly demanding. While all categories of business exist between opportunities and risks given that digital technologies such as AI, big data and robotics are advancing rapidly, risks for existing companies have already emerged in the retailing industry in the form of slower growth of the consumer market and the rise of online shopping. Department stores are being tested on whether they can create new value by evolving their business category, making use of the

extensive know-how, brand power and customer base they have fostered throughout their long history. Although I feel that the Isetan Mitsukoshi Group is actively working on value creation through initiatives such as the integration of online and offline, as set in the three-year plan (FY2019 to FY2021), it is necessary to accelerate its initiatives with a sense of urgency and develop them as specific business as soon as possible, given the harsh environment. Therefore, it would be effective to incorporate the concept of OODA (observe, orient, decide and act) in addition to conventional PDCA. I have experienced many of the wide-ranging businesses of Mitsui & Co., Ltd., including investments and loans, and trading. While I am now in a position to chair the Board of Directors and oversee the management of Mitsui & Co. as the Chairman of the Board, I will use my tangible and intangible know-how in logistics, data technology, finance and risk management, which I have gained throughout my experience in the management of the Isetan Mitsukoshi Group.

The historic Isetan Mitsukoshi Group is now in a phase of major change. Following the announcement of its future vision and strategies in the Isetan Mitsukoshi Group three-year plan (FY2019 to FY2021) in November 2018, the Group disclosed “progress in the three-year plan and future initiatives” in the explanatory materials for settlement of consolidated accounts for the second quarter of the fiscal year ending March 31, 2020, on November 7, 2019, and showed the initial state of the initiatives. However, uncertain factors remain in the environmental changes, and there are hopes and fears on the path toward the goal. The Isetan Mitsukoshi Group has positioned its discerning power of products, spirit of hospitality, sincere attitude to operate face-to-face with customers, and balance to solidly implement what the Group must do as its strengths. However, in the phase ahead where hopes and fears are mixed, the courage to take on challenges, distinctiveness and toughness to make changes and the independence and autonomy of organization members, rather than top-down communication, will be more necessary than ever. An attitude of being able to swiftly

sense issues and make proposals to supervisors and management in a bottom-up fashion will become important, given that the unexpected will occur no matter how good the strategies are that the Group develops. I hope that the ability to make changes, flexibility, and partnership as well as autonomy on site will be displayed as even greater strengths.

Since I took up my position in June 2018, I have felt that the company boldly makes improvements and actively works on improving its governance. In particular, the Nomination and Remuneration Committee functions very effectively as a place to hold deep discussions and the Board of Directors also spends time on discussions of important matters in a focused manner. More Corporate governance will be required in the years ahead, and enhancing it will be necessary to improve the corporate value to further strengthen the current soundness and forward-looking attitude without being complacent about the status quo. Under such circumstances, I would like to keep focusing on the perspective of people, customers and employees, as an outside director. I will keep asking questions from the perspective of



Outside Director and Independent Officer

### Michiko Kuboyama

a customer and an employee in both aspects of giving advice on the execution of business and overseeing management. “Is it possible to earn the trust of customers with that initiative?” “Under the major reform period, is it possible for employees to be able to feel that they are growing as a person and the excitement of working here?” By guiding management to make effective use of human resources, I will strive to contribute to the enhancement of the corporate value of the Isetan Mitsukoshi Group so the Group will be able to exist and grow as a good member of society.





The roof of Mitsukoshi Nihombashi Main Store's main building / The Nihombashi Garden

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## Major Financial Data

	FY2008	FY2009	FY2010	FY2011	FY2012
Net sales	1,426,684	1,291,617	1,220,772	1,239,921	1,236,333
Gross profit	397,446	360,685	342,005	347,788	347,410
Selling, general and administrative expenses	377,863	356,508	331,012	323,954	320,771
Operating income	19,582	4,177	10,993	23,834	26,639
Recurring income	35,052	19,730	27,093	38,452	34,217
Net income attributable to parent company shareholders	4,683	▲ 63,521	2,640	58,891	25,292
Total assets	1,351,633	1,238,006	1,237,775	1,227,947	1,223,677
Shareholders' equity	475,369	413,861	406,501	456,583	491,001
Net assets	489,740	425,120	418,152	468,479	505,127
Interest-bearing debt	232,842	197,283	213,925	173,264	181,263
Cash flows from operating activities	18,162	▲ 3,604	33,211	57,843	4,438
Cash flows from investing activities	▲ 27,429	47,443	▲ 24,419	▲ 15,939	▲ 26,312
Cash flows from financing activities	7,116	▲ 41,688	11,241	▲ 44,940	2,339
Capital investment	30,120	28,256	32,937	19,243	30,499
Depreciation	24,253	22,411	22,933	22,406	21,559
Net income per share (yen)	12.08	▲ 162.51	6.69	149.28	64.11
Net assets per share (yen)	1,225.85	1,049.09	1,030.60	1,157.37	1,244.54
Cash dividend per share (yen)	14.00	10.00	7.00	10.00	10.00
Gross profit margin	27.86%	27.93%	28.02%	28.05%	28.10%
SG&A expense ratio	26.5%	27.6%	27.1%	26.1%	25.9%
Operating profit margin	1.4%	0.3%	0.9%	1.9%	2.2%
Return on equity (ROE)	1.0%	▲ 14.3%	0.6%	13.6%	5.3%
Return on assets (ROA)	1.4%	0.3%	0.9%	1.9%	2.2%
Rate of return on invested capital (ROIC)	—	—	0.9%	2.3%	2.5%
Shareholders' equity ratio	35.2%	33.4%	32.8%	37.2%	40.1%
Payout ratio	115.9%	▲ 6.2%	104.6%	6.7%	15.6%

\*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, 2019 are financial data disclosed on May 8, 2019

(Millions of yen)

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
1,321,512	1,272,130	1,287,253	1,253,457	1,256,386	1,196,803
370,022	355,456	361,768	365,609	367,282	348,282
335,376	322,372	328,660	341,673	342,869	319,052
34,646	33,083	33,107	23,935	24,413	29,229
38,440	34,563	36,704	27,418	27,325	31,995
21,166	29,886	26,506	14,976	▲ 960	13,480
1,284,658	1,291,560	1,293,043	1,312,074	1,275,535	1,247,427
524,591	560,362	563,264	568,858	576,396	575,531
541,069	577,655	574,316	579,782	588,091	585,715
171,285	160,601	175,871	186,751	139,972	136,746
46,022	49,448	43,099	35,373	72,972	28,286
▲ 19,221	▲ 34,374	▲ 24,481	▲ 40,913	▲ 26,981	▲ 22,450
▲ 16,151	▲ 17,372	▲ 3,711	2,413	▲ 52,753	▲ 9,063
31,569	29,279	40,043	34,200	38,446	56,526
22,228	22,818	23,020	23,562	25,272	25,734
53.65	75.74	67.41	38.27	▲ 2.47	34.58
1,329.45	1,421.72	1,438.17	1,460.32	1,478.74	1,475.74
11.00	11.00	12.00	12.00	12.00	12.00
28.00%	27.94%	28.10%	29.17%	29.23%	29.10%
25.4%	25.3%	25.5%	27.3%	27.3%	26.7%
2.6%	2.6%	2.6%	1.9%	1.9%	2.4%
4.2%	5.5%	4.7%	2.6%	▲ 0.2%	2.3%
2.8%	2.6%	2.6%	1.8%	1.9%	2.3%
3.1%	3.0%	3.0%	2.2%	2.3%	2.8%
40.8%	43.4%	43.6%	43.4%	45.2%	46.1%
20.5%	14.5%	17.8%	31.4%	–	34.7%



## Consolidated Balance Sheets (Millions of yen)

ASSETS	Fiscal 2017 (As of March 31, 2018)	Fiscal 2018 (As of March 31, 2019)
<b>Current assets</b>		
Cash and bank deposits	55,710	47,345
Notes and accounts receivable-trade	134,082	137,239
Marketable securities	380	405
Merchandise	50,164	45,487
Finished goods	427	112
Work in process	374	619
Raw materials and supplies	924	615
Other current assets	26,853	38,542
Less: Allowance for doubtful accounts	▲ 3,194	▲ 2,116
<b>Total current assets</b>	265,723	268,251
<b>Property and equipment</b>		
<b>Tangible fixed assets</b>		
Buildings and structures, net	174,148	173,332
Land	539,724	539,852
Construction in progress	8,035	6,426
Other tangible fixed assets, net	22,715	20,142
<b>Total tangible fixed assets</b>	744,624	739,754
<b>Intangible fixed assets</b>		
Software	22,534	19,867
Goodwill	6,794	23
Other intangible fixed assets	30,035	23,334
<b>Total intangible fixed assets</b>	59,364	43,225
<b>Investments and other assets</b>		
Investment securities	126,673	122,849
Long-term loans receivable	332	278
Guarantee deposits	59,288	53,997
Net defined benefit assets	3,476	3,503
Deferred tax assets	9,634	9,975
Other assets	6,537	5,591
Less: Allowance for doubtful accounts	▲ 250	▲ 162
<b>Total investments and other assets</b>	205,691	196,034
<b>Total property and equipment</b>	1,009,680	979,014
<b>Deferred assets</b>		
Bond issue costs	132	161
<b>Total deferred assets</b>	132	161
<b>Total assets</b>	1,275,535	1,247,427

LIABILITIES	Fiscal 2017 (As of March 31, 2018)	Fiscal 2018 (As of March 31, 2019)
<b>Current liabilities</b>		
Notes and accounts payable	113,119	106,486
Current portion of bonds payable	10,000	—
Short-term borrowings	30,672	22,446
Commercial paper	—	4,000
Income taxes payable	5,272	4,848
Gift vouchers	82,084	79,814
Reserve for bonuses	12,466	12,253
Allowance for point cards	9,686	9,690
Reserve for loss from redemption of gift vouchers	29,258	31,014
Other current liabilities	108,921	102,150
<b>Total current liabilities</b>	401,482	372,704
<b>Long-term liabilities</b>		
Bonds payable	30,000	40,000
Long-term debt	69,300	70,300
Deferred tax liabilities	129,793	123,970
Net defined benefit liability	37,597	37,729
Provision for loss on business of subsidiaries and affiliates	105	103
Liabilities from application of equity method	1,874	1,402
Other long-term liabilities	17,292	15,501
<b>Total long-term liabilities</b>	285,961	289,007
<b>Total liabilities</b>	687,444	661,711

## NET ASSETS

<b>Shareholders' equity</b>		
Common stock	50,461	50,573
Capital surplus	322,807	322,770
Retained earnings	193,239	202,040
Less: Treasury stock	▲ 9,294	▲ 9,300
<b>Total shareholders' equity</b>	557,214	566,084
<b>Accumulated other comprehensive income</b>		
Net unrealized gains (losses) on other securities	10,094	6,448
Deferred gains (losses) on hedges	39	42
Foreign currency translation adjustments	9,858	4,964
Remeasurements of defined benefit plans	▲ 810	▲ 2,008
<b>Total accumulated other comprehensive income</b>	19,182	9,446
Stock acquisition rights	2,028	2,077
Non-controlling interests	9,666	8,106
<b>Total net assets</b>	588,091	585,715
<b>Total liabilities and net assets</b>	1,275,535	1,247,427

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

\*Data for the fiscal year ended March 31, 2019 are financial data disclosed on May 8, 2019

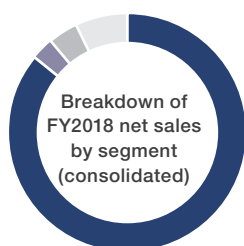
## Consolidated Statements of Income (Millions of yen)

	Fiscal 2017 (From April 1, 2017 to March 31, 2018)	Fiscal 2018 (From April 1, 2018 to March 31, 2019)
Net sales	1,256,386	1,196,803
Cost of sales	889,103	848,521
Gross profit	367,282	348,282
Selling, general and administrative expenses	342,869	319,052
Operating income	24,413	29,229
Non-operating income	14,851	13,846
Non-operating expenses	11,939	11,080
Recurring income	27,325	31,995
Extraordinary gain	1,232	30,015
Extraordinary loss	26,124	46,766
Income before income taxes	2,433	15,244
Income taxes - current	5,807	5,878
Income taxes - deferred	▲ 2,527	▲ 3,213
Total income taxes	3,279	2,664
Net income (loss)	▲ 845	12,579
Net income (loss) attributable to non-controlling interests	114	▲ 900
Net income (loss) attributable to parent company shareholders	▲ 960	13,480

## Consolidated Statements of Cash Flows (Millions of yen)

	Fiscal 2017 (From April 1, 2017 to March 31, 2018)	Fiscal 2018 (From April 1, 2018 to March 31, 2019)
Cash flows from operating activities	72,972	28,286
Cash flows from investing activities	▲ 26,981	▲ 22,450
Cash flows from financing activities	▲ 52,753	▲ 9,063
Effect of exchange rate changes on cash and cash equivalents	432	▲ 595
Net increase (decrease) in cash and cash equivalents	▲ 6,329	▲ 3,822
Cash and cash equivalents at beginning of year	60,024	53,969
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	275	—
Cash and cash equivalents at end of year	53,969	50,147

## Breakdown by Business Segment and Net Sales and Operating Income (Consolidated)



■ Department store business	86%
■ Credit & finance business / customer organization management business	3%
■ Real estate business	4%
■ Other businesses	7%

### FY2018 net sales and operating income

Department store business	Net sales	1,111.2 billion yen	YoY	98.2%
	Operating income	15.3 billion yen	YoY	105.7%
Credit & finance business / customer organization management business	Net sales	39.1 billion yen	YoY	100.5%
	Operating income	6.4 billion yen	YoY	119.7%
Real estate business	Net sales	48.3 billion yen	YoY	107.2%
	Operating income	7.7 billion yen	YoY	117.7%
Other businesses	Net sales	88.9 billion yen	YoY	61.2%
	Operating income	▲ 0.3 billion yen	(Operating loss of 2.2 billion yen in the previous fiscal year)	

## Environment

Environmental Policy	Yes	<a href="https://imhds.disclosure.site/en/themes/86#992">https://imhds.disclosure.site/en/themes/86#992</a>
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### Climate Change

Policy on Climate Change		Yes	Included in the Isetan Mitsukoshi Group Environmental Policy <a href="https://imhds.disclosure.site/en/themes/86#992">https://imhds.disclosure.site/en/themes/86#992</a>				
	Boundary*1	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
GHG Emissions*2	GHG Scope 1		27,373	27,350	27,281	25,644	24,234
	GHG Scope 2		235,029	217,632	207,287	184,541	172,185
	Subtotal (Scopes 1 and 2)	Group t-CO <sub>2</sub>	262,402	244,981	234,568	210,184	196,419
	GHG Scope 3 (15 categories) *3		–	–	–	3,462,866	3,419,360
	Total (Scopes 1, 2 and 3)		–	–	–	3,673,050	3,615,779
CO <sub>2</sub> Emissions*2	CO <sub>2</sub> Emissions Direct		27,373	27,350	27,281	25,644	24,234
	Indirect CO <sub>2</sub> Emissions	Group t-CO <sub>2</sub>	235,029	217,632	207,287	184,541	172,185
	Total		262,402	244,981	234,568	210,184	196,419
CO <sub>2</sub> Emissions per Unit (Business hours × Total floor area)*2		Group –	50.3	48.7	47.6	44.7	43.6
Energy Consumption*2	Electricity Used	GJ	3,971,257	3,839,531	3,715,661	3,420,165	3,169,908
		Thousands of kWh	406,891	393,395	380,703	350,427	324,786
			513,194	515,307	515,128	491,429	463,992
	Natural Gas Used		96,174	105,017	110,985	102,179	104,192
	District Heating and Cooling		20,549	18,773	18,312	11,940	11,596
	Diesel and Heavy Oil A Usage	Group	7,454	6,621	6,938	8,243	3,032
	Steam	GJ	135,139	95,894	89,948	85,911	78,946
	Water Usage by Air-Conditioning Equipment		747	655	632	583	586
	Renewable Energy Used		4,744,513	4,581,798	4,457,603	4,120,450	3,832,252
Energy Consumption per Unit (Business hours × Total floor area)*2		Group –	909.3	910.3	904.0	876.2	851.5
Total Amount of Renewable Energy Purchased or Generated		Group Thousands of kWh	77	67	65	60	60
Fluorocarbon Emissions*4	HFC		–	–	2,600	1,949	2,588
	HCFC		–	–	1,185	353	426
	CFC	Group t-CO <sub>2</sub>	–	–	1,059	802	565
	Total		–	–	4,846	3,106	3,584
ISO 14001 Certified Sites		Group Sites	0	0	0	0	0
CDP Climate Change Scores		Group	–	–	–	–	B

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. As a result of revising the range of aggregation and changing the emission factor from the fixed coefficient to the adjusted variation coefficient, CO<sub>2</sub> emissions and energy consumption have been changed retrospectively.

3. The boundary for "Scope 3," greenhouse gas emissions through supply chains, varies in each category. Emissions have been verified by a third-party institution. Please refer below for details.:  
[https://s3-ap-northeast-1.amazonaws.com/sustainability-cms-staging80-s3/pdf/en/Independent\\_Assurance\\_Report\\_en\\_2019.pdf](https://s3-ap-northeast-1.amazonaws.com/sustainability-cms-staging80-s3/pdf/en/Independent_Assurance_Report_en_2019.pdf)

4. Fluorocarbon Emissions: This refers to the amount of fluorocarbons of freezers, refrigerators and air-conditioning equipment used at our stores reported under the Act on Rational Use and Proper Management of Fluorocarbons. Values included in the "Report on Calculated Amount of Leaked Fluorocarbons" are published.

\*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 <a href="https://imhds.disclosure.site/en/themes/86#1012">https://imhds.disclosure.site/en/themes/86#1012</a>					
Waste Reduction Policy	Yes	Included in the Isetan Mitsukoshi Group Environmental Policy and the Isetan Mitsukoshi Group Procurement Policy <a href="https://imhds.disclosure.site/en/themes/86#992">https://imhds.disclosure.site/en/themes/86#992</a> <a href="https://imhds.disclosure.site/en/themes/86#1012">https://imhds.disclosure.site/en/themes/86#1012</a>					
Chemical Phase-Out and Management Policy	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy <a href="https://imhds.disclosure.site/en/themes/86#1012">https://imhds.disclosure.site/en/themes/86#1012</a>					
Biodiversity Policy	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy <a href="https://imhds.disclosure.site/en/themes/86#1012">https://imhds.disclosure.site/en/themes/86#1012</a>					
	Boundary* <sup>1</sup>	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Raw Materials Used (Resources for Packaging)	Group	t	4,859	4,950	4,794	4,679	4,451
Total Waste	Group	t	31,972	30,412	29,359	27,886	26,686
Waste Recycled	Group	t	22,805	21,930	21,524	20,410	19,497
% of Recycled Materials	Group	%	71.3	72.1	73.3	73.2	73.1
Waste Sent to Landfills	Group	t	9,167	8,482	7,835	7,476	7,190
Waste Sent to Landfills per Unit (Sales amount)	Group	t	8.0	7.3	6.7	6.6	6.5
% of Recycled Foodstuff Wastes	Group	%	71.9	72.5	77.6	75.9	76.8
NOx Emissions	Isetan Mitsukoshi	t	141	140	70	66	62
PM Emissions	Isetan Mitsukoshi	t	18	18	1	1	1

## Water

Water Policy	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy <a href="https://imhds.disclosure.site/en/themes/86#1012">https://imhds.disclosure.site/en/themes/86#1012</a>					
	Boundary* <sup>1</sup>	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Total Water Used* <sup>5</sup>	Group	Thousands of m <sup>3</sup>	3,161	3,025	3,005	2,879	2,720
Total Wastewater	Group	Thousands of m <sup>3</sup>	2,737	2,646	2,588	2,536	2,492

5. Including clean water, industrial water and well water.

## Compliance

	Boundary* <sup>1</sup>	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Number of Environmental Fines and Penalties	Group	Violations	0	0	0	0	0
Total Cost of Environmental Fines and Penalties	Group	Violations	0	0	0	0	0

## Society

### Policies

Human Rights Policy	Yes	Included in the Isetan Mitsukoshi Group Human Rights Policy <a href="https://imhds.disclosure.site/en/themes/86#1063">https://imhds.disclosure.site/en/themes/86#1063</a>
Policy Against Child Labor	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy <a href="https://imhds.disclosure.site/en/themes/86#1012">https://imhds.disclosure.site/en/themes/86#1012</a>
Policy Against Forced Labor	Yes	Included in the Isetan Mitsukoshi Group Procurement Policy <a href="https://imhds.disclosure.site/en/themes/86#1012">https://imhds.disclosure.site/en/themes/86#1012</a>
Equal Opportunity Policy	Yes	Included in the Isetan Mitsukoshi Group Human Rights Policy <a href="https://imhds.disclosure.site/en/themes/86#1063">https://imhds.disclosure.site/en/themes/86#1063</a>
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 <a href="https://imhds.disclosure.site/en/themes/86#1012">https://imhds.disclosure.site/en/themes/86#1012</a>

### Business Partners

	Boundary*1	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Number of Explanatory Forums for Business Partners	Isetan Mitsukoshi	Times	1	1	1	1	1

### Information Security

	Boundary*1	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
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	5	5	5	5	5
Number of Data Security Violations	Group	Sites	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* <sup>1</sup>	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Number of Employees* <sup>1</sup> (Employees and Region-based Employees)	Women	Isetan Mitsukoshi	Persons	4,901	5,167	5,254	5,181	4,957
	Men			2,939	2,890	2,826	2,617	2,405
	Total			7,840	8,057	8,080	7,798	7,362
Number of Temporary Employees* <sup>1</sup> (Number of Part-Time Employees)	Women	Isetan Mitsukoshi	Persons	3,199	3,069	2,671	2,554	2,292
	Men			190	180	139	126	101
	Total			3,389	3,249	2,810	2,680	2,393
Average Number of Consecutive Years Served* <sup>1</sup> (Employees)	Women	Isetan Mitsukoshi	Years	18.5	22.0	20.6	20.7	21.1
	Men			24.2	25.2	21.4	21.3	21.2
	Total			21.0	23.5	21.0	20.9	21.1
Average Age of Employees* <sup>1</sup> (Employees)	Women	Isetan Mitsukoshi	Age	40.6	43.2	42.3	42.6	43.2
	Men			47.6	48.2	44.3	44.2	44.2
	Total			43.6	45.6	43.3	43.3	43.6
% of Disabled in Workforce* <sup>2</sup>		Group	%	2.21	2.16	2.28	2.42	2.56
Number of Females Officers* <sup>3</sup>		Group	Persons	2	3	4	3	4
Number of Females in Management Positions		Isetan Mitsukoshi	Persons	554	573	587	576	576
% of Females in Management Positions		Isetan Mitsukoshi	%	20.3	21.5	22.6	23.9	25.6
Paid Maternity Leave (Employees and Region-based Employees)	Women	Isetan Mitsukoshi	Persons	137	163	124	134	127
	Men			18	25	24	19	19
	Total			155	188	148	153	146
Paid Maternity Leave Usage Rate (Employees and Region-based Employees)	Women	Isetan Mitsukoshi	%	–	–	–	–	99.4
	Men			–	–	–	–	21.8
Shortened Working Hours for Childbirth or Childcare Purposes (Employees and Region-based Employees)	Women	Isetan Mitsukoshi	Persons	442	457	462	451	457
	Men			0	0	0	0	0
	Total			442	457	462	451	457
Number of Returners from Paid Maternity Leave (Employees and Region-based Employees)		Isetan Mitsukoshi	Persons	86	86	91	97	103
% 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	318	262	191	151	67
	Men			76	67	56	32	19
	Total			394	329	247	183	86
% of Females in New Graduate Employees		Isetan Mitsukoshi	%	80.7	79.6	77.3	82.5	77.9
Number of Occupational Accidents		Isetan Mitsukoshi	Sites	163	153	152	139	97
Annual Total Actual Working Hours		Isetan Mitsukoshi	Hours	–	–	1,954	1,944	1,926
Paid Leave Usage Rate		Isetan Mitsukoshi	%	–	–	68.5	74.9	78.2
Training Hours* <sup>3</sup>		Isetan Mitsukoshi	Hours	–	–	–	5,770	5,627
Total number of employees participating in training (regular employees, region-based employees, part-time employees and employees of business partners)			Persons	–	–	–	24,377	24,640
Ratio of local employees to executives (officers, etc.) at overseas offices		Group	%	38.4	24.3	25.7	28.4	30.8

1. As of April 1 of each year

2. As of June 1 of each year

3. Independent directors, corporate executive officers of Isetan Mitsukoshi Holdings Ltd. and Isetan Mitsukoshi Ltd. and presidents of the Group subsidiaries

4. 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 15.4 hours.

## Governance

### Corporate Governance

Basic Policy for Internal Control Systems at Isetan Mitsukoshi Holdings Ltd. <https://imhds.disclosure.site/en/themes/132#1072>

			Boundary	Unit	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	As of June 30, 2019
Number of Directors	Number of Internal Directors	Women	HDS	Persons	0	0	0	0	0	0	0
		Men			6	6	5	5	5	5	5
		Total			6	6	5	5	5	5	5
	Number of Independent Directors	Women			0	0	0	0	0	1	2
		Men			2	2	2	2	2	2	1
		Total			2	2	2	2	2	3	3
	Number of Outside Directors (other than Independent Directors)	Women			0	0	0	0	0	0	0
		Men			1	1	1	1	1	1	1
		Total			1	1	1	1	1	1	1
	Total				9	9	8	8	8	9	9
Number of Corporate Executive Officers on the Board			HDS	Persons	6	6	5	5	3*1	3*1	4*1
% of Corporate Executive Officers on the Board			HDS	%	66.6	66.6	62.5	62.5	37.5	33.3	44.4
% of Independent Directors on the Board			HDS	%	66.6	66.6	66.6	66.6	66.6	75.0	75.0
% of Women on the Board			HDS	%	0	0	0	0	0	11.1	22.2
Average Age of Directors (including Outside Members)			HDS	Age	63.5	63.4	64.7	65.3	65.3	65.9	62.5
Average Age of Directors (Internal Members only)			HDS	Age	59.6	59.8	60.6	61.0	60.4	61.2	60.3
Number of Nominating and Compensation Committee Members	Number of Internal Nominating and Compensation Committee Members	Women	HDS	Persons	0	0	0	0	0	0	0
		Men			2	2	2	2	2	1	1
		Total			2	2	2	2	2	1	1
	Number of Independent Nominating and Compensation Committee Members	Women			0	0	0	0	0	1	2
		Men			2	2	2	2	2	2	1
		Total			2	2	2	2	2	3	3
	Number of Outside Nominating and Com- pensation Committee Members (other than Independent Nominat- ing and Compensation Committee Members)	Women			0	0	0	0	0	0	0
		Men			1	1	1	1	1	1	1
		Total			1	1	1	1	1	1	1
	Total				5	5	5	5	5	5	5
Number of Nominating and Compensation Committee Meetings			HDS	Times	12	12	10	11	12	12	3
Nominating and Compensation Committee Meeting Attendance			HDS	%	94.9	96.6	100.0	100.0	96.6	98.3	80.0

1. Excluding executive officers without the status of executive officer at Isetan Mitsukoshi 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 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018			
Number of Board Meetings			HDS	Times	14	15	17	15	14			
Board Meeting Attendance			HDS	%	97.6	99.1	97.7	95.0	99.2			
Attendance of Independent Directors at Board Meetings			HDS	%	96.4	96.6	100.0	100.0	97.4			
Number of Directors Attending Less Than 75% of Board Meetings			HDS	Persons	0	0	0	0	0			
Number of Audit & Supervisory Board Members	Number of Internal Audit & Supervisory Board Members	Women	HDS	Persons	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	0		
		Men			1	1	1	2	2	2		
		Total			1	1	1	2	2	2		
	Number of Outside Audit & Supervisory Board Members (other than Independent Audit & Supervisory Board Members)	Women			0	0	0	0	0	0		
		Men			1	1	1	1	1	1		
		Total			1	1	1	1	1	1		
	Total				4	4	4	5	5			
	% of Independent Audit & Supervisory Board Members among Outside Audit & Supervisory Board Members				HDS	%	50.0	50.0	50.0	66.6	66.6	
	% of Female Audit & Supervisory Board Members				HDS	%	0	0	0	0	0	
Number of Audit Committee Meetings			HDS	Times	13	14	14	15	15			
Audit Committee Meeting Attendance			HDS	%	100.0	100.0	100.0	96.9	97.3			
Attendance of Independent Auditors at Board Meetings			HDS	%	100.0	100.0	100.0	91.6	96.6			
Number of Auditors Attending Less Than 75% of Board Meetings			HDS	Persons	0	0	0	0	0			

## Governance

Compensation								
		Boundary	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Compensation of Directors (Excluding External Directors)	Base Salary* <sup>1</sup>	HDS	Millions of Yen	153	144	153	159	175
	Stock Options			75	48	72	75	72
	Bonuses			68	58	0	0	58
	Total			297	251	226	234	306
Compensation of Audit & Supervisory Board Members (Excluding External Audit & Supervisory Board Members)	Base Salary* <sup>1</sup>	HDS	Millions of Yen	44	44	44	44	50
	Stock Options			–	–	–	–	–
	Bonuses			–	–	–	–	–
	Total			44	44	44	44	50
Compensation of External Directors and External Audit & Supervisory Board Members	Base Salary* <sup>1</sup>	HDS	Millions of Yen	51	51	51	58	69
	Stock Options			–	–	–	–	–
	Bonuses			–	–	–	–	–
	Total			51	51	51	58	69

1. Excluding subsidiaries

Shareholder Rights	
Anti-Takeover Measures	None

Accounting Audits							
	Boundary	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Compensation of Accounting Auditors* <sup>2</sup>	Group	Millions of Yen	262	269	253	260	247

2. Including "compensation for non-audit services"

\*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 Standards of Corporate Ethical Behavior <a href="https://imhds.disclosure.site/en/themes/86#925">https://imhds.disclosure.site/en/themes/86#925</a>
Anti-Corruption Policy	Yes	Anti-Bribery Policy <a href="https://imhds.disclosure.site/en/themes/152#1170">https://imhds.disclosure.site/en/themes/152#1170</a>
Anti-Bribery Policy	Yes	Stated in the Anti-Bribery Policy and the Anti-Bribery Rules, internal rules <a href="https://imhds.disclosure.site/en/themes/152#1170">https://imhds.disclosure.site/en/themes/152#1170</a>
Employee Protection / Whistle-Blower Policy	Yes	Group Hotline Rule <a href="https://imhds.disclosure.site/en/themes/152">https://imhds.disclosure.site/en/themes/152</a>
Fair Trade Guidelines	Yes	Fair Trade Guidelines <a href="https://imhds.disclosure.site/en/themes/152#1172">https://imhds.disclosure.site/en/themes/152#1172</a>

	Boundary	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
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	1	0
Total Cost of Incidents of Non-Compliance	Group	10 thousand yen	0	0	0	819	0

## Meeting Bodies

		Boundary	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Committee for Promoting Our Philosophy*3	Number of members	Group	Persons	246	235	249	255	250
	Number of meetings	Group	Times	2	1	1	1	1
Compliance and Risk Management Promotion Committee*4	Number of members	Group	Persons	20	22	24	19	19
	Number of meetings	Group	Times	2	2	2	2	2
Sustainability Promotion Committee*5	Number of members	Group	Persons	59	61	63	62	21
	Number of meetings	Group	Times	2	2	2	2	2
Workstyle Reform Promotion Committee	Number of members	Group	Persons	–	–	–	–	64
	Number of meetings	Group	Times	–	–	–	–	3

3. The former Corporate Philosophy Committee until fiscal 2017

4. The former Risk Management Committee until fiscal 2017

5. The former Environment CSR Promotion Committee until fiscal 2017

## Other

### Other Data

	Boundary	Unit	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Total Number of Stores	Department stores in Japan	Stores	26	27	25	24	24
Customer traffic	Isetan Mitsukoshi	Thousand people	109,977	109,095	103,409	94,000	90,083
Number of proper card accounts	Group	10 thousand accounts	277.9	272.4	269.4	268.5	263.9
Proper card transaction volume Group	Group	Millions of Yen	1,000,486	1,042,684	1,077,390	1,093,369	1,095,236
Proper Card Utilization Rate	Group	%	82.3	82.6	82.7	82.5	81.7
Tax-free sales*6	Group	Millions of Yen	31,859	60,266	52,272	67,511	75,554

6. 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.

1673

⑤ Echigoya is founded with the slogan “Cash payment in store, honest prices”

**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.



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

⑤ “We sell pieces of cloth cut according to your needs.”

**Launch of business selling cloth in cut pieces according to customer 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.



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

### 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

① Foundation of Iseya Tanji Kimono Fabric Shop

**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

⑤ Opening of Mitsukoshi Yofuku Ten (Western clothing store)

**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

⑤ Starting in-store display of products for sale

**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)

### 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.

1927

⑤ 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.



Mitsukoshi Hall

1933

① 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

1956

① 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

① first in Japan  
**The industry's first parking building**

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.

⑤ first in Japan  
**Bank-affiliated credit card**

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

① first in Japan  
**Unification of size system of women's ready-to-wear clothing**

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

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.



= History of Mitsukoshi



= History of Isetan

## 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.

1899

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

**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

1904

**M The Department Store Declaration**

**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

**M Establishment of the New Fine Art Department**

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.

**M Opening of a department for foreigners**

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.



Product brochure for foreigners



Establishment of New Fine Art Department (declaration)

1914

**M Completion of Mitsukoshi Main Store's new building**

**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

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.

## 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

**I 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

**I 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

**I 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-noshinkan (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

**I 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

<b>Company Name</b>	Isetan Mitsukoshi Holdings Ltd.	<b>Established</b>	April 1, 2008
<b>Business Lineup</b>	Business planning and management of subsidiaries and group companies engaged in department store businesses and incidental or related businesses	<b>Head Office</b>	5-16-10, Shinjuku, Shinjuku-ku, Tokyo 160-0022, Japan
<b>Representatives</b>	Ken Akamatsu, Chairman and Representative Director (concurrently Chairman, Isetan Mitsukoshi Ltd.) Toshihiko Sugie, President and Chief Executive Officer CEO (concurrently President and CEO, Isetan Mitsukoshi Ltd.) Toru Takeuchi, Executive Vice President and Chief Marketing Officer (CMO) (concurrently Director, Isetan Mitsukoshi Ltd.)	<b>Capital</b>	JPY 50.679 billion yen
		<b>Fiscal year end</b>	March 31

## List of Group Companies

### Department Store Business

#### Japan

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

MICARD Co.LTD.  
MI TOMONOKAI Co., Ltd.

### Retail & Specialty Store Business

IM Food Style 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.  
Mitsukoshi Isetan Im Facilities 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

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

### Beauty Businesses

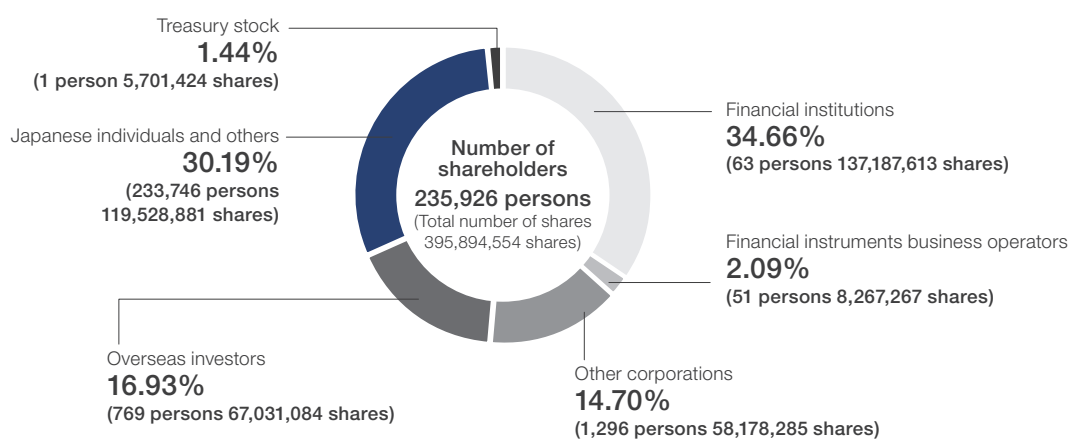
SWP Holdings Inc.  
Socie World Co., Ltd.  
Taiwan Socie World Co., Ltd.

\*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	395,894,554 shares
Number of shareholders	235,926 persons

### Shareholding ratio



## Major Shareholders

\*Treasury shares (5,701,424 shares) is deducted from Voting Rights Percentage.

Name of Shareholders	Number of Shares Held (shares)	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	39,101,900	10.02
Japan Trustee Services Bank, Ltd. (Trust account)	23,667,244	6.07
Mitsukoshi Health and Welfare Foundation	13,667,832	3.50
Japan Trustee Services Bank, Ltd. (Trust account 9)	8,312,700	2.13
Isetan Mitsukoshi Group's partner holding companies	8,159,978	2.09
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,063,400	1.81
SHIMIZU CORPORATION	6,200,000	1.59
JP MORGAN CHASE BANK 385151	5,780,899	1.48
Meiji Yasuda Life Insurance Company	5,697,279	1.46
MUFG Bank, Ltd.	5,342,995	1.37



ISETAN MITSUKOSHI HOLDINGS