Touching people’s hearts with human-driven experiences.
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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.

Period Covered
FY2022 (April 1, 2022 to March 31, 2023) is the primary target period, but we have also included the latest information as of the date of publishing as much as possible.

Reporting Boundary
Isetan Mitsukoshi Holdings Ltd. and Group companies

Caution Concerning Forward-Looking Statements
Statements related to financial forecasts and future predictions in this Integrated Report are determined by the Company based on currently available information; and there are accompanying underlying potential risks, uncertainty, and other factors. Please be aware that there is the possibility that actual performance will differ greatly from these outlooks due to changes in various factors.
In April 2023, we established the Isetan Mitsukoshi Group Corporate Philosophy as the most fundamental concept at the heart of all the Isetan Mitsukoshi Group’s corporate activities.

The Isetan Mitsukoshi Group Corporate Philosophy expresses what kind of value the Group can contribute to society, the kind of image we aim to project, and our raison d’être.

Isetan Mitsukoshi Group Corporate Philosophy

Our Vision

We are a retail group centered on extraordinary department stores working toward improving the lives of our customers.

Our Values

We are inspired by innovation, moved by beauty, and motivated to share our experiences.

Our Mission

Touching people’s hearts with human-driven experiences.

Purpose of the Reorganization

The Isetan Mitsukoshi Group consists of four brands: Mitsukoshi, Isetan, Iwataya, and Marui Imai.

The spirit of “putting customers first, anticipating changes in society and customer needs, consistently bringing affluence to customers, and striving to reform ourselves” has been cultivated throughout our long history since the founding of our four original department store brands.

Now, in order to rediscover our origins, all Group employees have been working to reorganize our corporate philosophy system, going back to the fundamental spirit and history of each of our department store brands.
As part of the process of reorganizing the Isetan Mitsukoshi Group Corporate Philosophy, 14,000 or so employees of Isetan Mitsukoshi Ltd., including those at regional branches and affiliates, completed a survey about their own sense of fulfillment, the things they value, and the significance of the Isetan Mitsukoshi Group in their workplace. In addition, they shared their thoughts at more than 1,600 dialogue meetings held Group-wide.

Our management team has been listening to the aspirations of assembled employees, and we have been discussing and connecting them in workshops and dialogue meetings. By repeating this process over and over again, we have found what "our aspirations" are.

**Process of Reorganizing the Isetan Mitsukoshi Group Corporate Philosophy**

1. **Employee survey**
   - **Group-wide**
   - **About 14,000 people**
   - Each employee puts their thoughts into words
   - Question 1: When do you feel that your work is worthwhile?
   - Question 2: What do you value most in your work?
   - Question 3: Write one word to express what you want the Isetan Mitsukoshi Group to be like in the future.

2. **Dialogue meetings with various colleagues**
   - **More than 1,600 meetings**
   - **Group-wide**
   - **About 1,700 hours total**
   - Conveying our aspirations and listening to those of our colleagues
   - Dialogue meetings were held with coworkers within the Group who do not normally interact with each other in the course of their daily work. These included dialogue meetings across companies, divisions, and workplaces; dialogue meetings with employees seconded to outside companies; and dialogue meetings between senior managers and employees. In addition, dialogue meetings were also held between senior managers, building on the discussions of both sides and connecting them to the management workshops.

3. **Management workshops and dialogue meetings**
   - **Connecting employees’ aspirations to the discussions**
   - **Mutual understanding and unity of management**

**Workshop flow**

- **June 2022**: Identifying issues (Managers discuss their personal awareness of issues and identify issues to be discussed)
- **September 2022**: Discussion (Managers discuss issues, incorporating employees’ ideas obtained through dialogue meetings, etc.)
- **November 2022**: Verbalizing shared thoughts (Senior managers validate their ideas and reflect on the thoughts they have developed and work towards creating a Group-wide value creation story)

**As the core of the reorganization process, several all-day workshops were held with 28 members of our management team, including presidents of regional operating companies and affiliated companies. The mission set out for the management team at the workshop was to "not come up with answers right from the start, but to seek common aspirations through thorough self-insight and dialogue with employees." In repeating this process, the participating managers understood each other and bonded.**

- **Calling each other by nicknames, greeting with fist bumps**
- **Senior managers understand each other and bonded**
- **Repeating group work and pair work, switching members each time**
- **After the last workshop, everyone’s thoughts were unified**

**Components of Group’s mission and values**

- **Personal mission**
- **Personal values**
- **Components of Group’s mission and values**

**Employee survey**

- **Question 1**: When do you feel that your work is worthwhile?
- **Question 2**: What do you value most in your work?
- **Question 3**: Write one word to express what you want the Isetan Mitsukoshi Group to be like in the future.

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- **Calling each other by nicknames, greeting with fist bumps**
- **Senior managers understand each other and bonded**
- **Repeating group work and pair work, switching members each time**
- **After the last workshop, everyone’s thoughts were unified**
We aim to be a retail group centered on extraordinary department stores working toward improving the lives of our customers.

Providing exciting solutions for customers’ problems and innovative proposals for their interests.

Toshiyuki Hosoya
Director, President and CEO

Backdrop to the Formulation of the Medium-Term Management Plan

Creating a new business model for department stores

My name is Toshiyuki Hosoya and I am the president and CEO of the Isetan Mitsukoshi Holdings.

The department store industry has been facing a very challenging management environment since before the outbreak of the COVID-19 pandemic. Traditional department stores were the places where people went out with their family and friends and stayed for a long time to shop and eat as they walked freely around the store. Therefore, the business model was one of mass marketing, attracting large numbers of customers from a wide area.

However, as the lifestyles and values of customers have changed with the times, customers are no longer satisfied with the conventional range of merchandise. While each customer is thoroughly discerning about what they consume when it comes to products they really care about, for those items that are not so particular about, they are more concerned with function and price, and in this sense traditional mass marketing is far from adequate to handle their shopping needs. Furthermore, the rapid pace of digitalization means that many customers can now use their smartphones to instantly search and compare the things they want. This trend has increased the sensitivity of customers to information, so that when they come to the store, they shop only for what they need and then leave. Older business models failed to adapt to this reality, and sales in the department store industry have shrunk by more than half in about 30 years. My mission as president is to find a way to change this.

Looking at the environment surrounding the department store industry today, while the industry has recovered from the COVID-19 pandemic, the future of personal consumption is still very uncertain due to soaring raw material costs triggered by the protracted Ukraine crisis, inflation, and the weak yen. The market scale of department stores in Japan appears to be getting smaller and smaller, partly due to the acceleration of population aging and declining birthrates. However, statistics show that due to the polarization of income, both the high-income segment and households with significant financial assets are expected to increase in the future. In addition, Japanese consumers have experienced the bursting of the bubble economy following a period of rapid economic growth, the Lehman Shock, and prolonged deflation, and their consumer behavior has matured considerably. As I just mentioned, for those items that customers really care about, we need to make proper proposals that do much more than simply appealing to customers on the basis of price. In fact, although we experienced a significant drop in sales during the COVID-19 pandemic, sales of high-value-added items for which we have a solid product lineup, such as luxury brands, jewelry, watches, and precious metals, remained strong. Even in the tough apparel segment, our unique value-added products have been very well received by customers. As this example shows, while overall consumer spending may shrink over the long term due to a declining population, we believe that there is ample room for expansion by establishing a business model that continues to provide value to each and every customer that is second to none.

Things that remain the same and things that change when moving toward a new business model

The strengths we have long cultivated through our department store business, and the unique advantages that each of us has built up as Mitsukoshi and Isetan will give us a competitive edge. The strengths of the Isetan Mitsukoshi Group are the value of the goodwill that our customers recognize and the customer base we have treasured throughout our long history. In addition, Mitsukoshi’s strength lies in its abilities to provide hospitality and customer service that meets individual customer needs completely, which are derived from its corporate culture of putting customers first. Meanwhile, Isetan’s strength lies in its merchandising capabilities, enhanced by a spirit of challenge that extends to manufacturing in order to attract more customers to stores based on its corporate culture of putting customers first, which is the same as that of Mitsukoshi.

However, it has been approximately 15 years since the business integration between Mitsukoshi and Isetan, and we have yet to combine and take full advantage of the strengths of the two companies. In order to solve this problem, we decided that we needed to change into a retail group that can create new value and synergy by combining the strengths of our Group companies as well as the core department store business.

Concepts at the origin of our activities

In 2023, Mitsukoshi celebrates its 350th anniversary. Isetan, too, has a long history, having been in business for 137 years. Both companies have continued to uphold a customer-first principle since their founding, anticipating the needs of customers and making proposals in response to the social and environmental changes of the times. In announcing our medium- to long-term plan in 2021, we once again returned to this starting point and set forth our vision to be a retail group centered on extraordinary department stores working toward improving the lives of our customers by providing exciting solutions for customers’ problems and innovative proposals for their interests. In order to see our vision fulfilled, we clarified our mission and values, which we reorganized and announced as the new Isetan Mitsukoshi Group Corporate Philosophy in May 2023.

This process of reorganization is very distinctive. Everyone was losing confidence in their work due to the tough situation of the COVID-19 pandemic, and although each of our brands had their own corporate philosophies after the merger, there was nothing that encompassed the Group as a whole. Therefore, we needed to organize what would be our guiding principles and what we could turn to when we were unsure. We spent the entire year discussing with all employees what each one of them finds rewarding in their work, what they value, and what we want our Group to be, and management also held discussions based on these. This process was repeated back and forth as we worked to redesign the Group corporate philosophy. In this way, we have developed an approach to moving forward as a Group toward the realization of our vision.

Vision of the Isetan Mitsukoshi Group

01  Value Creation Stories

P.14–15
History of Challenges Taken On by the Isetan Mitsukoshi Group

P.22
Overview of the Medium-Term Management Plan

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Medium- to Long-Term Profit Steps and Portfolio Image
Overview of the Medium-Term Management Plan

Medium- to long-term strategy in line with the vision
Our strategy, formulated in response to the Group’s vision, describes the types of profit steps and business portfolio we want to achieve over both the medium term (three years) and long term (ten years).
Let’s look first at the biggest goal of the Medium-Term Management Plan, namely the revitalization of our department store business. Initially, we set our operating income target for FY2024 at 35 billion yen, the highest since the business merger. However, due to strong progress in FY2022, the first year of the Medium-Term Management Plan, we brought the plan forward one year and announced in our May 2023 announcement of financial statements that we expected 35 billion yen* in FY2023 and 40 billion yen in FY2024, far exceeding our initial plan.

We have thoroughly analyzing all our business units using “Scientific analysis of department stores,” and have linked subsequent plans for not only with respect to size of sales, but also in terms of whether they are attaining efficient and appropriate levels of profit. For example, we create regular profit/loss charts not only for units using “Scientific analysis of department stores,” and a framework in which sales staff collaborate with out-of-store sales staff and buyers, a framework in which sales staff work as a team rather than individually, and a framework in which sales staff collaborate with in-store attendants, we also created a framework that utilizes digital AI.

Our framework for encouraging cooperation between out-of-store sales staff and buyers is the most distinctive of all. At both Mitsukoshi and Isetan, out-of-store sales staff have always been the industry’s most professional in responding to customers’ requests. However, there has not been any mechanism for direct collaboration with buyers, who are the product professionals. More specifically, when customers tell sales staff about the kind of items they would like, the information will be immediately shared with the buyers in the relevant departments. Many buyers will then make proposals to customers. The unexpected quantity and quality of proposals coming all at once will be very exciting for customers who had previously been used to receiving proposals based on the knowledge of a single salesperson. This brings a feeling of amazement, leading to further expectations of wanting to hear more professional proposals or wondering whether another item that the customer would like is also available. This will also lead to the development of direct marketing, in which our buyers listen directly to customers’ opinions in addition to sales, resulting in a synergistic effect that will continue to be helpful for future product lineups and make customers happy.

Our out-of-store consumers consume products and services in a variety of other places in addition to those they purchase from us, so when we ask them about their needs through direct marketing, we find many products that we do not currently offer. In order to respond to these needs, we have set up an unprecedented system in which buyers are appointed within the out-of-store organization. In this way, we are now able to offer products that are not available in department stores, based on the reassurance of our good will, and we are expanding our product lineup to include condominiums, cars, and a variety of other categories, which have been very well received by many customers. Through a series of new out-of-store initiatives such as these, we are expanding our share of customers’ wallets, which is one way to ensure success even in the shrinking department store market I mentioned earlier.

As for store reforms, in order for the Group to have an overwhelming presence in the “High sensitivity, fine quality” market, we will evolve both the Isetan Shinjuku and Mitsukoshi Nihombashi main stores into symbols of admiration and empathy, in the hope that they become the kind of place where people want to go when in town.

With the aim of becoming the world’s No. 1 department store by proposing “cutting-edge fashion,” the Shinjuku Store, the core of the Group, will provide the highest level of customer service in a special environment that focuses on high-value-added products unique to the Shinjuku Store by combining different keywords embodying the store’s product lineup, such as “authenticity, essence, discernment, and cutting-edge” with “prior and limited edition.” The Nihombashi Store, on the other hand, will further refine its strengths in the areas of “tradition, culture and art, and lifestyle,” aiming to become a store that offers everything for the high-quality lifestyle of customers who value the importance of seasonal products. The Central Hall and the Mitsukoshi Theater, both Important Cultural Properties, and the store itself will provide customers with high-quality space, services, and hospitality set amid tradition and culture. By making these two stores a symbol of admiration and empathy for many customers, our Group stores will also be linked under this goodwill, and will be able to treat customers as a united group.

We will propose high sensitivity, high touch services so that our customers will always choose us when they want to buy a luxury brand bag or a nice watch once a year, fine quality cosmetics once a month, or a neat gift for their loved ones—the kinds of needs that we all have—to achieve this, we will make each of our stores in cities across Japan into mother stores with small stores connected to them like satellites and further support customer needs using digital technology. When digital connected, customers can also receive assistance, select products, and make purchases at the Shinjuku and Nihombashi stores from any of the Group stores. We believe that this kind of connection will provide the driving force that will enable us to increase the number of loyal customers by making it possible for them to shop at a nearby store for everyday items, and at main stores in cities across Japan or at the Shinjuku and Nihombashi stores for special occasions and purchases.

As I have described so far, it may seem that our “High sensitivity, fine quality” strategy is only concerned with very wealthy customers. However, this is most certainly not the case. Whoever the customer, we will strive to respond properly to those who want to experience highly sensitive, fine quality consumption, and encourage admiration and trust. We believe this is very important for us to become more deeply involved in the lives of our customers from now on.

The meaning of the word “special” in our vision expresses this series of ideas. We intend to be the number one and only one department store that can also

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*We upwardly revised our planned operating income to 35.0 billion yen in our announcement of 1Q results for the fiscal year ending March 2024 (August 3, 2023).

**High Sensitivity, Fine Quality** Strategy.
President’s Message

communicate with the world. Number one means we can provide the best products and services with confidence. Only one means that customers are only happy with Mitsukoshi or Isetan. By shifting from mass to personal marketing, and by listening carefully to the needs of each customer, we will provide exciting solutions for customers’ concerns and problems and innovative proposals for their interests.

“CRM strategy connecting with individual customers”: Mechanisms to shift from mass to personal marketing

I have already mentioned that in order to realize our “High sensitivity, fine quality” strategy, we need to shift from mass to personal marketing. Now, I would like to talk about how to connect with individual customers.

We want to increase the loyalty of customers by making the benefits we give them for their purchases more appropriate. To this end, we must establish a system that will allow us to provide detailed services and product proposals to meet each customer’s individual needs by expanding the number of individual customers (identified customers) with whom we have face-to-face connections and getting to know them better.

To date, we have only been able to capture this data through MICARD cards, which are issued by the Group. However, we have made it possible even for customers who use cash or ordinary credit cards to do the same through the use of apps and digital IDs. In addition, if customers who are app member or who have a digital ID can appreciate the value in the differences of benefits with purchases, they will have a MICARD in the future, allowing them to connect more deeply with us.

I mentioned that this three-year plan, which is the revitalization phase for our department stores, is well ahead of schedule, and with the introduction of this new app-member system, I feel that both the “High sensitivity, fine quality” strategy and the “CRM strategy connecting with individual customers” are working very well together. The total number of identified customers connected to us, including MICARD members, app members, and digital members, was approximately 5.9 million at the end of FY2022. We can use our “High sensitivity, fine quality” strategy to connect with our customers through our stores, online, apps, etc. In addition to providing appropriate benefits that reflect MICARD holder purchases, we can ensure customers continue to maintain links with us in various other situations by encouraging holders to use the card outside the Group and offering them financial services. By firmly combining the “High sensitivity, fine quality” strategy with the “CRM strategy connecting with individual customers,” it is possible to shift from mass to personal marketing.

Making the strengths of department stores into Group-wide advantages: “Intra-group coordination” strategy

We are now using the above two strategies and structural reforms in revenue and expenditures through “Scientific analysis of department stores” to steadily revitalize the department store business. I would now like to explain our “Intra-group coordination” strategy as the next development phase. The Isetan Mitsukoshi Group has a variety of companies under its umbrella, including finance, systems, logistics, construction and interiors, staffing and other areas. All of these companies provide very distinctive, our company in the construction and interior business having a long-established reputation within the industry for its capabilities, such as contracting for the interior design of luxury hotels and the Diet building. In the past, however, the Group had adopted a unipolar structure focused on the department store business, with all other Group companies each operating in isolation based on their own know-how and individual routes.

As an example, the credit card company MICAID, which has about 2.7 million cardholders, has the potential to develop and expand further if it provides services as a financial business to the 5.9 million customers with whom we are connected. It is a business with high reserves that will significantly change the Group’s profit portfolio, which was biased toward the department store business. The same goes for other operating companies. We can offer non-department-store services under the Group’s brand to the many customers we have connected with through our strength in department stores, expanding our share of customers’ wallets we have connected with and increasing the profitability of each business.

Revitalizing the department store business and building business models for each operation through this “Intra-group coordination” strategy will enable us to create a tandem profitability model in which we not only redevelop our own real estate holdings nationwide as a form of urban development with department stores at the core in the fruition phase, but also utilize services and content, as well as functionality and infrastructure, organically within the Company. Services and content include not only offices, residences, and hotels, but also entertainment, food, and travel, while functionality and infrastructure include financial settlement, construction and interiors, facility management, systems, logistics, and temporary staffing. I believe that this is the perfect strategy for us, and that we are perfectly positioned to achieve it as a retail group centered on extraordinary department stores.

Steady revitalization of department stores

These strategies have resulted in very strong progress in the revitalization of our department stores. As I mentioned earlier, we plan to significantly exceed our initial FY2024 target of 35 billion yen in operating income in FY2023, ahead of schedule.

With regard to improving our profit structure, our rigorous efforts to control expenses through the introduction of a scientific perspective, mainly at our operating companies in the Tokyo metropolitan area, have led to a favorable performance. Last year, we compiled this concept into a 300-page guide called “Scientific analysis of department stores.” This is not a unilateral manual, but rather something that has been communicated through dialogue with employees about our medium- to long-term plan, including ideas and specific indicators, so that anyone can manage stores and sales floors. In FY2023, we plan to work in earnest to introduce this scientific perspective not only to our operating companies in the Tokyo metropolitan area, which are already ahead in terms of this initiative, but also to our regional operating companies to further accelerate our efforts to break away from the existing department store business model.

In our “CRM strategy connecting with individual customers,” of the 5.9 million customers identified in FY2022, over two million have registered as app members in the more than two years since we started, and we are rapidly increasing the number of customers with whom we can engage in bi-directional communication. As a result, the share of identified customers in the sales of both main stores has increased from 50% before the introduction of the app to 70%.

Financial policy based on long-term strategy

As I have explained, we will revitalize our department stores and use their strengths to expand earnings in businesses other than department stores, and in the long term, we will pursue a strategy that also includes urban development. In this process, of course, financial policy, including financial planning, is very important. Until now, we have not communicated our financial policy from a long-term perspective to our stakeholders. However, in the May 2023 financial results announcement, we set out the concept and future direction of this policy for the first time.

We envision the transformation into a new business entity that will generate significant profits when urbanization is accomplished in the future. We will actively use the cash acquired by the Group to invest in urbanization and other growth investments from the preparatory phase of the transformation. Meanwhile, regarding shareholder returns, in addition to stable dividend increases, we have indicated for the first time our plan to be conscious of maintaining a total return ratio at the 50% level every year.

Based on this, we will continue to engage in dialogue with our stakeholders and receive a variety of opinions as

WARPS

P.21
“CRM Strategy Connecting with Individual Customers”

P.31
“Intra-Group Coordination” Strategy

Progress of the Medium-Term Management Plan

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WARPS

P.21
“CRM Strategy Connecting with Individual Customers”

P.31
“Intra-Group Coordination” Strategy
we work to firmly control our balance sheet over the medium to long term and continue to achieve ROE that exceeds the cost of shareholders’ equity. At the same time, we will also examine management systems that can more efficiently secure earnings on invested capital by adding the perspectives of BS and CF in addition to the conventional business PL for each business with different characteristics.

We will continue to communicate our financial policy to our stakeholders in a clear manner to ensure that they understand our Group’s efforts to transform itself.

**Management Governance Reform and Risk Management**

We are listed on the Prime Market, and have been promoting corporate governance reform by becoming a company with a nominating committee, etc., which accounts for a small percentage of all listed companies. Our ongoing efforts to speed up decision-making and strengthen management oversight functions have resulted in a more transparent and effective structure.

Another important issue regarding the succession plan is how to train executive officers. Since FY2022, we have been conducting an executive human resources development training program called the Executive Leader Program (ELP). We set participants advanced assignments and encourage them to share and discuss their own strengths and how they would like to take the Company forward, so as to improve their knowledge and skills as well as to gain an understanding of each individual’s true nature. Initiatives such as these are highly appreciated by investors in terms of ensuring continuity at the top level.

The content of discussions at the Board of Directors’ meetings is also becoming more wide-ranging and future-oriented. The current Board of Directors consists of nine Board members, six of whom are external directors. The Board of Directors is chaired by an external director, and the Nominating Committee and Compensation Committee are chaired by external directors. External directors with expertise, experience, and a high sense of ethics provide supervision and advice from an external perspective, ensuring sound and transparent management that is not biased by in-house lines of reasoning, and facilitating lively discussions on the progress and monitoring of strategies.

With regard to internal control systems, in order to maintain internal control systems at a high level, efforts are made on the executive side to evaluate and improve the status of their operation. In recent years in particular, we have been strengthening our compliance and risk management systems in order to respond to changes in the environment and diversifying risks. In the area of risk management, we have been concentrating on responding to incident risk (incidents and accidents). In FY2021, in order to strengthen our response to business risk in a focused manner, we started developing and enhancing the management system. In terms of compliance, we are working to reform our corporate culture to prevent compliance violations by ensuring that all officers and employees act not only in compliance with laws and regulations, but also with a sense of ethics as a company.

**Realizing a Prosperous Future and Achieving a Sustainable Society**

We are implementing sustainability initiatives to contribute to resolving a range of social issues through our business activities and support the realization of a prosperous future and a sustainable society. We have set out three priority initiatives (material issues), which are connecting people and local communities; connecting a sustainable society and the times; and improving the satisfaction of employees. While building Group governance and communication, which underpins these priority initiatives (material issues), we are also developing various other initiatives linked to individual SDGs. In addition, to enhance the effectiveness of our efforts, we have set ESG indexes as an item for evaluating executive officers since FY2020.

In terms of communication and dialogue, following the publication of our first Sustainability Report in November 2021, we have published this report every year since then, and have also created opportunities for dialogue with our stakeholders by holding sustainability briefings. In addition to myself, various speakers, including the CAO in charge of sustainability and the external directors who oversee the execution of management, are in attendance at these briefings to communicate and engage in dialogue with stakeholders.

Our relationship with employees is also an important theme for us. We have been developing a communication system so that each and every employee will understand and have a shared awareness about the new direction we are aiming for as a group. I hold meetings at least once a week for direct and lively discussions with the executive officers and the general managers of the departments in charge of the matters under discussion.

In addition, I have also allocated time for dialogue with employees at the section chief level and above in the form of roundtable discussions. In FY2021, when the Medium-Term Management Plan was formulated and announced, 7,660 employees participated on 26 occasions in the Tokyo metropolitan area. In FY2022, I promoted dialogue sessions mainly at regional stores, creating an important opportunity for employees to communicate directly with me about not only strategies but also various thoughts and questions about their work. We are continuing to implement this in FY2023, including at Group companies. Management has taken the time to communicate with employees to this extent, because we want each and every individual to think and act on their own, and this will be the trigger for achieving results. The fact that the results of the Medium-Term Management Plan are coming in faster than expected is proof of this.

In this relationship with employees, the Company and the Group’s labor union issued a joint declaration in June 2023. This joint declaration by labor and management commits to creating a workplace environment where people can work with peace of mind. We value people, and the capabilities of each and every employee are an asset to the Company. In order to maximize the capabilities of people and realize our vision, it is essential to create a workplace environment where people can work with peace of mind. Therefore, we made a joint declaration with the union for the first time to focus on proper working hour management and zero harassment. I believe that because of the good relationship between the Company and the union, we can ensure that each of our specific action guidelines will be followed in our daily work.

Finally, in terms of my personal credo, I am committed to providing well-balanced management for all stakeholders in accordance with my own sense of ethics and justice and without being biased by conflict of interests. To make all of our stakeholders into our supporters, we will engage in business and aim to enhance corporate value with a constant awareness of the way we engage in public relations and communication, our attitude toward taking on challenges to make further progress, the role we will play in delivering dreams, and the value we provide to society.

I hope you are looking forward to the Isetan Mitsukoshi Group’s future moves and ask for your continued support.
History of Challenges Taken On by the Isetan Mitsukoshi Group

The Isetan Mitsukoshi Group has four brands: Mitsukoshi, Isetan, Iwataya, and Marui Imai. 2023 is a milestone year for Mitsukoshi, which celebrates its 350th anniversary. Throughout our long history, we have always endeavored to uphold our customer-first principle, and have repeatedly taken on challenges while responding to changes in society and the environment in each era, right up to the present day.

Launch of the Department Store Business

1673 Foundation of Echigoya

1754 Foundation of Beniya

1872 Foundation of Marui Imai

1886 Foundation of Iseya Tanji Kimono Fabric Shop

Innovative proposals reflecting customers’ interests

1673: Cash payment and honest, fixed prices indicated on labels

In 1673, Mitsukoshi’s founder, Takatoshi Mitsui, opened the kimono shop Echigoya (the predecessor of Mitsukoshi) based on the principle of cash payment and honest, fixed prices indicated on labels. At that time, major stores sold their wares based on a system of credit by either taking samples of their products to show their customers, who would then place an order for labor delivery, or by taking their products directly to the homes of their customers. In both cases, customers settled their bills at a later date, making payment either in August or December. Takatoshi abolished this system. He introduced a system of cash payment and honest, fixed prices indicated on labels based on the counter sales, and sold fabric at whatever lengths the customers desired. By changing the business practice of selling only in units of fabrics and making it possible to sell by the piece, he created a system that allowed customers to buy only the amount they wanted. In the Edo period, the company’s innovative approach to the concerns of potential customers, namely the townspeople, expanded its customer base and gave birth to the world’s first “store where anyone can shop at the same price,” which is commonplace today.

Proposing new, affluent lifestyles and promoting culture

1904: The Department Store Declaration

In 1904, upon the establishment of Mitsukoshi Gofukuten Co., Ltd., the company announced the inception of Japan’s first department store in a letter of invitation to its business partners. The following year, on January 2, 1905, the company published the Department Store Declaration in major newspapers throughout Japan, declaring the establishment of a department store and the promotion of culture to all stakeholders, thus marking the beginning of department store culture in Japan. In 1914, a new building of the main store was completed with lion statues, the symbol of Mitsukoshi, at the entrance, along with Japan’s first escalator, elevators, and other state-of-the-art facilities, as well as a place to rest, comfort rooms, and rooftop gardens, making it the hottest new landmark in Tokyo as a place where people could experience Western culture. In terms of merchandising, it took form as a modern department store, offering not only kimono fabric but also a full lineup of general merchandise.

Creating the foundations for everyone to freely enjoy fashion

1956 Teenagers’ shop

In the mid-1950s, Japan had only children’s and women’s clothing, and girls between the ages of 13 and 17 struggled to find something that fit their sizes. Noticing that this age group was called “teenagers” in the U.S. and was established as a fashion category, Japanese became convinced that it was necessary to develop new ready-to-wear clothing that was not an extension of children’s wear or a smaller version of women’s wear. After thoroughly researching the youthful and unique body shape of this age group, Japanese began test sales for teenagers in time for the summer holidays of 1956, while developing designs and sizes appropriate for teenagers. Later, the store expanded beyond clothing to include accessories, hats, bags, handkerchiefs, and other miscellaneous goods, and the teenagers’ shop became the foundation of fashion for a new generation.

1963 Standardization of a size system for women's ready-to-wear clothing

Easy-order women’s clothing had reached its heyday, but the limited number of patterns meant that there was a limit to how much the company could respond to customer orders. Isetan foresaw the coming of the era of ready-made clothes in Japan, which would combine the fit of order-made clothes with the simplicity of easy-order clothes, which became fashionable in Europe and the U.S. in the 1950s. Research Department in 1957 to research new ready-made clothes. Convinced of the importance of developing sizes that fit the Japanese body shape and establishing a size system, the company analyzed data from easy-order measurements and other sources to create patterns of sizes that fit Japanese women. Standardization was an issue, but Isetan reached an agreement with Takashimaya and Seibu Department Stores, and in 1963 held a joint press conference on standardizing their sizes. Later, this standardized size system became the standard for department stores in Japan.

1968 Shop for large sizes

Isetan focused on size development to penetrate the ready-to-wear clothing market, opening a large-size Lady Closet Shop in 1968 and a small-size Strawberry Shop in 1969.

History of the Department Store Business

2003 Establishment of Isetan Mitsukoshi Holdings Ltd.

2012 2009: Establishment of Takashimaya and Agnes b. 2008: Establishment of Isetan Mitsukoshi Holdings Ltd. through business integration

In the face of severe conditions such as a declining population and intensifying competition from other industries, we were required to speedily and accurately grasp increasingly diverse and sophisticated customer needs and to enhance our proposal and development capabilities. While understanding and respecting each other’s history and corporate culture, we integrated our management in order to leverage our respective strengths, enhance the value we provide to our stakeholders, and contribute to society.

2009 onward: Spin-offs of regional operating companies

2010 Establishment of Hakata Isetan Mitsukoshi

2011 Establishment of Hiroga Isetan Mitsukoshi

We provide customers with new purchasing experiences by developing new businesses that harness the strengths of the Isetan Mitsukoshi Group and utilize digital technology to keep pace with the changing times.

2018: ISETAN OUC (weekly delivery service)

2019: Isetan Galleria online store

2020: Isetan Mitsukoshi app

2021: Isetan KIBI (remote shopping app)

2023: Reorganizing the Isetan Mitsukoshi Group Corporate Philosophy
The Isetan Mitsukoshi Group at a Glance

**Department store business**

- **Gross sales:** 1.0175 trillion yen
- **Operating income:** 20.4 billion yen

*Fiscal year ended March 31, 2023*

**Store network**

- **20 department stores in Japan**
- **26 department stores overseas**

We are expanding our store network in Japan from Hokkaido to Kyushu, and globally to a wide range of regions in Asia and North America.

*As of September 30, 2023*

**Brands with a history**

Our four brands of Mitsukoshi, Isetan, Iwataya, and Marui Imai, which have been in business for over 100 years, are supported by many customers.

- **Mitsukoshi:** 350 years in business
- **Isetan:** 137 years in business
- **Iwataya:** 269 years in business
- **Marui Imai:** 151 years in business

**Sales in department store business**

- **No. 1 in Japan**
- **Isetan Shinjuku Main Store annual sales:** 327.6 billion yen

This was the highest sales the store ever recorded, surpassing the previous record of approximately 305 billion yen set in fiscal year ended March 31, 1992.

*Fiscal year ended March 31, 2023*

**Other businesses**

- **Credit & finance business / customer organization management business**
  - **Gross sales:** 33.5 billion yen
  - **Operating income:** 3.7 billion yen

*Fiscal year ended March 31, 2023*

- **Real estate business**
  - **Gross sales:** 20.5 billion yen
  - **Operating income:** 4.0 billion yen

*Fiscal year ended March 31, 2023*

- **Ownership of Mitsukoshi Seisakusho, a highly technologically advanced in-house factory**
  - We create high-quality spaces through planning, design, and construction including five-star hotels, luxury brands, corporate boardrooms, and private residences.

**Development of diverse business portfolio**

- **Travel business**
- **Supermarket business**
- **Human Resources and Services business**
- **Logistics business**
- **Information Systems business**

These are just some of the diverse businesses that we are developing in addition to our department store business.

*Fiscal year ended March 31, 2023*

**Share of members with annual income of ¥10 million or more:** 20%

We have converted many affluent customers into cardholders.

*As of March 31, 2023*

**2.7 million cardholders**

Leveraging our excellent customer base, we promote card use by issuing tie-up cards and through the Group’s loyalty program.

*As of March 31, 2023*

**2.7 million cardholders**

Leveraging our excellent customer base, we promote card use by issuing tie-up cards and through the Group’s loyalty program.

*As of March 31, 2023*

**Number of identified customers:** 5.9 million

The increase in the total number of cardholders and app members has enabled us to communicate bi-directionally with many customers.

*As of March 31, 2023*

**2.7 million cardholders**

Leveraging our excellent customer base, we promote card use by issuing tie-up cards and through the Group’s loyalty program.

*As of March 31, 2023*

**2.7 million cardholders**

Leveraging our excellent customer base, we promote card use by issuing tie-up cards and through the Group’s loyalty program.

*As of March 31, 2023*

**2.7 million cardholders**

Leveraging our excellent customer base, we promote card use by issuing tie-up cards and through the Group’s loyalty program.

*As of March 31, 2023*
The Isetan Mitsukoshi Group’s Value Creation Process

**Our Mission**

Touching people’s hearts with human-driven experiences.

**Management Capital Strengths**

- **Human capital**
  - Group employees: Approx. 18,000

- **Intellectual capital**
  - Mitsukoshi, Isetan, Marui
  - Imai, and Iwataya
  - Sales and store development expertise

- **Social capital**
  - Customer base

- **Fixed capital**
  - 46 department stores in Japan and overseas, other real estate

- **Financial capital**
  - Net sales: 487.4 billion yen (for the fiscal year ended March 31, 2023)

**Opportunities and Risks**

- Accelerating polarization of income and consumption
- Changes in customer structure
- Accelerating online presence
- Rising environmental and social consciousness
- Environmental changes caused by IT
- Coexistence with local communities

**Our Values**

We are inspired by innovation, moved by beauty, and motivated to share our experience.
We welcome everyone with warm smiles and positive attitudes to delight and impress.
We co-create with exceptional talent to realize dynamic ideas and innovations.
We inform our decisions with facts, experience, and instinct to create unique solutions.
We always act with integrity and sincerity, and fulfill our responsibilities to society.
We fearlessly challenge norms and strive to deliver the future.

**Materialities**

- Connecting People and Local Communities
- Improving the Satisfaction of Employees
- Group Governance and Communication

**Business Activities**

- Business activities harnessing the strengths of a department store group

**Business Strategies**

- Basic strategies
  - Expand and dominate in high sensitivity, fine quality consumption
  - Providing the ultimate customer experience

- Key strategies
  - “High sensitivity, fine quality” strategy
  - “CRM strategy connecting with individual customers”
  - “Intra-group coordination” strategy

**Values We Provide**

- Expansion of social and economic value

**Innovative offerings**

to meet customer needs

**Our Vision**

We are a retail group centered on extraordinary department stores working toward improving the lives of our customers.
With our Japanese heritage and strong global branding, we create lasting impressions through sophisticated and high-quality experiences that make us the first choice for our customers.
Sustainability Management/Priority Initiatives (Materialities)

Our Views on Sustainability

With the view that sustainability issues are important issues that support the Group’s management foundation, we are promoting initiatives based on the Isetan Mitsukoshi Group Policy on Sustainability and five other sets of guidelines and policies. In June 2023, we established the Isetan Mitsukoshi Group Code of Conduct for Suppliers. We will work hand-in-hand with our business partners and suppliers to build a sustainable supply chain through their understanding and implementation of this new code of conduct.

The Isetan Mitsukoshi Group’s Priority Initiatives (Materialities)

We have identified three priority initiatives that we will pursue based on a foundation of governance and communication. The priority initiatives we have identified are as follows: “Connecting People and Local Communities,” “Connecting a Sustainable Society and the Times,” and “Improving the Satisfaction of Employees.” We identified these initiatives based on whether they are issues that can be addressed by capitalizing on our core business, are meaningful for the Group to address, and can produce results.

Participating Initiatives/External Evaluations

Here is a partial list of initiatives we are participating in to enhance our sustainability efforts, as well as external evaluations of the initiatives we have been taking.

Structure forPromoting Sustainability

In FY2018, Isetan Mitsukoshi Holdings totally revised the Group structure for the management of conventional CSR activities, including environmental measures, from the viewpoints of the Environment, Society, and Governance (ESG) and the Sustainable Development Goals (SDGs). We aim to achieve sustainable business management by solving social issues through our business and improving corporate value under the leadership of senior management by establishing and holding the Sustainability Promotion Meeting chaired by the CEO.

Organization for promoting sustainability in FY2023

Participating initiatives

External evaluations

ESG investment indices
Overview of the Medium-Term Management Plan

Medium-Term Management Plan

The Isetan Mitsukoshi Group is implementing its Medium-Term Management Plan, which runs through FY2024, with the aim of being a retail group centered on extraordinary department stores working toward improving the lives of our customers. To do so, we will promote our key strategies of 1) “High sensitivity, fine quality” strategy; 2) “CRM strategy connecting with individual customers”; 3) “Intra-group coordination” strategy; and 4) “Urban community development” strategy. As part of this process, we will simultaneously undertake in each region and area a reorganization of our traditional department store business model, and bring to fruition urban development for the future.

“High sensitivity, fine quality” strategy

To help both Isetan Shinjuku and Mitsukoshi Nihombashi main stores evolve into symbols of admiration and empathy, Isetan Shinjuku focused on fashion and Mitsukoshi Nihombashi focused on tradition and culture, art, and lifestyle. These strengths were expanded to branches and Group stores through a new sales network that links out-of-store sales, buyers and in-store attendants. In addition, by concentrating the Group’s strengths and expanding the range of products and services not traditionally offered in department stores, we are laying the groundwork to meet the wide-ranging needs of our customers. Going forward, we will develop a system that enables us to propose a full range of products and services, and further increase our share of customers’ wallets.

“CRM strategy connecting with individual customers”

We are expanding the number of individual customers (i.e., identified customers) with whom we have face-to-face connections so as to provide attentive services and products, and to meet all kinds of needs. The number of identified customers and identified customer sales have both risen substantially as a result of measures we have taken to improve the number of connected individual customers and the amount they spend. In particular, we have made significant progress in identification by stepping up efforts to expand Mitsukoshi Isetan app membership. We will continue to expand our customer base by acquiring new MICARD members as the issuance of tie-up cards. In the future, by combining the capabilities and know-how of Group companies, we aim to increase customer sales have both risen substantially as a result of measures we have taken to improve the number of connected individual customers and the amount they spend. In particular, we have made significant progress in identification by stepping up efforts to expand Mitsukoshi Isetan app membership. We will continue to expand our customer base by acquiring new MICARD members as the issuance of tie-up cards.

“Intra-group coordination” strategy

Through the “Intra-group coordination” strategy, which aims to use the Group’s resources to maximize the connections we have cultivated with our many customers through the “High sensitivity, fine quality” strategy and “CRM strategy connecting with individual customers,” we have promoted the remodeling and construction of department stores in Japan, the in-house production of goods, and the expansion of use of mixed-use properties with department stores at their core to attract more customers and create a unique customer experience by multiplying the provided value derived from department stores with a variety of mixed-use applications.

“Urban community development” strategy

As part of our “Urban community development” strategy, which aims to effectively utilize our high-quality real estate holdings, we are working toward increasing the value of our real estate holdings nationwide by developing hotels, residences, offices, and other mixed-use properties with department stores at the core, thus enabling more customers to use the Isetan Mitsukoshi Group. We will develop mixed-use properties with department stores at their core to attract more customers and create a unique customer experience by multiplying the provided value derived from department stores with a variety of mixed-use applications.
Key Strategies: “High Sensitivity, Fine Quality” Strategy

“High Sensitivity, Fine Quality” Strategy

- We aim to become a “special” presence to our customers by shifting from our previous mass marketing approach to a personal marketing approach. This will allow us to provide exciting solutions for customer’s concerns and individual problems and innovative proposals for their interests.
- We will deepen our connections with all customers who use the Isetan Mitsukoshi Group, whether that be on a daily basis, once a month, once a year, or just on special occasions. We will achieve this by analyzing customer information (customer data) based on the concept of “high sensitivity, fine quality” consumption by customers who seek a high-quality, affluent lifestyle, as well as by making full use of our “people power” to offer value propositions that only we can provide.

Creating high sensitivity, fine quality stores

- In order to meet the demands of customers across Japan who aspire to high sensitivity, fine quality consumption, we will utilize our Group network of stores dotted around the country, website-commerce, out-of-store sales, and other assets.
- The first step will be to clarify what the Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store, which will be the core of our efforts, should be striving to achieve, applying “Scientific analysis of department stores,” and changing the merchandising balance.
- The Isetan Shinjuku Main Store will thoroughly pursue fashion with the world’s latest and newest MD, while the Mitsukoshi Nihombashi Main Store will deepen and refine its focus on tradition, culture, and art, and lifestyle to become symbols of admiration and empathy in urban community development.

Establish points of contact with customers through three networks to propose the Group’s products to customers throughout Japan who aspire to high sensitivity, fine quality consumption.

Examples of initiatives

<table>
<thead>
<tr>
<th>From both main stores to regional stores</th>
<th>From regional stores to both main stores</th>
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<tbody>
<tr>
<td>Case 1: Content network</td>
<td>Case 2: Out-of-store sales network</td>
</tr>
<tr>
<td>Regional store salon deployment</td>
<td>Out-of-store customers at regional stores</td>
</tr>
<tr>
<td>Merchandise at both main stores (store merchandise)</td>
<td>Events at both main stores</td>
</tr>
<tr>
<td>Content network (physical contact points)</td>
<td>Out-of-store sales network (human contact points)</td>
</tr>
<tr>
<td>Out-of-store sales at both main stores (serving customers in the area)</td>
<td>Referral/attending customers</td>
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<tr>
<td>Mutual use of merchandise</td>
<td>Digital network (digital contact points)</td>
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<tr>
<td>Expansion of beauty and health categories</td>
<td>Use of digital technologies</td>
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<tr>
<td>Improvement of efficiency of categories</td>
<td></td>
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<tr>
<td>Improvement of the environment of the Lightwell (atrium)</td>
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</table>

At both main stores, we invite our top customers who are connected with individually to a special event once every half year, where we host them in a special space (called Tansei-kai at Isetan Shinjuku and Tipin-kai at Mitsukoshi Nihombashi). We are taking steps to invite out-of-store customers from regional stores to these semi-annual events, who are attended by members of the out-of-store sales department of the regional stores.

The same events held at both main stores for high-end items (luxury goods, jewelry and watches) are held at regional stores. For out-of-store customers, we provide hospitality in a special setting by using salons and out-of-store event spaces in regional stores. We invite customers to experience an assortment of content not normally carried in regional stores.
Key Strategies: “High Sensitivity, Fine Quality” Strategy

Reform of out-of-store (individual) sales

In addition to conventional methods that utilize the wisdom and experience of individual salespeople, since FY2022 out-of-store sales for individuals are being carried out based on a combination of people and science through the analysis of customer data. We are also working to enhance products and services that are not available in department stores in order to meet the wide-ranging needs of our customers. Through these efforts, we are enhancing the breadth and quality of our proposals to customers, and building a system that enables us to make proposals in line with individual needs. At the same time, we are also working to improve the satisfaction level of out-of-store customers when they visit our stores by enlarging the dedicated lounge at the Isetan Shinjuku Main Store, expanding the Team Buddy system, and promoting collaboration between the Mitsukoshi Nihombashi Main Store and the Isetan Shinjuku Main Store.

Organizational proposal-based sales to meet all customer needs

In FY2022, we are integrating the out-of-store organizations beyond the goodwill of Mitsukoshi and Isetan, and are building a new sales network that combines out-of-store sales, buyer networks, in-store attendants, and digital platforms to conduct value-proposition-based sales in the organization.

Initial work to build an out-of-store sales and buyer network

Established out-of-store buyers and strengthened direct marketing activities

In the second half of FY2021, we established a new buyer position within the out-of-store sales organizational structure for the first time in our company’s history to respond more speedily to customer requests. In FY2022, we are working to expand the scale of our efforts by building a network with buyers at both main stores.

Broadened sales coverage by leveraging digital sales in addition to the knowledge and experience of individuals

We began a trial of this new sales style first at the Mitsukoshi Nihombashi Main Store in FY2020, which we extended to the Isetan Shinjuku Main Store in FY2022. In FY2022, we are working to expand the scale of these trials at both stores. In addition, we are working to expand this sales style to our branches in the Tokyo metropolitan area and to regional department stores.

Toward an out-of-store sales business model that utilizes a scientific perspective (Scientific analysis of department stores)

We classify the sales activities of top salespeople into our original “eight sales activities” based on the purchasing data of out-of-store customers, clarify the actions to be taken, analyze purchasing behavior, and establish a flow for implementing sales activities in line with the eight actions. We are also working in parallel to expand the wallet share of our customers by analyzing macro data to visualize needs that have not yet become apparent within the Isetan Mitsukoshi Group.

Establishment of product supply network: Expansion of range of merchandise from outside of department stores

In FY2022, in order to ensure that we can meet the needs of our customers, we established a system that enables us to offer products and services that are not available in conventional department stores. Initially, the focus was on merchandise within the Group, such as that of Mitsukoshi Isetan Nikko Travel. However, we have since expanded to include merchandise not handled by the Isetan Mitsukoshi Group by collaborating with external partners that have highly specialized knowledge and expertise. By combining merchandise from within Isetan Mitsukoshi Group department stores, and merchandise from outside Isetan Mitsukoshi Group department stores, we are able to make proposals that are optimized for individual needs in accordance with the needs of each customer’s lifestyle.

We will continue to work on further expanding the range of merchandise that meets the needs of our customers.

Introduction of sales representatives for foreign customers

In October 2022, we introduced sales representatives for non-Japanese customers to provide them with special hospitality, including shopping assistance to VIP customers visiting or residing in Japan. Currently, we have representatives who can speak English, Chinese, Korean, and Malay to meet the personal needs of customers.

When these representatives were first introduced during the COVID-19 pandemic, not many overseas customers were able to visit Japan, so we focused on cultivating new customers and strengthening relationships with customers in Japan. For example, through event exchanges with overseas companies and institutions based in Japan, we worked to make them aware of the content and services offered by the Isetan Mitsukoshi Group. As a result, we are now receiving an increasing number of new customer referrals from these customers. We have also started corporate tie-ups with hotels and travel agencies whose main customers are overseas VIPs, and are focusing on introducing customers from these companies to our Group.

In 2023, we are seeing an increasing number of VIP customers from all over the world. The needs of our customers during their stay in Japan are diversifying, and we are working to expand our offerings beyond shopping support. In addition, in cooperation with overseas stores within the Group, we have started a shopping attendant service for the VIP customers of overseas stores when they visit Japan. In this way, we are bolstering our team of attendants to assist customers in a variety of situations, starting with pre-trip preparations, through to assistance with shopping and to follow-up services after their return home.

Mr. Li Fang, Sales Manager of the Direct Sales Department Private Sales Group, Isetan Mitsukoshi Ltd.

“Together with our customers”

We sales representatives for foreign customers help customers, both those living in and visiting Japan, to shop at our stores without the stress of language barriers. In addition, we deepen our connections with each and every customer, and assist them in all aspects of their shopping experience through a variety of proposals. On one occasion, we invited customers to a special invitation-only event. They were so impressed by the special atmosphere and product lineup that only Isetan Mitsukoshi can offer, that they purchased not only wine, which they had originally planned to purchase, but also art works. We also introduced a construction and interior company within the Isetan Mitsukoshi Group to a customer who is developing their own business. We undertook the total design and furniture production for the customer’s store, and were thrilled when the customer commented that the space we created was very beautiful, with an almost dreamlike quality. I hope we can continue to create wonderful encounters with our customers.
The Isetan Mitsukoshi Group is promoting a shift from mass to personal marketing in its Medium-Term Management Plan.

In 1673, when we opened Echigoya, a kimono store, we were operating a business targeting individual customers. Years later, with the expansion of our business domains in line with economic development, we made a strategic shift to mass marketing.

Our business model of purchasing and selling large quantities of in-demand products, something which is common to mass marketing, matched the external environment of the time, when goods were in short supply, and we succeeded in achieving rapid growth as a retailer. However, following the collapse of the bubble economy, each customer’s values and purchasing behavior became more diverse, and business founded on mass marketing gradually became untenable.

In 2020, the Group suffered a consolidated loss due to the effects of the COVID-19 pandemic. This triggered our decision to return to our roots as a business based on personal marketing through our “CRM strategy connecting with individual customers.”

The “CRM strategy connecting with individual customers” is a strategy to promote the provision of personalized customer experiences by offering unique proposals that meet the different needs of individual customers. In addition to existing human capabilities (i.e., analog capabilities), we believe it is important to maximize the use of digital capabilities. Below are some examples of how we use both of these capabilities.

First, I will mention digital capabilities. In February 2022, in addition to MICARD, which is a conventional identification tool, the Isetan Mitsukoshi app, a new digital tool that is more closely linked to customers’ lifestyles, was expanded to stores across Japan. Even customers who were hesitant to join MICARD due to complicated procedures at the time of joining and the cost of the annual membership fee have downloaded the app. As a result, we have succeeded in increasing the number of identified customers to approximately 5.9 million (up 800,000 from the previous year) as of March 31, 2023.

Next, I will mention human capabilities. As part of our reform of out-of-store (individual) sales, we effectively utilized our human resources mainly for the expansion of proposals for out-of-store customers. Specifically, we introduced “out-of-store buyers” with the aim of responding to each customer’s needs in detail, and procured merchandise from outside department stores, such as imported cars and real estate, by making full use of our extensive network of unique contacts. As such, we have successfully increased customer satisfaction as well as significantly raised the amount of purchase per customer for out-of-store customers.

This series of initiatives paid off, resulting in operating income in the department store business in FY2022 that was much higher than originally planned.

This fiscal year, we will continue to maximize our use of digital and human capabilities to further expand the number of identified customers. In addition, we will also launch full-scale CRM activities targeting general customers other than out-of-store customers.

So far, I have talked about department stores, but the concept of a shift from mass to personal marketing is not limited to application in the department store business. Department store consumption accounts for only a fraction of Japan’s total consumer spending. Or, to put it another way, we currently have only a very limited scope of significance in the eyes of our customers.

In the future, as each of us connects with, deepens understanding of, and moves the hearts of individual customers, we will create new points of contact with customers, and as a result, our Group’s raison d’être (i.e., business domains) from the customer’s perspective will continue to expand.

Through the shift from mass to personal marketing, we will build the next-generation business model of the Isetan Mitsukoshi Group.

**CMO’s Message**

**The shift from mass to personal marketing is the basis of everything**

Takuya Yamashita
Managing Executive Officer and CMO

CMO: Chief Merchandising Officer

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**Key Strategies: CMO’s Message: “CRM Strategy Connecting with Individual Customers”**

As part of our “CRM strategy connecting with individual customers,” we intend to build systems that connect with individual customers who support our “High sensitivity, fine quality” strategy.

In FY2022, the first year of the Medium-Term Management Plan, both the number of identified customers (MICARD members and digital members) and the amount of spending grew steadily, and we were able to achieve the plan in relation to all customer KPIs (indicators). In particular, the Isetan Shinjuku and Mitsukoshi Nihombashi main stores increased the share of sales from identified customers to 70% of total sales, the share of sales from customers who spend more than 1 million yen per year increased from 40% to 50% compared to FY2019, prior to the COVID-19 pandemic, and the share of sales from customers who spend more than 10 million yen per year nearly doubled.

In FY2023, the second year of the plan, by further strengthening of department store CRM, we will focus on initiatives that will lead to the creation of new business opportunities, such as group-level CRM, development of settlement infrastructures, and inbound strategy.

**Direction**

- Further expand identified customer platform by strengthening department store CRM and acquiring new members
  - Utilize as a platform for “creating new business opportunities”

**“CRM Strategy Connecting with Individual Customers”**

As part of our “CRM strategy connecting with individual customers,” we intend to build systems that connect with individual customers who support our “High sensitivity, fine quality” strategy.

*As part of our “CRM strategy connecting with individual customers,” we intend to build systems that connect with individual customers who support our “High sensitivity, fine quality” strategy.*
Key Strategies: Digital Reforms/“Intra-Group Coordination” Strategy

Digital Reforms
The Isetan Mitsukoshi Group will provide the best customer experience by utilizing digital transformation in the following four key areas, all of which have been developed in-house: ① Online shopping, ② Digital customer service tools, ③ Digital matching, and ④ Digital appeal.

① Online shopping
Expand online services to top-tier customers according to their membership status.
New business models that complement existing retail businesses (e.g., subscriptions).

② Digital matching
Utilize customer databases to provide sales support mainly to out-of-store customers.

③ Digital customer service tools
Digital appeal
- Utilize 1-to-1 product recommendation function for top-tier out-of-store customers via the Isetan Mitsukoshi Remote Shopping app
- Optimize digital customer contact points for information dissemination and send personalized information based on customer data

Online business
In addition to physical stores, we will develop our online business as one of the points of contact for convenient shopping for our customers. To do so, we aim to stabilize our revenue and expenditure base. We aim to achieve profitability in each online business as soon as possible by implementing measures to increase sales, such as by narrowing down the appropriate number of models to customers.

To do so, we aim to stabilize our revenue and expenditure base. We aim to achieve profitability in each online business as soon as possible by implementing measures to increase sales, such as by narrowing down the appropriate number of models to customers.

④ Digital appeal
Strengthen B2B out-of-store sales by leveraging group resources, and expand sales by promoting the acquisition of new corporate customers.
Offer value in a single package by combining the skills and know-how accumulated by Group companies to date

“Intra-Group Coordination” Strategy
This strategy focuses on using Group resources to maximize the connections with many customers cultivated through our “High sensitivity, fine quality” strategy and “CRM strategy connecting with individual customers.” While we position the department store business at our core, we intend to promote intra-group cooperation that will enable us to provide solutions for customer’s problems and innovative proposals for individual customer interests by utilizing our strengths as a company that boasts solutions business operators in various sectors including finance, systems, and construction and interior. We will challenge new ways of creating innovations and monetization methods going beyond the barriers between businesses.

Increase wallet share by bringing together the Group’s strengths
- Promote in-house production through cooperation among Group companies
- Strengthen B2B out-of-store sales by leveraging group resources, and expand sales by promoting the acquisition of new corporate customers
- Offer value in a single package by combining the skills and know-how accumulated by Group companies to date

Example of a Group company
Isetan Mitsukoshi Property Design Ltd.
- Become an in-house agency to the Group’s advertising agency
- Become a company that plays a role in the Group’s “Intra-group coordination” strategy based on the pillars of the construction and interior business, PM/CM/Design business, and housing environment business
- Take charge of the remodeling function of department stores within the Group with its accumulated skills and know-how

Studio Alta Co., Ltd.
- Become an in-house agency to the Group’s advertising agency companies
- Accelerate accumulation of skills and know-how and contribute to the “Intra-group coordination” strategy

Catalog content menu of Group resources “B2B external sales”
1. Planning and production of original products
2. Shareholder benefit program and support for shop management
3. Proposals for memorabilia and gifts
4. Planning and production of corporate uniforms
5. Support for advertising and event opening
6. System-related services
7. Logistics and fulfillment
8. Environmental creation and construction and interior
9. Temporary staffing, education, and training
10. Credit card-related services
11. Travel planning
12. Store development

Other businesses
- ISETAN DOOR
- meaco (cosmetics)
- MI Online (gifts)
- MI Online (general)
- Other businesses

FY2020 Results FY2021 Results FY2022 Results FY2023 Plan FY2024 Plan
¥40.0 bn level

30
Key Strategies: “Urban Community Development” Strategy

“Urban Community Development” Strategy

Isetan Mitsukoshi’s “Urban Community Development” initiatives will be centered on the Group’s department stores. By expanding the use of mixed-use properties through real estate development and developing content and infrastructure functions under our brands through intra-group coordination, we aim to attract more customers to the towns and create a unique profitability model that is not limited to real estate alone.

Toward the promotion of Isetan Mitsukoshi’s “Urban community development” strategy

We aim to create a unique customer experience that only Isetan Mitsukoshi can offer by combining the distinctive value that we have cultivated over many years in our department store business with mixed-use properties that we will expand through future redevelopment. Following on from the Grand Design Project conducted in FY2021, in FY2022 Isetan Mitsukoshi will continue discussing and reviewing a variety of topics, such as the future vision that Isetan Mitsukoshi wants to achieve through “Urban Community Development” and the role of Isetan Mitsukoshi in this process. These wide-ranging discussions will involve both management and front-line members of the Company, along with perspectives from outside the Company.

In addition, we are also making concrete preparations for employees to acquire the skills required for undertaking “Urban Community Development,” including secondment to outside companies in the real estate and financial industries.

In response to the Shinjuku Station East Exit District Urban Development Vision

The Shinjuku Station East Exit District Urban Development Vision aims to achieve a future vision for the area as “a vibrant city representing Japan and a place where people want to take a stroll,” forming a lively exchange axis centered on the Shinjuku-sanchome Station area. The Shinjuku City Government has formulated the Shinjuku-sanchome Station Area Urban Development Guiding Principles with the aim of deepening its vision for urban development with regard to the urban functions and urban infrastructure required for the Shinjuku-sanchome Station area.

Based on these ideas, we will continue to study the frame of Isetan Mitsukoshi’s urban development together with the municipal government and local residents.

Town Future Picture: A vibrant community representing Japan where people want to take a stroll

—Formation of a lively exchange axis centered on Shinjuku-dori Avenue and two bases centered on railway stations—

TOPICS Opening of MITSUKOSHI BGC—A mixed-use development model incorporating real estate development + retail overseas

Isetan Mitsukoshi Holdings Ltd. is working with Nomura Real Estate Development Co., Ltd., a major developer in Japan, and Federal Land Inc., a major real estate company in the Philippines, to jointly promote a large-scale mixed-use development project of “real estate development + retail” in Bonifacio Global City, Manila, Philippines. The grand opening of MITSUKOSHI BGC, a development under this project, was held on July 21, 2023. This project, which combines MITSUKOSHI BGC, a commercial facility on the lower floors (from the first basement to the third floor above ground), and The Seasons Residences, four high-rise condominium buildings on the upper floors (from the 3rd floor above ground to the 50th floor in the highest building), leverages the brands and commercial operation know-how of the Isetan Mitsukoshi Group. As a new business model to enhance the real estate value of high-rise residences and the surrounding area as a whole, we aim to reform our business structure overseas and earn future profits.

Outline of the facility

<table>
<thead>
<tr>
<th>Facility name</th>
<th>MITSUKOSHI BGC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address</td>
<td>8th Avenue corner 36th Street, North Bonifacio District, Bonifacio Global City 1634, Taguig City, Philippines</td>
</tr>
<tr>
<td>Date of opening</td>
<td>Grand opening held on July 21, 2023 (Friday)</td>
</tr>
<tr>
<td>Total floor space</td>
<td>Approx. 28,000 m²</td>
</tr>
<tr>
<td>Opening hours</td>
<td>From 11:00 a.m. to 10:00 p.m.</td>
</tr>
<tr>
<td>Number of floors</td>
<td>52</td>
</tr>
</tbody>
</table>

Interview

Takafumi Sanada Yamashita PM&C Inc. (Seconded)

In FY2023, I have been seconded to an outside company involved in hotel development. Currently, I am in the process of acquiring knowledge and expertise in hotel development by working with owners, hotel operators, designers, construction companies, and many other related parties in overall hotel project management and construction management for multiple hotel development projects in Tokyo and the suburbs. I will continue to study every day while gaining plenty of experience, in the hope of applying everything I learn to the introduction of mixed-use properties in “Urban Community Development” projects of the Group in the future.

Takafumi Sanada Yamashita PM&C Inc. (Seconded)
**Key Strategies: Business Reforms through a Scientific Perspective**

**Business Reforms through a Scientific Perspective**

Under the slogan “Scientific analysis of department stores,” we will redesign the business structure of department stores by analyzing not only sales but also profitability and productivity in all units within the Group and its businesses. This will allow us to gain a grasp of the overall situation and adopt a system that enables more efficient use of resources.

- **Scientific analysis of department stores**
  
  **Direction:**
  
  1. Reform the cost structure and redesign the department store business structure, thereby increasing productivity and maximizing profits
  2. Visualize all activities of the Company from a scientific viewpoint and set up standards (operational indicators) in accordance with the strategy
  3. In the strategy implementation phase, ensure that all employees understand the standards and transform their daily actions with a management mindset

**Purposes and roles of the “Scientific analysis of department stores”**

- **Strategic fit**
  - “High sensitivity, fine quality” strategy
  - “OEM strategy connecting with individual customers”
  - “Intra-group coordination” strategy

- **Income and expenditure structure reform**
  - Sales staffing standard
  - Direct-to-indirect ratio standard (9:1)
  - Regulation of SG&A ratio
  - Regulation of advertising ratio

- **Scientific analysis of department stores**
  - MID balance standard
  - Store-specific investment criteria joined to the ROE criteria
  - Optimization of cost of acquiring MICARD
  - Redefinition of cost investment objectives by customer PL
  - Regulation of in-house production

**Maximize profitability and productivity**

- **Maximize profitability**
  - 经营利润 (Operational Profit)
  - 经营利润比率 (Operational Profit Margin)

- **Maximize productivity**
  - 人均销售额 (Sales per Employee)
  - 人均销售额比率 (Sales per Employee Margin)

- **SG&A expenses trend**
  - FY2018 Results: 80.0%
  - FY2022 Results: 77.2%

**Major Initiatives**

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2018 gross sales ratio</th>
<th>FY2022 gross sales ratio</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>8.0%</td>
<td>7.2%</td>
<td>+0.8%</td>
</tr>
<tr>
<td>Business management expenses</td>
<td>3.2%</td>
<td>2.6%</td>
<td>+0.6%</td>
</tr>
<tr>
<td>Advertising expenses</td>
<td>1.3%</td>
<td>0.7%</td>
<td>+0.6%</td>
</tr>
</tbody>
</table>

**Major Initiatives of Scientific Analysis of Department Stores**

1. Organizational Workforce Reform
2. Operational Efficiency Improvement
3. Insourcing within the Group

**Initiatives at regional department stores**

- **Iwataya Mitsukoshi**, which operates Iwataya Main Store, Iwataya Kurume Store, and Fukuoka Mitsukishi, changed from conventional store management in which each store has its own function and personnel to assigned to a certain shop floor or section, to an organizational structure in which multiple stores are centrally managed and overlapping functions are consolidated. It vigorously promoted multi-task management to broaden the scope of responsibilities and operations, thereby raising productivity per employee and improving profitability through organizational personnel reforms that reassign generated human resources to operations directly related to profitability.

**Multi-tasking system in the Tenjin area at Iwataya Mitsukishi**

<table>
<thead>
<tr>
<th>STEP</th>
<th>Operational efficiency</th>
<th>Independence of operations insourcing within the Group</th>
<th>Priority allocation of personnel to improve sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Operational efficiency</td>
<td>The human resources created through the actualization of Step 1 will be allocated to logistics and cash register operations, which had previously been partially outsourced. This will also enable the flexible and efficient allocation of the necessary personnel to operations which are subject to seasonal fluctuations, such as gift orders.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Independence of operations insourcing within the Group</td>
<td>With operational efficiency as the point of departure, we aim to maximize productivity by achieving optimal allocation of human resources.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Priority allocation of personnel to improve sales</td>
<td>Likewise, human resources created through the actualization of Step 1 will be reallocated to departments (product functions such as the sales department and other out-of-store sales departments) to improve sales, thereby strengthening customer contact points and enhancing services for customers.</td>
<td></td>
</tr>
</tbody>
</table>

**Initiatives at regional department stores**

- **Sapporo Marui Mitsukishi**

  In April 2023, Isetan Mitsukishi began outsourcing operations to Sapporo Marui Mitsukishi, which launched its Contact Center business (service handling inquiries from customers by phone and e-mail). In order to enhance our services and improve the profitability of the Group as a whole, rather than outsourcing work to outside companies, we are working to reform our organizational personnel by assigning Group employees with a high level of customer service skills to the Contact Center, a department that serves as a point of contact with customers.
CFO’s Message

We will strive to increase corporate value by pursuing a capital policy that allows us to also invest for future growth while maintaining a stable financial base.

Yoshinori Makino
Director, Managing Executive Officer, Chief Strategy and Digital Officer and CFO

Review of FY2022 and direction of future financial policy

In FY2022, the Group made effective and strong progress in its income and expenditure structural reforms based on the "Scientific analysis of department stores," its "High sensitivity, fine quality" strategy, and its "CRM strategy connecting with individual customers." This resulted in consolidated operating income of 29.6 billion yen, a level well above the initial plan and higher than in FY2018, before the COVID-19 pandemic. Consolidated ROE, which we have set as a financial KPI, was 6.1%, ahead of the planned value of 5.3% for the final year of the Medium-Term Management Plan (FY2024).

In response to the changing business environment, in order to further enhance corporate value, our future financial policy will address the three elements of improving business profitability, balance sheet optimization, and capital efficiency as interrelated rather than independent items. At the same time, we will also work to maintain a balance between providing shareholder returns, reducing interest-bearing debt, and making investments that contribute to earnings, while securing sufficient capacity for medium- and long-term investments. Through these efforts, we will seek to build an optimal financial base, both in terms of flow and stock, which will lead to corporate activities that build good relationships with all stakeholders.

Financial KPIs

i) Operating income and net income

FY2022: Operating income exceeded maximum profit after integration of 34.6 billion yen, plan ahead of the original plan of 35 billion yen for FY2024. Net income temporarily decreased due to the impact of tax-effect accounting in FY2022.

FY2024: Operating income revised upward to 40 billion yen, up 5 billion yen from the original plan. In addition, net income was revised upward to 33 billion yen, up 5 billion yen from the original plan.

ii) ROE: ROE is expected to be 5.0% in FY2023 and 5.7% in FY2024, but it will respond more flexibly to future capital policies.

Three elements of our financial strategy

Our financial strategy will focus on the following three elements.

❶ Business profitability improvement

Business profitability has been continuously improving since fiscal year 2018, when it was 3.9%. We are committed to maintaining a stable ROA and ROIC perspective by continuing to improve our business profitability, making sure to reach a 50% total return ratio by FY2024.

In order to make even greater improvements, we will aim for a ROA of 5% and ROIC of 10–12%.

【Balance sheet optimization】

We are committed to reducing and controlling our balance sheet assets held, capital efficiency, and capital policy, as well as improving non-operating income.

In the future, we will seek to control cash and deposits, explore new growth opportunities, and continue with a medium- and long-term perspective to business.

【Steady dividend】

We are committed to maintaining stable dividends, with an eye toward a total payout ratio of 50%.

Shift to balance sheet-conscious management

We will continue efforts to reduce and streamline our asset holdings and control interest-bearing debt, with the aim of achieving an appropriate balance sheet from the standpoint of efficiency and soundness. We will also pursue opportunities for growth investments while rigorously evaluating their effectiveness and efficiency.

In addition, to ensure an appropriate level of shareholder returns, we have been mindful of a new target of a 50% total return ratio, and have set the annual dividend for FY2022 at 14 yen per share, up from 12 yen per share, the level prior to the COVID-19 pandemic. In the future, too, we will look to expand shareholder returns, with a focus on increasing dividends in line with profit growth.

Going forward, we aim to maintain a consolidated ROE that continuously exceeds the cost of shareholders’ equity by controlling our balance sheets in tandem with the expansion of profits from our businesses, while also paying attention to our financial soundness.

Strategic phase and cash allocation planning

The cash we acquire during the Revitalization Phase of the current Medium-Term Management Plan and the Deployment ("Preparation" for Urban Community Development) Phase beginning with the next Medium-Term Management Plan will be allocated to future investments in urban community development, while the allowance generated from these investments will be allocated to new growth investments and further shareholder returns. We will properly evaluate investments in content and infrastructure that will lead to "Urban Community Development" and other investments based on quantitative and qualitative criteria, while maintaining a balance with shareholder returns.

10 year cash allocation plan

Policy allocation

- Growth investment leading to “Urban Community Development”
- Other new growth investments

Enhance shareholder returns beyond traditional stable dividends

- Increase shareholder returns
## Sustainability

### Process for Identifying Priority Initiatives (Materialities)

At Isetan Mitsukoshi Holdings, priority initiatives (Materialities) were identified in FY2018 based on discussions at management conferences (current Board of Executive Officers), the opinions of external advisors, and the findings from customer questionnaire surveys. We are reviewing our materialities in light of changes in the external environment, feedback from our stakeholders, and the reorganization of our Corporate Philosophy.

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

- Identifying material issues
  - Sustainability
  - Employee engagement survey response

### Customer questionnaire survey conducted in February and March 2023

- For details of the Group’s sustainability initiatives, please refer to the Isetan Mitsukoshi Holdings Website Sustainability.

### Priority Initiative: Connecting People and Local Communities

**Concept**

Aiming for the sustainable development of society and economy, the Group engages in various activities as a member of the local community. Through active communication with the people and communities around us and active participation of each of our employees, we seek and practice what we can do by leveraging our unique strengths as a Group with a department store business at its core. Specifically speaking, we carry out activities to revitalize local communities, social contribution activities centered on fundraising, cultural and traditional projects, and next generation development. We will continue to promote a trusting relationship with local communities.

**Vision**

We will leverage the Group’s strengths, including our extensive store network in Japan and overseas and product/service procurement capabilities, to connect Japanese technology and traditional culture to the next generation through goods and services. We will also propose solutions to social issues and new values by bringing people and the community together.

**Initiatives**

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

**Co-creation with local communities**

We actively engage with local stakeholders, working mainly through our department stores to address social issues specific to each region and to promote local production for local consumption.

We are also committed to promoting regional revitalization, such as the introduction of local specialty products through our online business utilizing such schemes as Isetan Mitsukoshi Hometown Tax, corporate business, and gift business.

**Promotion and succession of culture and tradition**

To help customers enrich their lifestyles, the Group continues to organize and host events so that anyone can experience the fascination of culture. In addition to art exhibitions such as “Haru no Inten (Japanese Painting Exhibition)” and “Japan Traditional Kogei Exhibition,” we hold international exhibitions introducing foreign cultures, and product exhibitions introducing famous products from individual regions across Japan.

In recent years, we are also working to disseminate the values of Japan’s world-class cultural assets and contribute to the conservation through collaboration with national museums and museums of art.

### Targets and Progress of Priority Initiatives

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Approach</th>
<th>Current status</th>
<th>Target for FY2024</th>
<th>Target for FY2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority Initiative 1: Connecting People and Local Communities</td>
<td>Co-creation with local communities</td>
<td>Collaborate with various stakeholders surrounding the department store &amp; retail industry, such as local governments and public bodies, and local communities to pass on culture and traditions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Matching the impact of the issues on society and their influence on our businesses</td>
<td>We have summarized these issues from 14 specific issues and categorized them into 4 materiality areas.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pitting the impact of the issues on society and their influence on our businesses</td>
<td>We have summarized these issues from 14 specific issues and categorized them into 4 materiality areas.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stakeholder assessment</td>
<td>Confirming the direction for our material issues through stakeholder interviews, including customer questionnaire surveys.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Setting KPIs and monitoring</td>
<td>Setting KPIs and monitoring significant issues.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Sustainability Initiatives that customers most want the Isetan Mitsukoshi Group to take

- Reduction of food waste 18.9%
- Guaranteeing product quality and safety and accurate labeling 13.5%
- Reduction of CO2 emissions from stores and corporate activities, including energy conservation 11.6%

Other top three included promotion of research and development, and the restriction of packaging materials, indicating a growing level of expectation for environmental issues.

### Concepts

- Virtuous cycle of culture, resources and economy

**TOPICS**

MOO:D MARK by ISETAN

This is an e-commerce site where you can use the Social Gift service. Under this scheme, we support the revitalization of local communities through the sale of gifts online. Utilizing the merchandising capabilities and networks that we have cultivated over the years, we work together with producers and manufactures of outstanding food products and crafts on everything from support for product development to PR, sales, and analysis of the results of these efforts.

This project, which began in 2020, continues to grow significantly.

Our work with local businesses starts with our buyers, who travel across Japan in search of local specialty products. Leveraging their wealth of experience in department store business, they provide product development support while engaging in dialogue with businesses on approaches and combinations that meet the potential needs of our customers.

In our work with producers in Wakayama Prefecture, we have supported the development of umeboshi (pickled plum) gifts that can be enjoyed by the younger generation through a series of trials. Covering all stages from product selection to packaging methods and package design, our assistance in product development has been extremely well-received.

Through this initiative, we aim to contribute to regional revitalization by promoting the charms of regional specialties and helping businesses create a system to generate ongoing revenue.

**Social Gift**

A service that allows you to send gifts to people whose addresses you do not know via social media, e-mail, or other means.

For details of the Group’s sustainability initiatives, please refer to the Isetan Mitsukoshi Holdings Website Sustainability. The Sustainability Report 2023 (Japanese version) is planned to be released in December 2023. The Website (English version) will be updated in February 2024.

https://imdha disclosures site/en
In its corporate philosophy, the Group pledges to always choose sound procurement methods and fulfill its social responsibilities. To this end, we are working with our partners to build a sustainable supply chain that takes human rights and environmental issues into consideration.

To date, we have established the Isetan Mitsukoshi Group Human Rights Policy and the Isetan Mitsukoshi Group Procurement Policy, both in FY2018. In January 2022, we launched a supply chain working group to discuss how we can contribute to solving social issues in the supply chain. In FY2023, we decided on a policy based on discussions held in this working group, and are implementing the following initiatives.

### Initiatives for FY2023
- Training for employees on supply chain management
- Notification and dialogue with business partners regarding the Isetan Mitsukoshi Group Code of Conduct for Business Partners
- Construction of a human rights due diligence process

### Target for FY2024
- Disclose and explain Isetan Mitsukoshi Group Procurement Policy to all business partners and encourage the holding of dialogues on information sharing and resolution
- Establish solid human rights due diligence processes

### Overall Policies
- April 2023: Revised the Isetan Mitsukoshi Group Human Rights Policy and the Isetan Mitsukoshi Group Procurement Policy
  - We updated statements on social issues to be addressed by the Group in line of changing social trends, in addition to references to international norms and domestic and international guidelines.
- June 2023: Established the Isetan Mitsukoshi Group Code of Conduct for Business Partners
  - We established this policy to specify items that we would like our business partners to address in order to implement sustainable procurement activities, and ask for their cooperation in this regard. This information is disclosed on our website and is being disseminated to all our stakeholders.

### Dissemination of policies to employees
- We conducted training through e-learning to ensure that employees understand the contents of the updated policies, and are able to put the policies into practice in procurement activities, etc. Training resources explain the background of the need for responsible procurement, the initiatives our Group is involved in, and the importance of employees having a sense of awareness of these policies.

### Communication with business partners
- Notification of Isetan Mitsukoshi Group Code of Conduct for Business Partners
  - We have sent the Code of Conduct for Business Partners and explanatory materials to approximately 6,000 companies, mainly those involved in the department store business, the main business of our Group.
- Engage in dialogue with business partners
  - Buyers, mainly from the Isetan Shinjuku Main Store and the Mitsubishi Nihombashi Main Store, hold dialogue with business partners. This dialogue is aimed at promoting understanding of our policies, helping us to better grasp the situation of business partners, and working with them to build a relationship that can respond to social issues that can affect supply chains.

Going forward, we plan to conduct a questionnaire on procurement among our major business partners to monitor the degree of penetration of our policies and the progress of their initiatives. Based on the analysis of the questionnaire results and dialogue, we will determine the order of priority of risks in the supply chain that should be addressed by the Group, which will help us to implement human rights due diligence and promote initiatives to realize responsible procurement activities.
Working to Achieve a Carbon-Neutral Society

The Isetan Mitsukoshi Group is working toward its Long-term Environmental Targets goal of achieving virtually zero greenhouse gas emissions by 2050, and is taking measures to combat climate change based on the three pillars of energy conservation, energy creation, and renewable energy.

We are further promoting energy conservation efforts at all Group companies by actively adopting new technologies while shifting investment priorities on the long-term, medium-term, and short-term time frames of our long-term maintenance plan. We also believe that the stable procurement of electricity and other energy sources is a very significant risk. As such, along with efforts to create energy and switch to renewable energy sources, we will work to strengthen our resilience.

Progress and Initiatives in FY2023

Initiatives

- **Energy creation**
  Following on from Isetan Shinjuku Main Store and Mitsukoshi Ginza Store, we commenced an initiative to create energy using the rooftop of Isetan Mitsukoshi Logistics Center (Tokorozawa City, Saitama Prefecture) in February 2023. We plan to generate a quarter of the electricity used at the Logistics Center. By taking this step, we expect to reduce approximately 230 tons of CO2 per year.

- **Energy conservation**
  At the Isetan Shinjuku Main Store, we are working to introduce an AI smart air-conditioning system to reduce annual energy consumption for air conditioning on each floor by 50% compared to the previous system.

  Initiatives

  - Conversion to LED lighting in back offices of department stores
  - Introduction of AI smart air-conditioning system at Isetan Shinjuku Main Store
  - Change to high-efficiency equipment through our long-term maintenance plan

  For FY2022, preliminary results (vs. FY2013) showed a decrease of 44.81% in greenhouse gas emissions (under third-party verification).

  Our Group’s efforts to combat climate change are centered on the three pillars of energy conservation, energy creation, and renewable energy. In addition to energy creation, the facilities for which will become fully operational in FY2023, we will focus on energy conservation, an effective way to reduce energy and greenhouse gas emissions.

  The Isetan Mitsukoshi Group regards action on climate change as an important issue for continuous operation of our business. In FY2018, the Group identified Priority Initiatives (Materialities) for helping realize a sustainable society through its business. In FY2021, we have declared our support for the Task Force on Climate-related Financial Disclosures (TCFD), and make disclosures in accordance with this framework.

  **Scenario title**

  - **Opportunities** Risks
    - **Evaluation of corporate value**
      - Rise in interest in environmentally conscious consumption and responses to that rise
      - Improved reputation among stakeholders and the public by striving to become an environmentally friendly business

  **Indicators and targets**

  - Ratio of renewable energy introduced (Percentage of electricity used at domestic department store business): 60% in 2030, virtually zero greenhouse gas emissions

  **The world in 2030**

  - Impact of business operation: Financial effect of reduced energy costs, Additional capital expenditure and other costs required for reducing greenhouse gas emissions, Change in consumer behavior, Achievement of energy conservation, Evaluation of corporate value

  - Average global temperature rise: 2°C, Paris Agreement targets

  **Physical risk**

  - Extreme and abnormal weather events
    - Financial risk of loss incurred due to Group stores being damaged by extreme weather events
    - Risk of reduced sales due to stores being unable to operate because of floods and other weather events
    - Risk of reduced sales because products cannot be procured due to disruption of the supply chain

  **Transitional risks**

  - Advancement of global warming
    - Risk of reduced sales of cold protection and other goods
    - Increase of business risk

  - Introduction of carbon pricing
    - Increase of business and revenue opportunities

  **Risk management**

  - We evaluate, analyze, and decide how to deal with both the climate-change risks and opportunities of individual processes. In addition, risks and opportunities related to climate change are discussed at the Sustainability Promotion Meeting and Sustainability Promotion Section Meeting, and are shared with each company and division.

  **The Isetan Mitsukoshi Group**

  - We have set out two indicators for managing climate-change-related risks and opportunities: Scope 1 and 2 greenhouse gas emissions, and the ratio of renewable energy introduction.

  - In our analysis of the scenarios, we have made reference to several existing scenarios.

  **Strategies**

  - We have declared our support for the Task Force on Climate-related Financial Disclosures (TCFD), and make disclosures in accordance with this framework.

  **Reference Technology Scenario**

  - IEA World Energy Outlook

  **Sustainable Development Scenario**

  - IEA World Energy Outlook
Improving the Satisfaction of Employees

Promoting active participation of the disabled

Many of those who work at Isetan Mitsukoshi (SOL) have severe intellectual disabilities. However, despite this, they have outstanding concentration skills and the ability to accomplish basic, repetitive tasks. These employees are often not much different from able-bodied employees and are tasked with the processing and production of gift ribbons and wrapping materials that are presented to our customers.

Their ultimate goal is not to become specialists who master a single task. They are trying to be all-rounders who can handle all of the more than 100 set jobs and tasks. They rotate to a different job every day, and once they have learned one job, they are ready to take on the next challenge, always striving to reach new goals.

Although manuals exist for each operation, every worker has his or her own way of learning the process. Therefore, they create their own original “work notebooks,” which use as their own personal textbooks to check the procedures and proceed with the work. The pages that increase each time they take on a new task are evidence of their efforts. I am very proud and happy to see them discussing their progress with their coworkers, chatting about how many tasks they have mastered.

Wataru Miyairi, President and Representative Director, Isetan Mitsukoshi SOL Co., Ltd.

Promoting diversity & inclusion

Using creative ideas and consideration to create a rewarding workplace where people with disabilities can take on challenges

Priority Initiative: Improving the Satisfaction of Employees

Conception

In FY2023, we established the Isetan Mitsukoshi Group Corporate Philosophy. The Isetan Mitsukoshi Group Corporate Philosophy expresses what kind of value the Group can contribute to society, the kind of image we aim to project, and our raison d’être.

All our initiatives concerning human capital will be based on this Isetan Mitsukoshi Group Corporate Philosophy.

Vision

“Touching people’s hearts with human-driven experiences” is the mission we have set forth in the Isetan Mitsukoshi Group Corporate Philosophy. In line with this mission, based on the belief that the growth of each and every employee and the maximization of their capabilities will lead to the growth of the Isetan Mitsukoshi Group, we will aim to further promote the growth of individuals by providing job satisfaction and a comfortable working environment for employees (improvement of employee engagement).

Long-Term Goals and Current Status

Promoting diversity & inclusion

<table>
<thead>
<tr>
<th>Current</th>
<th>Target for FY2024</th>
<th>Target for FY2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of female managers across the Group on April 1, 2023</td>
<td>33.0%</td>
<td>38.0%</td>
</tr>
<tr>
<td>Ratio of female managers across the Group</td>
<td>32.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Ratio of employees with disabilities</td>
<td>2.83%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Ratio of employees with disabilities across the Group on April 1, 2023</td>
<td>3.50%</td>
<td>4.00%</td>
</tr>
</tbody>
</table>

Promoting life-work balance

<table>
<thead>
<tr>
<th>Current</th>
<th>Target for FY2024</th>
<th>Target for FY2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies achieving 1,700 and 1,800 total working hours per year</td>
<td>39.1%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Companies achieving 1,700 and 1,800 total working hours per year across the Group</td>
<td>80.0%</td>
<td>90.0%</td>
</tr>
</tbody>
</table>

Communication

Engagement survey response rate across the Group on April 1, 2023 | 100% | 100% |

Initiatives

We utilize regular quantitative surveys to clarify organizational and individual issues, as well as to undertake initiatives to make improvements in a unified manner through close communication between management and each department.

Promoting active participation of the disabled

This Isetan Mitsukoshi Group will continue to adhere to its principle of employing people with disabilities, in the hope of ensuring that people with disabilities are given opportunities to demonstrate their abilities in their professional lives as members of society.

Employment at Isetan Mitsukoshi SOL

Employment at Niihama, a subsidiary of Niihama Shokuhinu

Registered as a Tokyo Metropolitan Government “Barrier-Free Mind” support company

Promotion of lifelong CDP

Based on the concept of lifelong CDP, the Company and the organization work together to provide employees with various opportunities for growth and support tailored to each individual’s career phase. This creates a complex system that simultaneously realizes growth for both the individual and the Company.

Women are the majority of the Company and the organization work together to provide employees with various opportunities for growth and support tailored to each individual’s career phase. This creates a complex system that simultaneously realizes growth for both the individual and the Company.

SMARAN AD 45 in learning

Self-management

Applying for challenging work

Temporary outside with and outside the Group

Promoting women’s participation in the workplace and enabling them to achieve life-work balance

It is essential that women, who make up approximately 75% of the Group’s workforce, play an active role in the Company. We will continue working to create an environment in which women at various stages of their lives can work with a sense of fulfillment and comfort by enriching our systems and support and fostering an organizational culture and awareness among all employees conducive to this.

Reducing total working hours

Enhanced system of shortened working hours

Promoting taking annual paid leave

Promotion of telework

Life-work balance

Promoting women’s participation in the workplace and enabling them to achieve life-work balance

After maternity and childcare leave, I returned to work in 2023, taking advantage of the system of shortened working hours for childcare.

I am now in charge of planning for the Food Product Department at the Nihombashi Main Store, and am involved in the formulation of medium- to long-term plans for shop floors, media production, etc.

From the time I joined the Company, I was surrounded by many senior colleagues who were actively working while raising children. As such, I had an image of what it would be like after returning to work, so I was not worried about coming back.

I love Isetan Mitsukoshi, as it is a great place for people of all generations, and I hope that it will continue to be here when my daughter grows up and my grandchildren after that. For that reason, I would like to continue to work in a job that allows me to be involved in the store.

I am grateful that I am now able to work as I am, with the support of those around me. Various life events can happen to anyone, not only childcare but also nursing care, illness, and so on. I think it is important to have the option for flexible work styles that allow people to continue with their careers in such eventualities, and to have a culture of mutual support. I hope that when my children grow up, I will be able to support them.

Emi Hatori, Merchandising Manager, Sales Department 1, Sales Management Division, Isetan Mitsukoshi Nihombashi Main Store, Isetan Mitsukoshi Ltd.
Establishment of human resource strategy to realize medium- to long-term management strategies

In May 2023, we reorganized our Group Corporate Philosophy to clarify once again our raison d’être (mission) and the thoughts and actions we place importance on (values), which will help us achieve our vision. We will take this opportunity to restructure our medium- to long-term human resource strategy by aligning it more closely with our corporate philosophy and medium- to long-term management strategies.

Our medium- to long-term management strategies will see us move toward a more long-term, broad-based approach to intra-group coordination and urban community development, while leveraging the strengths of our special department stores. We will establish a medium- to long-term human resource strategy with a view to creating a corporate culture and organizational climate that will allow the human resources who will lead the future to continue to demonstrate their abilities 10 to 20 years down the road, and to build a unique corporate group that will last into the future, centered on the capabilities of its people.

Steps to consider medium- to long-term human resource strategy

In establishing a medium- to long-term human resource strategy, it is necessary to define a new relationship between employees and the Company with a view to fostering a corporate culture that is in line with our new corporate philosophy. After that, the plan will be divided into a human resource strategy aimed at realizing the management strategy, and a human resource policy, which will serve as the supporting structure for this.

In particular, the main human resource strategy will be broken down into four steps and considered in detail.

By verbalizing the new relationship between employees and companies within the Group, we will clarify expectations for employees and the responsibilities and roles of the Company and organization, as well as raise awareness of maximizing human resources throughout the Group, leading to improved productivity and the creation of innovation.

Life-long career development program (CDP) system

In the human resource strategy step, we focus on training to draw out the strengths of employees. Our Group will continue to accompany employees from the time they join until the end of their careers with us, and will establish a lifelong CDP system tailored to each individual employee.

Through this system, companies create fair opportunities for each employee according to his or her career phase, and encourage their desire for autonomous career development and growth. At the same time, companies and supervisors will assess the growth qualities of each individual, and sometimes strategically transfer or assign them outside the Company to maximize their future potential, aiming for both personal growth and the growth of the Company in the medium to long term.

In order to create a unique company that will last into the future, it is essential to create an environment in which each and every employee is motivated to work and can grow and play an active role. The Group’s companies, organizations, and supervisors will continue to maximize people’s capabilities by earnestly addressing the lifelong CDPs of every employee, thereby creating new innovations. By continuing to implement this, the Isetan Mitsukoshi Group’s raison d’être will be enhanced even further.

Touching people’s hearts with human-driven experiences.

In order to become a corporate group that will continue to fulfill this mission for the next 350 years, we have positioned 2023 as a year of new beginnings. As such, we will work together with our employees, companies, and organizations to move forward together.
Corporate Governance

**Basic Views**

The Group is overhauling its corporate governance structure by ongoing efforts toward securing the transparency of our corporate activities, speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems. The Company has adopted a company with a nominating committee, etc., as its organizational design. In order to build excellent relationships with customers, employees, shareholders and investors, business partners and the local and wider communities—our stakeholders—we examine the status of our corporate governance and make necessary improvements. We have established the Isetan Mitsukoshi Corporate Governance Guidelines, which stipulate the Group’s basic approach to corporate governance, the necessary framework, and operational guidelines.

**Corporate Governance Structure**

**Timeline of our corporate governance**

- **04 Corporate Governance**

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>FY2023</th>
<th>FY2022</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>10</td>
<td>12</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Board of Directors, System of Three Statutory Committees**

**Roles of the Board of Directors**

In light of the Company’s fiduciary responsibilities and accountability to shareholders, the Board of Directors will aim to promote the Group’s sustainable growth and the enhancement of corporate value over the medium to long term by focusing on the establishment of general direction of the Group and the oversight/monitoring of business execution.

**Composition and skills matrix of the Board of Directors**

We appoint directors in a way that ensures that the Board of Directors has both a broad perspective and an appropriate size. In addition to the experience and skills needed to monitor business operations and execute actions as a member of the Board of Directors, as well as to make decisions on important matters such as the Group’s basic management policies and internal control systems, we identify the skills of directors by categorizing their expertise and business-related insights as “expertise,” “expertise,” and “knowledge and know-how,” which are essential for the realization of our vision and management plans.

- Chairperson
- Areas where external directors are expected to contribute in terms of knowledge, experience, and abilities

**Activities of the Board of Directors in FY2022**

**Company with an audit and supervisory board**

<table>
<thead>
<tr>
<th>Areas of knowledge, experience and competence</th>
<th>Attendance at the Board of Directors’ meetings</th>
<th>Number of independent external directors</th>
<th>Number of company officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>◎</td>
<td>◎</td>
<td>○ ○ ○</td>
<td>○ ○ ○</td>
</tr>
</tbody>
</table>

The Company’s articles of incorporation stipulates that the number of directors shall not exceed 15. The number of directors shall be such that the functions of the Board of Directors can be effectively and efficiently demonstrated. In addition, the majority of the Board of Directors consists of independent external directors to ensure high objectivity and transparency in its supervisory function. All external directors satisfy the independence standards of the Company.

Furthermore, the regulations of the Board of Directors set out that the Board of Directors shall be chaired by a non-executive director, and the Board of Directors has been chaired by an external director since April 2021.
Corporate Governance

Evaluation of Board of Directors’ effectiveness

The Company is conducting the analysis and evaluation of the effectiveness of the Board of Directors on an ongoing basis through such means as self-evaluation questionnaires and interviews with directors including external directors. Furthermore, the Board of Directors discusses how to enhance its effectiveness based on the analysis and evaluation, and strives to make improvements through formulation and implementation of action plans. We have designed a process to examine the effectiveness of the Board of Directors under the leadership of the Chairperson of the Board of Directors, who is an external director, based on fiduciary responsibility and accountability to shareholders.

Efforts to evaluate the effectiveness of the Board of Directors in FY2022

<table>
<thead>
<tr>
<th>Process</th>
<th>Items for evaluation</th>
<th>Evaluation results</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Evaluation results for the previous fiscal year</td>
<td>⚪ Rules and responsibilities of the Board of Directors</td>
<td>The results showed that more than a certain percentage responded with either “effective” or “generally effective” to many of the questions, and the average score for all items have improved from the previous fiscal year. The evaluation results confirmed that the effectiveness of the Board of Directors and Nominating, Compensation, and Audit committees is adequately ensured.</td>
</tr>
<tr>
<td>• Policies and plans for the current fiscal year</td>
<td>⚪ Size and composition of the Board of Directors</td>
<td>In particular, there was a marked improvement in the score for “operations and discussions of the Board of Directors,” with a certain degree of evaluation and satisfaction regarding to improvements in agenda items, frequency of meetings, the implementation of open-minded and constructive discussions, etc.</td>
</tr>
<tr>
<td>• Confirm the progress of the plan</td>
<td>⚪ Operations and discussions of the Board of Directors</td>
<td>With regard to “roles and responsibilities of the Board of Directors” an opinion that emerged was that “As the Group moves from real estate development. I think an important issue is how to enhance deliberations. We would like to discuss this issue thoroughly with the executive side, and will endeavor to take appropriate action based on the content of these discussions.”</td>
</tr>
<tr>
<td>• Confirm how to proceed in the current fiscal year</td>
<td>⚪ Setting the agenda for meetings of the Board of Directors</td>
<td>One of our tasks is to acquire and share outside knowledge in areas different from our department store business. For example, in the process of realizing our goal of achieving “Urban Community Development,” we will need knowledge of new business fields such as real estate development. I think an important issue is how to incorporate such outside knowledge and other information into the Board of Directors as a way to enhance deliberations. We would like to discuss this issue thoroughly with the executive side, and will endeavor to take appropriate action based on the content of these discussions.”</td>
</tr>
<tr>
<td>• For all directors and executives</td>
<td>⚪ External directors’ meetings</td>
<td>With regard to the setting of agendas, the chairperson, CEO, and members of the secretariat review the previous board meeting, and after reflecting on the content of the meeting, the annual schedule, and other factors, they discuss and agree on the agenda for the next meeting. In doing so, we endeavor to establish timely and diverse perspectives, incorporating topics of the day, requests from external directors, and other factors.</td>
</tr>
<tr>
<td>• Questionnaires</td>
<td>⚪ Constructive dialogue with stakeholders</td>
<td>As part of our efforts to improve the effectiveness of the Board of Directors, we held a total of seven meetings led by external directors in FY2022. We hold a wide-ranging discussions on such things as the Group’s annual summary, management issues, directions to be taken, and succession plans. These include external director meetings (three times in FY2022), non-executive director meetings (two times in FY2022), and exchanges of views between external directors and the CEO (two times in FY2022).</td>
</tr>
<tr>
<td>• Final report on plan for the following fiscal year</td>
<td>⚪ Constructive dialogue with stakeholders</td>
<td>Meetings led by external directors</td>
</tr>
<tr>
<td>• Confirm the progress of the plan</td>
<td>• Discussions among internal and external directors and executives</td>
<td>Training for directors</td>
</tr>
<tr>
<td>• Confirm how to proceed in the current fiscal year</td>
<td>• Discussions among internal and external directors and executives</td>
<td>We provide ongoing training for directors and executive officers to acquire knowledge and improve their skills in accordance with their required roles and responsibilities.</td>
</tr>
<tr>
<td>• For all directors and executives</td>
<td>• Confirm the progress of the plan</td>
<td>For external directors in particular, we provide an overview of our Group and its strategies, and explain the content of discussions at past Board of Directors meetings and statutory committees to which they belong in order to promote understanding of our current situation and recognition of issues prior to their appointment. In order to keep external directors continuously updated after their appointment, we ensure that they have opportunities to visit important business sites. We provide ongoing training for directors and executive officers to acquire knowledge and improve their skills in accordance with their required roles and responsibilities.</td>
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</tr>
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<td>• Discussion among directors and executives</td>
<td>• Discussions among internal and external directors and executives</td>
<td>Training for directors</td>
</tr>
<tr>
<td>• Reports on results of questionnaires and individual interviews</td>
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Message from the Chairperson of the Board of Directors

Fukutaka Hashimoto
Chairperson of the Board of Directors

With regard to the acquisition and sharing of information, in addition to requesting that the executive and administrative offices prepare and provide materials deemed necessary for deliberations, we have several mechanisms in place. These include allowing each director to observe meetings of the Board of Executive Officers and inspect materials, holding external director meetings following board meetings to discuss issues and information, and, if necessary, requesting the attendance of executive officers and others to actively exchange opinions, as well as conducting on-site inspections to ascertain actual conditions. By further enhancing and taking full advantage of these mechanisms, we aim to further improve the quality of discussions and monitoring by the Board of Directors.

A constant challenge we face is how to improve the effectiveness of Board of Directors meetings. We believe that an important element of this is the proper setting of agendas and the acquisition and sharing of information necessary for deliberations.

As part of our efforts to improve the effectiveness of the Board of Directors, we held a total of seven meetings led by external directors in FY2022. We hold a wide-ranging discussions on such things as the Group’s annual summary, management issues, directions to be taken, and succession plans. These include external director meetings (three times in FY2022), non-executive director meetings (two times in FY2022), and exchanges of views between external directors and the CEO (two times in FY2022).

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Corporate Governance

Nominating Committee

Roles of the Nominating Committee

The Nominating Committee will engage in deliberations and make decisions related to the nomination of officers, under the leadership of external directors.

Composition of the Nominating Committee

The number of committee members shall be approximately five, the majority of whom will be external directors (of which at least one member shall concurrently serve as a member of the Audit Committee). The committee members will be selected by the Board of Directors’ resolutions, and the chair will be selected from among the external directors who are members of the committee.

Deliberations and details of decisions by the Nominating Committee

In addition to providing quantitative information such as performance indicators, qualitative information such as personnel evaluations, and objective evaluations by third-party agencies, the committee will secure contact between candidates and external directors such as interviews, make judgment with regard to the reappointment of the CEO, deliberate on the succession plan for the CEO, make decisions on proposals for the appointment and dismissal of directors to be submitted to the general meeting of shareholders, and deliberate on proposals by the members of the three statutory committees and proposals for executive appointment of executive officers, to be decided by the Board of Directors.

Activities in FY2022

<table>
<thead>
<tr>
<th>Main roles: deliberations and decision-making regarding the nomination of officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of committee members</td>
</tr>
<tr>
<td>Nominating Committee</td>
</tr>
</tbody>
</table>

Nominating Committee: 5 members (4 external directors (80%))

Message from the Chairperson

Fukutaka Hashimoto
Chairperson of the Nominating Committee

The Nominating Committee is a very important committee that underpins the effectiveness of the Group’s governance and helps enhance corporate value in the medium to long term from a human perspective. To date, the Group has made efforts to strengthen the management team by inviting external directors with diverse skills and ensuring its diversity, which includes the selection of our CEO.

In addition, under the leadership of Mr. Iijima, the previous chairperson, the committee took steps to improve objectivity and transparency last fiscal year, including clarifying the CEO reappointment process and enhancing the CEO candidate development plan, as well as sharing information by hearing the opinions of external directors other than Nominating Committee members on multiple occasions.

This fiscal year, we would like to carry on and further refine these activities, as well as have deeper discussions on efforts such as fostering managerial human resources to realize the future ideal of our company as envisioned in our long-term plans. This is an enormous task. Fortunately, our Nominating Committee is composed of individuals with a wealth of experience in matters related to human resources, and we intend to find a way to address these issues through full committee discussions, while also working with the Board of Directors and executives.

Compensation Committee

Roles of the Compensation Committee

The Compensation Committee will engage in deliberations and make decisions related to remuneration of officers, under the leadership of external directors, based on the remuneration plans that lead to incentives for officers to enhance corporate value.

Composition of the Compensation Committee

The number of committee members shall be not less than three persons and not more than five persons, the majority of whom will be external directors. The committee members will be selected by the Board of Directors’ resolutions, and the chair will be selected from among external directors who are members of the committee.

Deliberations and details of decisions by the Compensation Committee

The committee will engage in deliberations on issues and policy of officer remuneration plans that lead to incentives for officers to enhance corporate value, and then utilize objective indicators, including quantitative information such as performance indicators and qualitative information such as personnel evaluation to make judgment and decisions concerning the appropriateness of individual remuneration proposals.

Activities in FY2022

<table>
<thead>
<tr>
<th>Main roles: decision-making regarding compensation for officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of committee members</td>
</tr>
<tr>
<td>Compensation Committee</td>
</tr>
</tbody>
</table>

Message from the Chairperson

Miwako Doi
Chairperson of the Compensation Committee

Since FY2021, the Compensation Committee has focused its discussions on how incentive-based compensation should be linked to the enhancement of corporate value. Our Group has achieved a significant improvement in performance in FY2022, bouncing back from the difficult business conditions of the COVID-19 pandemic to a level of expected record profits in FY2023. This recovery has finally allowed the compensation system that the Compensation Committee has been exploring to show its effectiveness. We would like to thank our customers, shareholders, and employees for making this a success.

The Group will continue to pursue its aggressive stance with an eye to the next ten years, including the “Scientific analysis of department stores”, expansion of its “High sensitivity, fine quality” strategy, “Intra-group coordination” strategy, and “Urban community development” strategy. In addition to past discussions, the Compensation Committee would also like to begin considering the design of a new compensation system, with an eye toward what we would like to achieve ten years down the road. We will establish a new system, balance, and level of executive compensation in the future, based on a firm grasp of the market and other companies’ information along with our Group’s situation.

Additionally, this fiscal year we intend to enhance information sharing and exchanges of opinions with external directors who are not members of the committee, and to consider executive compensation in a manner that takes into account a greater diversity of opinions.

This recovery has finally allowed the compensation system that the Compensation Committee has been exploring to show its effectiveness. We would like to thank our customers, shareholders, and employees for making this a success.
Audit Committee

Roles of the Audit Committee
The Audit Committee performs audits of the execution of duties by executive officers and directors, audits the status of internal controls, and reviews the appointment of proposals to be submitted to the general meeting of shareholders concerning the appointment and dismissal of accounting auditors, etc., and performs the oversight function of the Board of Directors through audits. In addition, it establishes an audit system for the entire Group in cooperation with the accounting auditors, the internal audit divisions, and the corporate auditors of each Group company.

Composition of the Audit Committee
The number of committee members shall be approximately five, the majority of whom will be external directors (of which at least one member shall concurrently serve as a member of the Nominating Committee) and internal non-executive directors who are full-time members. In addition, at least one person who has sufficient knowledge of finance and accounting will be selected. The committee members will be selected by the Board of Directors’ resolutions, and chair will be selected from among directors who are members of the committee.

Activities of the Audit Committee
The committee will set forth audit policies and plans, obtain reports on risk management, reports from the Internal Audit Division, and reports other information from the accounting auditors, and conducts hearings, etc., on the status of business execution for the executive division. In addition, in order to improve the quality of audits, the committee will appropriately coordinate with the accounting auditors and the Internal Audit Division, including exchanging information on audit results and other matters.

Activities in FY2022

<p>| Main roles: auditing of executives’ and directors’ fulfilment of their duties, auditing of the status of internal control systems, and evaluations related to the appointment and dismissal of accounting auditors |</p>
<table>
<thead>
<tr>
<th>Number of members</th>
<th>Number of meetings held</th>
<th>Attendance rate</th>
<th>Meeting agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>17</td>
<td>100%</td>
<td>Formulation of audit policies and plans, reporting on risk management, reporting from the Internal Audit Office, reporting from the Accounting Auditor, interviews with executive divisions on the status of business execution</td>
</tr>
</tbody>
</table>

Message from the Chairperson

Yuki Ishizuka
Chairperson of the Audit Committee

In FY2022, the first year of implementation of the Medium-Term Management Plan, we were able to achieve better results than the previous fiscal year. The Audit Committee has conducted interviews with the executive officers as well as internal control departments and Group companies, and has monitored the Group in an effort to understand its situation. We believe that this fiscal year represents a phase of change in which the revitalization of our department stores will accelerate and efforts to realize our medium- to long-term vision will be undertaken at a swift pace. In this phase, the Audit Committee will focus on monitoring the functioning of controls and checks within the organization through the proper operation of internal control systems. In addition, it plans to organize the Group company audit system to enhance its effectiveness.

The Group has established the Independence Standards for the External Officers of Isetan Mitsukoshi Holdings as its criteria for judging the independence of external directors before appointing them as independent officers. Based on the independence standards, the Company appoints external officers who do not fall under any of the following categories.

Policy on the Nomination of Officers

To facilitate the appropriate replacement of officers, the Group stipulates the maximum age and the maximum term of office for officers on a position-by-position basis in the Regulations of Age Limits of Executive Officers in Office. Based on this, the appointment of executive officers, including representative executive officers and executive officers with special titles, and their reappointment after the expiration of the term of the appointment contract shall be determined by the Nominating Committee by appropriately evaluating the quantitative results of respective executive officers during the term of their appointment contract, as well as objective data, such as management talent assessments by a third-party institution. To ensure transparency in our standards for the appointment and dismissal of executives, we formulated the Isetan Mitsukoshi Group Officer Policy in March, 2022.

Decisions on CEO appointments, potential reappointments, and succession planning
Decision-making for the appointment of our CEO, succession planning, and potential reappointment is regarded to be one of the most important responsibilities of the Nominating Committee and we always strive to ensure transparency and fairness in that process. The Nominating Committee proactively discusses how this approach should operate and seeks to further strengthen these initiatives by, for instance, hearing opinions from all external directors who are not members of the Nominating Committee. Specifically, in the first year of inauguration of the CEO, the Nominating Committee deliberates on the vision for the term of office, and the CEO explains and shares the progress of management plans, future outlook, issues to be addressed, etc., to the Nominating Committee each fiscal year. The Company has established a system under which external directors who are members of the Nominating Committee independently determine the acceptance/non-acceptance of the reappointment. In addition, the Company thoroughly shares all information on candidates for a CEO successor with the Nominating Committee, including screening results of each candidate by an external management personnel evaluation agency, training plans, and plans for relocation to sectors that each candidate should experience.

Emergency CEO candidates (acting CEO) are deliberated on and confirmed in the initial Nominating Committee meeting of each business period.

Policy on the nomination of director candidates
With regard to nomination of candidates for director, the policy of the Company is to have the Board of Directors comprise members from a diverse range of people with broad and highly specialized knowledge and skills, as well as high ethical standards. When appointing candidates for director, the Nominating Committee, which is composed of a majority of external directors and chaired by one of them, makes decisions based on the above policy on the composition of the Board of Directors and the appointment standards as below, and the proposal is submitted to the general meeting of shareholders.

1) Must have knowledge and experience that are meaningful to the management of the Company and be well-versed in various management issues
2) Must have accurate insight into and a grasp of the global trends as well as changes in the market and customers
3) Must be eager to learn new knowledge and able to develop new views on management and directions based on such knowledge
4) Must have excellent character and insight and be physically and mentally healthy
5) Must have a strong sense of ethics and compliance, as well as values and personality that are appropriate for a director
Furthermore, for external directors, the Company invites people from different fields and industries, primarily those with practical management and business-world experience, while giving due consideration to ensuring diversity of the Board of Directors when selecting candidates, in order to actively take in a wide range of opinions from an objective perspective and ensure well-balanced management. Regarding senior management executive officers, the Board of Directors shall determine candidates after the deliberation by the Nominating Committee.

Criteria for independence
The Group has established the Independence Standards for the External Officers of Isetan Mitsukoshi Holdings as its criteria for judging the independence of external directors before appointing them as independent officers. Based on the independence standards, the Company appoints external officers who do not fall under any of the following categories.

A person from the Group who executes its business
A person for whom the Group is a major business partner, or an executive director, an executive or a manager thereof
A major business partner of the Group, an executive director, an executive officer, or an employee of any other type thereof
A person who executes business at a principal lender to the Group
A consultant, an accounting expert, a legal specialist or the like who has received financial or other economic benefits from the Group exceeding a certain sum other than the remuneration for officers
A shareholder or executive officer of the Company who holds 5% or more of its total outstanding shares
A person who has fallen under any of the categories ❶ to ❶ above in the last five years
A spouse or a relative within a second degree of kinship who falls under any of the categories ❶ to ❶ above

* A major business partner in category ❶ above refers to any business for which the Group’s annual transaction amount exceeds 1% of the Group’s consolidated total assets as of the end of the fiscal year.
* A person who falls under any of the categories ❶ to ❶ above in the last five years refers to any person who has fallen under any of the categories ❶ to ❶ above in the last five years.

Medium-Term Management Plan, we were able to provide advice and recommendations as necessary to management to enhance its effectiveness and performance. In the future, the Audit Committee will focus on monitoring the functioning of controls and checks within the organization through the proper operation of internal control systems. In addition, it plans to organize the Group company audit system to enhance its effectiveness.

In FY2022, the first year of implementation of the Medium-Term Management Plan, we were able to achieve better results than the previous fiscal year. The Audit Committee has conducted interviews with the executive officers as well as internal control departments and Group companies, and has monitored the Group in an effort to understand its situation. We believe that this fiscal year represents a phase of change in which the revitalization of our department stores will accelerate and efforts to realize our medium- to long-term vision will be undertaken at a swift pace. In this phase, the Audit Committee will focus on monitoring the functioning of controls and checks within the organization through the proper operation of internal control systems. In addition, it plans to organize the Group company audit system to enhance its effectiveness.

The Group has established the Independence Standards for the External Officers of Isetan Mitsukoshi Holdings as its criteria for judging the independence of external directors before appointing them as independent officers. Based on the independence standards, the Company appoints external officers who do not fall under any of the following categories.

A person from the Group who executes its business
A person for whom the Group is a major business partner, or an executive director, an executive or a manager thereof
A major business partner of the Group, an executive director, an executive officer, or an employee of any other type thereof
A person who executes business at a principal lender to the Group
A consultant, an accounting expert, a legal specialist or the like who has received financial or other economic benefits from the Group exceeding a certain sum other than the remuneration for officers
A shareholder or executive officer of the Company who holds 5% or more of its total outstanding shares
A person who has fallen under any of the categories ❶ to ❶ above in the last five years
A spouse or a relative within a second degree of kinship who falls under any of the categories ❶ to ❶ above

* A major business partner in category ❶ above refers to any business for which the Group’s annual transaction amount exceeds 1% of the Group’s consolidated total assets as of the end of the fiscal year.
* A person who falls under any of the categories ❶ to ❶ above in the last five years refers to any person who has fallen under any of the categories ❶ to ❶ above in the last five years.

04  Corporate Governance

Medium-Term Management Plan, we were able to
Corporate Governance

Compensation of Officers

● Basic principles related to compensation for officers

The Company established the Basic Principles on Officers’ Compensation, which is a policy regarding the details of remuneration, etc., for individual executive officers and other executives, an outline of which is as shown below. The Company has established the following four basic principles regarding executive remuneration to provide incentives for demonstrating sound entrepreneurship:

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 compensation whose amount fairly corresponds with the standard of the overall industry (at the point of target achievement)
4. Guaranteed objectivity and transparency in evaluation and remuneration determination methods

Based on the aforementioned Basic Principles on Officers’ Compensation, the Compensation Committee, which is a statutory committee consisting solely of external directors, determines the policy regarding compensation, and deliberates and determines the amounts of individual compensation. The Committee is continuing to consider making the executive compensation system even more functional as a sound incentive for the sustainable growth of the Company.

● Compensation structure

Executive officers: “Including those who serve concurrently as directors”
Non-executive directors: “Including external directors”

| Basic salary × 12 months | Bonuses
| --- | --- |
| Basic salary × 12 months | Stock-based compensation
| Basic salary × 4 months |
| Basic salary × 1 month |

● Bonuses

For executive officers, reflecting the principles for compensation, the following performance-based bonus has been introduced with the goal of strongly motivating them to achieve goals.

1. Bonus payment calculation formula for executive officers:
   - Base amount of bonus (monthly remuneration × 3 months) × corporate performance payment rate × Company-wide ESG indicators

2. Corporate performance payment rate
   - The payout ratio shall be 1.00 (100%) upon the full achievement of the operating income goal the Company should aim for, and designed to vary in proportion to the degree of achievement, with 0.00 (0%) at the minimum and no cap for the maximum.

3. Company-wide ESG indicators
   - From FY2023, ESG indicators have been incorporated in the evaluation of officers’ bonuses as a motivation to achieve the Company's mid-to-long-term goal of promoting sustainability. The KPI indicators shall be determined for each fiscal year and are designed to reflect the individual’s degree of achievement within a 25% range of the base amount of bonus x corporate performance payment rate.

● Stock-based compensation

With the aim of raising awareness of the need to increase shareholder value, we have introduced a restricted stock compensation system that aligns the interests of shareholders and directors by granting shares in the Company with restrictions on their transfer for a certain period of time.

Restricted stock compensation system

<table>
<thead>
<tr>
<th>Amount of monetary compensation claim</th>
<th>Executive officers (including those who serve concurrently as directors): Monthly basic salary × 4 months Non-executive directors: Monthly basic salary × 1 month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual monetary compensation claim = Reference stock price × Calculation of the number of dividend shares</td>
<td>Transfer restriction period</td>
</tr>
</tbody>
</table>

1. Closing price of the Company’s shares on the Tokyo Stock Exchange on the trading day immediately before the date of resolution of the allotment or the trading day preceding it if no closing price is recorded on such date.
2. The transfer restriction period is fixed in the base of expiration of the term of office or resignation during the transfer restriction period for a reason which is deemed valid by the Board of Directors.

Business Execution Structure

To accelerate the execution of its business, in principle, the Company appoints chief officers as executive officers and then establishes a Board of Executive Officers as an organ for executive decision-making and discussion. The Board of Executive Officers discusses and makes decisions concerning important Group issues, including matters over which authority has been delegated by the Board of Directors.

● Chief officer

The Company appoints chief officers, whose role is to execute business as executive officers. The chief officer’s main duties are described below.

1. CFO Chief Financial Officer
   - Implementation of POCA cycles for the Group’s finance plans, financial risk management, budget management for operating companies, etc.

2. CEO Chief Executive Officer
   - Chairing a committee consulted by the Board of Executive Officers.

3. CHRO Chief Human Resource Officer
   - Implementation of the Group’s human resource strategies, human resource allocation for operating companies, etc.

4. CRO Chief Risk Officer
   - Prevention of critical incidents across the Group, leadership and direction in such incidents, etc.

5. CAO Chief Administrative Officer
   - Implementation of the Group’s general affairs, operations, sustainability promotion, etc.

As the chief executive overseeing the Group’s overall management, the CEO takes command of the chief officers. All chief officers except the CEO take charge of different departments of the Company and exercise their duties by presiding over these departments. Chief officers address Group-wide issues that require the involvement of multiple departments by serving as project owner or chairing a committee as instructed by the Board of Executive Officers. Chief officers may serve concurrently as part-time directors of Group companies. These chief officers participate in the consensual decision-making processes of the Board of Directors of the Group company, thereby supervising and taking comprehensive control of the process. They also give instructions and advice regarding preliminary consultations from other part-time directors, thus taking comprehensive control of Group companies as chief officers beyond the boundaries between them.

● Board of Executive Officers

The Board of Executive Officers consists of executive officers authorized by the Board of Directors. The purpose of this organization is to enable the President and CEO and the other executive officers to make specific decisions on the execution of business. They deliberate on the passing of resolutions and on the President and CEO’s decisions on important matters, etc., related to the execution of business by the Company and the entire Group, and report matters. In addition, matters that have been resolved, deliberated on, or reported on at the Board of Executive Officers’ meetings and which are deemed important are reported to the Board of Directors.

● Advisory bodies to the Board of Executive Officers

The following committees have been formed to serve as advisory bodies to the Board of Executive Officers. Before critical Group management issues are submitted for decision by the decision-making body, these advisory bodies take initiative in determining whether to submit such issues and scrutinizing issues being submitted by verifying their rationality, reviewing them based on quantitative criteria, and checking assumed risk conditions.

1. Investment and Credit Committee
2. Business Revitalization Committee

● Promotion meetings

Aimed at advancing the important projects of the Group, our promotion meeting consists of members from across the Group and pursues the higher-level promotion of operations.

1. Compliance and Risk Management Promotion Meeting
2. Workstyle Reform Promotion Meeting
3. Sustainability Promotion Meeting

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## Internal Control System

The Isetan Mitsukoshi Group established the Basic Policy for Internal Control Systems at a meeting of the Board of Directors in 2008 to ensure sound and highly transparent Group management, as well as to maximize corporate value. Since then, we have been continuously reviewing and improving these policies as times and the environment change to make them more appropriate and efficient.

Our Basic Policy for Internal Control Systems contains the following items.

1. **Compliance systems**
2. **Risk management systems**
3. **Internal control systems regarding financial reporting**
4. **Information storage management systems**

After the end of each fiscal year, in accordance with the above items, we conduct voluntary inspections and confirm those at meetings of the Board of Executive Officers and other meetings on the status of establishment and operation of internal controls. The results are reported to the Audit Committee and the Board of Directors and are used to strengthen internal control systems and improve operations for the next fiscal year.

## Risk Management Systems

The Isetan Mitsukoshi Group has developed and established a Group-wide risk management system based on the Basic Policy for Internal Control Systems, including such things as the prevention of risks in all business areas and cross-sectional responses to risks when they occur. To achieve sustainable growth for the future in a business environment with diversifying risks, the Isetan Mitsukoshi Group engages in the further strengthening of the systems for promoting risk management, with the safety and security of customers, business partners, and employees as its top priority.

### The three lines of defense and five layers of risk management

- First layer: HDS Risk Management Office
- Second layer: Administrative departments of operating companies of the Group
- Third layer: HDS administrative departments
- Fourth layer: HDS Risk Management Office
- Fifth layer: HDS Internal Audit Office

*HDS stands for “holdings company.”

## Systems for promoting risk management

Our Group ensures that the Compliance and Risk Management Promotion Meeting, chaired by the president and CEO, is thoroughly informed of risk management systems and policies, and that highly effective measures are taken through three sub-committees (Risk Management Subcommittee, Compliance Promotion Subcommittee, and Cyber Risk Management Project).

Our Group’s risk management system comprises of three lines of defense and five layers that assume risk management in the current organization. Based on the three lines of defense, with each Group company as the first line of defense, the HDS Risk Management Office as the second line of defense, and the HDS Internal Audit Office as the third line of defense, we have strengthened our risk management system by dividing it into five layers with more specifically defined roles.

### Organizations improving the effectiveness of risk management

The Group takes effective measures to prevent the occurrence of priority risks identified by the Compliance and Risk Management Promotion Meeting, through the following sub-committees, thereby implementing a PDCA cycle of suggesting, promoting, and examining more specific countermeasures.

Priority risks are explained in "Concept of risk” on page 60.

### Risk Management Subcommittee

This subcommittee works to improve the effectiveness of risk countermeasures by conducting rigorous drills and inspections, as well as formulating measures and BCP to reduce and prevent various risks, including natural disasters and fires.

### Compliance Promotion Subcommittee

In order to maintain a sense of ethics that is responsive to the times and to correctly respond to rapid changes in the environment, this subcommittee works to foster a compliance mindset as part of our corporate culture by promoting understanding of legal knowledge and administrative trends that management should be aware of, and by linking this to practices that comply with the principle of fair trade.

### Cyber Risk Management Project

This organization maintains knowledge of the latest security trends to optimize the Group’s security technology, improves daily monitoring systems to prevent and quickly respond to any incidents, and provides training to employees.

## The PDCA cycle of risk management

Based on the basic policies presented at the Compliance and Risk Management Promotion Meeting, countermeasures for specific priority risks are formulated and thoroughly communicated through each subcommittee. In order to implement countermeasures, training and voluntary inspection activities are conducted at each Group company. We carry out risk management based on the PDCA cycle, in which monitoring and evaluation lead to further improvements in response measures.
Compliance and Risk Management Systems

◆ Concept of risk

In assessing risk, our Group strives to understand risks from multiple perspectives, taking into consideration the ever-changing external environment and the Group’s business characteristics and strategies.

We have classified the risks surrounding the businesses of the entire Group into five categories: Management strategy risks; Financial risks; Personnel and labor risks; Disasters and other external risks; and Operational risks, and have established a flow to regularly evaluate and confirm the progress of countermeasures after further subdividing each risk. Furthermore, should a risk materialize, we consider it to be a risk that could result in damage to property, injury to personnel, impediment to the execution of financial and management strategies, or damage to our reputation. As such, based on the frequency of occurrence and impact on business, we create a risk map (see below), select priority risks among them, and take countermeasures as early as possible.

Risk examples

<table>
<thead>
<tr>
<th>Category</th>
<th>Risk item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management strategy risks</td>
<td>Promotion of sustainability management, Responding to conditions overseas, Strategies to cope with digital society</td>
</tr>
<tr>
<td>Financial risks</td>
<td>Fundraising, Increase in marked interest rates, Foreign exchange fluctuation</td>
</tr>
<tr>
<td>Personnel and labor risks</td>
<td>Securing and developing professional human resources, Addressing diversity, equality &amp; inclusion, Harassment, proper working hour management</td>
</tr>
<tr>
<td>Disasters and other external risks</td>
<td>Natural disasters and fires, Infectious diseases, Information security</td>
</tr>
<tr>
<td>Operational risks</td>
<td>Commodity transaction risks, Food sanitation incidents, Leakage of personal information</td>
</tr>
</tbody>
</table>

Compliance Systems

◆ Our views on compliance

The Isetan Mitsukoshi Group believes that it is essential that employees incorporate compliance into their values, awareness and actions, and practice it to observe laws, ethics, social norms and the like.

For that purpose, the Group has established the Isetan Mitsukoshi Group Standards of Corporate Ethical Behavior as a code of conduct for officers and employees. The Group seeks to maintain and improve compliance systems to ensure the trust of society, in addition to working to share the Standards throughout the Company. The Group also works to make compliance in everyday businesses known to all employees by posting the Compliance Guidebook, which outlines laws and guidelines for ethical actions that should be observed in relation to customers, business partners, and employees, on the Intranet.

Compliance with laws, ethics, and social norms

- Customers: Act on the Protection of Personal Information, Act against Unjustifiable Premiums and Misleading Representations, etc.
- Local community: Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment, Food Sanitation Act, Environment-related laws, etc.
- Business partners: Anti-Monopoly Act, Subcontract Act, Trademark Act, etc.
- Employees: Labor Law, Act on Comprehensively Advancing Labor Measures (measures to prevent harassment), etc.
- Shareholders: Companies Act, Financial Instruments and Exchange Act (master trading regulations), etc.

Compliance Promotion Subcommittee, a meeting for managers separate to the meeting for working-level employees, has expanded its scope to include laws and regulations, ethics, social norms, and soft law, and is promoting a variety of initiatives in these areas. On the other hand, the meeting for working-level employees focuses on personal information management and preventing food hygiene incidents, as well as the Anti-Monopoly Act (cartel bidding), Subcontract Act, and Act against Unjustifiable Premiums and Misleading Representations as specific items of compliance in business operations, and conducts practical activities for checking and preventing such violations. The status of these activities is also shared at the Compliance Promotion Subcommittee.

Enhancing compliance in our relationships with stakeholders

1. Customers: Initiatives for the protection of personal information
   - The Group has established and released a Privacy Policy and Cookie Policy for appropriate management and proper use of the personal information received from customers to meet their expectations and earn their trust. The Group has also created Personal Information Management Rules based on the Privacy Policy. Under these rules, the Group ensures proper use of personal information and strict protection and management.

2. Shareholders: Establishment of an IR Policy
   - The Group has established and published an IR Policy to earn the trust and understanding of shareholders and investors through its investor relations activities (public relations activities for shareholders and investors). The goals of the Group are, based on this policy, to disclose information fairly and improve communication.

3. Local community: Response to antisocial forces
   - At the Isetan Mitsukoshi Group, our Basic Policy for Internal Control Systems and the Isetan Mitsukoshi Group Procurement Policy state that the Group will have no relationship with antisocial forces, reject undue claims from them, and prevent damage which may be caused by them.

4. Business partners: Establishment and application of systems promoting fair trade
   - The Group has established Fair Trade Guidelines. Under these guidelines, the Group promotes the establishment of systems to avoid unfair trade restrictions and the like and their strict application to ensure that the Group competes fairly and freely and continues to extensively contribute to society.

5. Employees: Establishment and operation of a whistleblowing hotline
   - The Group has established Group Hotline Rules to promptly identify unfair actions, and to make improvements in such cases. Based on these rules, it has provided the Group Hotline, a system where external expert firms and law offices receive reports on unfair actions to protect whistleblowers from any unfair treatment.
Directors and Executive Officers

Toshiyuki Hosoya
Director
President and CEO
July 1, 1994

- April 1977: Joined joined Co., Ltd.
- April 2015: Operating Officer, General Manager in charge of Human Resources, Corporate Research & Development Center, Toshiba Corporation
- April 2015: Managing Officer, General Manager in charge of Human Resources, Toshiba Corporation
- April 2016: Managing Director, President, Toshiba Corporation
- March 2017: President, Toshiba Corporation
- February 2018: Acting President, Toshiba Corporation
- April 2018: President, Toshiba Corporation
- October 2019: Acting President, Toshiba Corporation
- April 2020: President, Toshiba Corporation

Board of Directors
Chairman
Audit Committee
Nominating Committee

Yuki Ishizuka
Director
Chairman of the Audit Committee
June 11, 1992

- April 1985: Joined joined Co., Ltd.
- April 1995: Operating Officer, General Manager in charge of Human Resources, Toshiba Corporation
- April 1996: Operating Officer, General Manager in charge of Human Resources, Toshiba Corporation
- April 1997: Managing Director, President, Toshiba Corporation
- March 2017: President, Toshiba Corporation
- February 2018: Acting President, Toshiba Corporation
- April 2018: President, Toshiba Corporation
- October 2019: Acting President, Toshiba Corporation
- April 2020: President, Toshiba Corporation

Board of Directors
Chairman
Audit Committee
Nominating Committee

Yoshinori Makino
Director
Managing Executive Officer, CSOD and CFO
December 2, 1995

- April 2002: Joined joined Ltd.
- April 2002: Director, Operating Officer, General Manager, Corporate Strategic Planning, Toshiba Corporation
- April 2002: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2003: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2005: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2007: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2009: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2011: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2013: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2015: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2017: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2019: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2020: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation
- April 2022: Director, Operating Officer, General Manager, Corporate Planning and Business Development, Toshiba Corporation

Board of Directors
Chairman
Audit Committee
Nominating Committee

Fukutaka Hashimoto
External Director
Chairman of the Nominating Committee
July 8, 1924

- April 1976: Joined Nippon Telegraph and Telephone Public Corporation
- April 1977: Joined Nippon Telegraph and Telephone Public Corporation
- April 1978: Joined Nippon Telegraph and Telephone Public Corporation
- April 1979: Joined Nippon Telegraph and Telephone Public Corporation
- April 1980: Joined Nippon Telegraph and Telephone Public Corporation
- April 1981: Joined Nippon Telegraph and Telephone Public Corporation
- April 1982: Joined Nippon Telegraph and Telephone Public Corporation
- April 1983: Joined Nippon Telegraph and Telephone Public Corporation
- April 1984: Joined Nippon Telegraph and Telephone Public Corporation
- April 1985: Joined Nippon Telegraph and Telephone Public Corporation
- April 1986: Joined Nippon Telegraph and Telephone Public Corporation
- April 1987: Joined Nippon Telegraph and Telephone Public Corporation
- April 1988: Joined Nippon Telegraph and Telephone Public Corporation
- April 1989: Joined Nippon Telegraph and Telephone Public Corporation
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- April 1991: Joined Nippon Telegraph and Telephone Public Corporation
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- April 2018: Joined Nippon Telegraph and Telephone Public Corporation
- April 2019: Joined Nippon Telegraph and Telephone Public Corporation
- April 2020: Joined Nippon Telegraph and Telephone Public Corporation
- April 2021: Joined Nippon Telegraph and Telephone Public Corporation
- April 2022: Joined Nippon Telegraph and Telephone Public Corporation

Board of Directors
Chairman
Audit Committee
Nominating Committee

Takuya Yamashita
Managing Executive Officer
April 13, 1967

- (as of June 20, 2023)

Executive Officers

Akira Kimbara
Managing Executive Officer
March 1, 1988

- (as of June 20, 2023)
Financial Highlights

Consolidated operating income

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
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<tbody>
<tr>
<td>(millions of yen)</td>
<td>29,529</td>
<td>19,675</td>
<td>5,960</td>
<td>-20,974</td>
<td>29,666</td>
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Consolidated ROE

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>3.2</td>
<td>2.5</td>
<td>2.9</td>
<td>4.1</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Consolidated sales to SG&A ratio

*Comparison before application of revenue recognition standards

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>15.6</td>
<td>15.9</td>
<td>16.7</td>
<td>19.3</td>
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</tbody>
</table>

Interest-bearing debt D/E ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>3.9</td>
<td>3.8</td>
<td>3.8</td>
<td>3.9</td>
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</table>

Group duty-free sales (total for department stores in Japan)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions of yen)</td>
<td>75,554</td>
<td>64,287</td>
<td>5,995</td>
<td>62,392</td>
<td>75,554</td>
</tr>
</tbody>
</table>

Non-Financial Highlights

Number of consolidated Group employees

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>(persons)</td>
<td>23,732</td>
<td>21,999</td>
<td>20,037</td>
<td>17,253</td>
<td>17,548</td>
</tr>
</tbody>
</table>

Consolidated ROE

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>-9</td>
<td>-6</td>
<td>-3</td>
<td>0</td>
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</tbody>
</table>

Interest-bearing debt D/E ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>3.7</td>
<td>3.6</td>
<td>3.5</td>
<td>3.6</td>
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</tbody>
</table>

Capital investment / Depreciation

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions of yen)</td>
<td>25,734</td>
<td>27,021</td>
<td>23,629</td>
<td>23,014</td>
<td>24,392</td>
</tr>
</tbody>
</table>

Percentage of male employees taking childcare leave (Isetan Mitsukoshi Ltd.)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>21.6</td>
<td>22.3</td>
<td>21.7</td>
<td>20.3</td>
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</table>

Number of cross-shareholdings (Isetan Mitsukoshi Ltd.)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>(no. of stocks)</td>
<td>96</td>
<td>83</td>
<td>76</td>
<td>68</td>
</tr>
</tbody>
</table>

Number of directors/ratio of external directors (Isetan Mitsukoshi Holdings Ltd.)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>25.6</td>
<td>25.9</td>
<td>26.7</td>
<td>27.1</td>
<td></td>
</tr>
</tbody>
</table>

For additional non-financial information, please visit the Isetan Mitsukoshi Holdings website.

https://imhds.disclosure.site/en/themes/138
### 11-Year Financial Data

#### Major Financial Data

We have applied accounting standards for revenue recognition, etc., from the fiscal year ended March 31, 2022.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>1,236,333</td>
<td>1,321,512</td>
<td>1,272,130</td>
<td>1,287,253</td>
<td>1,253,457</td>
<td>1,256,386</td>
<td>1,196,803</td>
<td>1,119,191</td>
<td>816,009</td>
<td>418,338</td>
<td>487,407</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>320,771</td>
<td>335,376</td>
<td>322,372</td>
<td>328,660</td>
<td>341,673</td>
<td>342,869</td>
<td>319,052</td>
<td>248,542</td>
<td>237,745</td>
<td>256,943</td>
<td>298,550</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>26,639</td>
<td>34,646</td>
<td>33,083</td>
<td>33,107</td>
<td>23,935</td>
<td>24,413</td>
<td>29,229</td>
<td>15,679</td>
<td>-20,976</td>
<td>5,940</td>
<td>29,606</td>
</tr>
<tr>
<td><strong>Recurring income</strong></td>
<td>34,217</td>
<td>38,440</td>
<td>34,563</td>
<td>36,704</td>
<td>27,418</td>
<td>27,325</td>
<td>31,995</td>
<td>19,771</td>
<td>-17,171</td>
<td>9,520</td>
<td>30,017</td>
</tr>
<tr>
<td><strong>Net income attributable to parent company shareholders</strong></td>
<td>25,292</td>
<td>21,166</td>
<td>29,886</td>
<td>26,506</td>
<td>14,976</td>
<td>-960</td>
<td>13,480</td>
<td>-11,187</td>
<td>-41,078</td>
<td>12,338</td>
<td>32,377</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,223,677</td>
<td>1,284,658</td>
<td>1,291,560</td>
<td>1,293,043</td>
<td>1,312,074</td>
<td>1,275,535</td>
<td>1,247,427</td>
<td>1,223,800</td>
<td>1,198,303</td>
<td>1,168,574</td>
<td>1,217,308</td>
</tr>
<tr>
<td><strong>Shareholders’ equity</strong></td>
<td>491,001</td>
<td>524,591</td>
<td>560,362</td>
<td>563,264</td>
<td>568,858</td>
<td>576,396</td>
<td>542,345</td>
<td>501,936</td>
<td>511,796</td>
<td>546,120</td>
<td>552,519</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>505,127</td>
<td>541,069</td>
<td>577,655</td>
<td>574,316</td>
<td>579,782</td>
<td>588,091</td>
<td>585,715</td>
<td>550,161</td>
<td>517,660</td>
<td>546,120</td>
<td>552,519</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>4,438</td>
<td>46,022</td>
<td>49,448</td>
<td>43,099</td>
<td>35,373</td>
<td>72,972</td>
<td>28,286</td>
<td>16,281</td>
<td>37,914</td>
<td>66,301</td>
<td>66,301</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>-26,312</td>
<td>-19,221</td>
<td>-34,374</td>
<td>-24,481</td>
<td>-40,913</td>
<td>-26,981</td>
<td>-22,450</td>
<td>-9,965</td>
<td>-17,371</td>
<td>-27,026</td>
<td>-27,026</td>
</tr>
<tr>
<td><strong>Capital investment</strong></td>
<td>30,499</td>
<td>31,569</td>
<td>29,279</td>
<td>40,043</td>
<td>34,200</td>
<td>38,446</td>
<td>56,526</td>
<td>29,848</td>
<td>27,767</td>
<td>20,307</td>
<td>20,307</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>21,559</td>
<td>22,228</td>
<td>22,818</td>
<td>23,020</td>
<td>23,562</td>
<td>25,272</td>
<td>25,734</td>
<td>27,021</td>
<td>23,629</td>
<td>23,629</td>
<td>23,629</td>
</tr>
<tr>
<td><strong>Net income per share (yen)</strong></td>
<td>64.11</td>
<td>53.65</td>
<td>75.74</td>
<td>67.41</td>
<td>38.27</td>
<td>53.65</td>
<td>53.65</td>
<td>53.65</td>
<td>53.65</td>
<td>53.65</td>
<td>53.65</td>
</tr>
<tr>
<td><strong>Net assets per share (yen)</strong></td>
<td>1,244.54</td>
<td>1,329.45</td>
<td>1,421.72</td>
<td>1,438.17</td>
<td>1,460.32</td>
<td>1,478.74</td>
<td>1,478.74</td>
<td>1,478.74</td>
<td>1,478.74</td>
<td>1,478.74</td>
<td>1,478.74</td>
</tr>
<tr>
<td><strong>Cash dividend per share (yen)</strong></td>
<td>10.00</td>
<td>11.00</td>
<td>11.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>12.00</td>
<td>14.00</td>
<td>14.00</td>
</tr>
<tr>
<td><strong>Gross profit margin</strong></td>
<td>28.10%</td>
<td>28.00%</td>
<td>27.94%</td>
<td>28.10%</td>
<td>29.17%</td>
<td>29.23%</td>
<td>29.10%</td>
<td>28.80%</td>
<td>27.89%</td>
<td>58.25%</td>
<td>58.79%</td>
</tr>
<tr>
<td><strong>SG&amp;A expense ratio</strong></td>
<td>25.9%</td>
<td>25.4%</td>
<td>25.3%</td>
<td>25.5%</td>
<td>27.3%</td>
<td>27.3%</td>
<td>26.7%</td>
<td>27.4%</td>
<td>30.5%</td>
<td>56.8%</td>
<td>52.7%</td>
</tr>
<tr>
<td><strong>Operating profit margin</strong></td>
<td>2.2%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>1.9%</td>
<td>1.9%</td>
<td>2.4%</td>
<td>1.4%</td>
<td>-2.6%</td>
<td>1.4%</td>
<td>6.1%</td>
</tr>
<tr>
<td><strong>Return on equity (ROE)</strong></td>
<td>5.3%</td>
<td>4.2%</td>
<td>5.5%</td>
<td>4.7%</td>
<td>2.6%</td>
<td>-0.2%</td>
<td>2.3%</td>
<td>-2.0%</td>
<td>-7.9%</td>
<td>2.5%</td>
<td>6.1%</td>
</tr>
<tr>
<td><strong>Return on assets (ROA)</strong></td>
<td>2.2%</td>
<td>2.8%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>1.8%</td>
<td>1.9%</td>
<td>2.3%</td>
<td>1.3%</td>
<td>-1.7%</td>
<td>0.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>Rate of return on invested capital (ROIC)</strong></td>
<td>2.5%</td>
<td>3.1%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>2.2%</td>
<td>2.3%</td>
<td>2.8%</td>
<td>1.5%</td>
<td>-2.0%</td>
<td>0.6%</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>Shareholders’ equity ratio</strong></td>
<td>40.1%</td>
<td>40.8%</td>
<td>43.4%</td>
<td>43.6%</td>
<td>43.4%</td>
<td>45.2%</td>
<td>46.1%</td>
<td>44.3%</td>
<td>41.9%</td>
<td>43.8%</td>
<td>44.9%</td>
</tr>
<tr>
<td><strong>Payout ratio</strong></td>
<td>15.6%</td>
<td>20.5%</td>
<td>14.5%</td>
<td>17.8%</td>
<td>31.4%</td>
<td>34.7%</td>
<td>34.7%</td>
<td>34.7%</td>
<td>34.7%</td>
<td>30.9%</td>
<td>16.5%</td>
</tr>
</tbody>
</table>

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

*1 Percentage figures are shown to two decimal places for gross profit margins, and to one decimal place for other percentages.

*2 Rate of return on invested capital (ROIC) = consolidated operating income after tax ÷ (interest-bearing debt + shareholders’ equity).

*3 Interest-bearing debt, including lease obligations, totaled 170,237 million yen.

*5 In sections with “−”, the value is not stated because data are not available.
## Financial Data

### Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>As of March 31, 2022</th>
<th>As of March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank deposits</td>
<td>81,194</td>
<td>105,892</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>120,924</td>
<td>133,922</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>768</td>
<td>859</td>
</tr>
<tr>
<td>Merchandise</td>
<td>24,588</td>
<td>24,644</td>
</tr>
<tr>
<td>Finished goods</td>
<td>7</td>
<td>401</td>
</tr>
<tr>
<td>Work in process</td>
<td>345</td>
<td>332</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>464</td>
<td>606</td>
</tr>
<tr>
<td>Other current assets</td>
<td>23,703</td>
<td>25,544</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>23,422</td>
<td>23,386</td>
</tr>
<tr>
<td></td>
<td><strong>Total current assets</strong></td>
<td><strong>920,741</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total property and equipment</strong></td>
<td><strong>1,168,574</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Deferred assets</strong></td>
<td><strong>75</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total total assets</strong></td>
<td><strong>1,168,574</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>As of March 31, 2022</th>
<th>As of March 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable</td>
<td>87,110</td>
<td>104,902</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>13,145</td>
<td>26,968</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>40,000</td>
<td>40,000</td>
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<tr>
<td>Income taxes payable</td>
<td>1,637</td>
<td>4,963</td>
</tr>
<tr>
<td>Gift vouchers</td>
<td>24,369</td>
<td>25,054</td>
</tr>
<tr>
<td>Reserve for bonuses</td>
<td>7,019</td>
<td>10,423</td>
</tr>
<tr>
<td>Allowance for post-retirement benefits</td>
<td>2,131</td>
<td>2,103</td>
</tr>
<tr>
<td>Reserve for tax deferred treatment of gift vouchers</td>
<td>16,064</td>
<td>14,023</td>
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<tr>
<td>Other current liabilities</td>
<td>55,296</td>
<td>64,876</td>
</tr>
<tr>
<td></td>
<td><strong>Total current liabilities</strong></td>
<td><strong>359,836</strong></td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>30,000</td>
<td>20,000</td>
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<td>Long-term debt</td>
<td>82,000</td>
<td>68,300</td>
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<td>Deferred tax liabilities</td>
<td>126,921</td>
<td>118,027</td>
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<tr>
<td>Net defined benefit liability</td>
<td>32,827</td>
<td>33,470</td>
</tr>
<tr>
<td>Provision for tax on business of subsidiaries and affiliates</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>Liabilities from application of equity method</td>
<td>3,466</td>
<td>3,503</td>
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<tr>
<td>Other long-term liabilities</td>
<td>15,843</td>
<td>17,752</td>
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<tr>
<td></td>
<td><strong>Total long-term liabilities</strong></td>
<td><strong>231,075</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total liabilities</strong></td>
<td><strong>590,911</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>51,162</td>
<td>51,276</td>
</tr>
<tr>
<td>Capital reserves</td>
<td>323,812</td>
<td>323,609</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>134,558</td>
<td>162,708</td>
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<tr>
<td>Treasury stock</td>
<td>-18,364</td>
<td>-18,159</td>
</tr>
<tr>
<td></td>
<td><strong>Total shareholders’ equity</strong></td>
<td><strong>491,168</strong></td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gains (losses) on securities</td>
<td>5,450</td>
<td>5,514</td>
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<tr>
<td>Deferred gains (losses) on hedges</td>
<td>-</td>
<td>43</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>15,501</td>
<td>20,931</td>
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<tr>
<td>Restatements of defined benefit plans</td>
<td>-367</td>
<td>237</td>
</tr>
<tr>
<td></td>
<td><strong>Total accumulated other comprehensive income</strong></td>
<td><strong>20,627</strong></td>
</tr>
<tr>
<td>Stock acquisition rights</td>
<td>1,115</td>
<td>886</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>4,748</td>
<td>5,512</td>
</tr>
<tr>
<td></td>
<td><strong>Total net assets</strong></td>
<td><strong>517,660</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>517,660</strong></td>
</tr>
</tbody>
</table>

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

### Consolidated Statements of Income

<table>
<thead>
<tr>
<th></th>
<th>FY2021 (From April 1, 2021 to March 31, 2022)</th>
<th>FY2022 (From April 1, 2022 to March 31, 2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥418.3 billion</td>
<td>¥487.4 billion</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>174.653</td>
<td>200.857</td>
</tr>
<tr>
<td>Gross profit</td>
<td>243.685</td>
<td>286.550</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>237.745</td>
<td>256.943</td>
</tr>
<tr>
<td>Operating income</td>
<td>5,940</td>
<td>29,666</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>8,431</td>
<td>3,810</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>4,784</td>
<td>4,126</td>
</tr>
<tr>
<td>Recurring income</td>
<td>9,526</td>
<td>30,117</td>
</tr>
<tr>
<td>Extraordinary gain</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Extraordinary loss</td>
<td>6,834</td>
<td>5,999</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>11,117</td>
<td>27,827</td>
</tr>
<tr>
<td>Income taxes-current</td>
<td>1,187</td>
<td>6,125</td>
</tr>
<tr>
<td>Income taxes-deferred</td>
<td>-2,158</td>
<td>-10,668</td>
</tr>
<tr>
<td>Income taxes</td>
<td>-970</td>
<td>-4,542</td>
</tr>
<tr>
<td>Net income</td>
<td>12,088</td>
<td>32,370</td>
</tr>
<tr>
<td>Loss attributable to non-controlling interests</td>
<td>-250</td>
<td>-7</td>
</tr>
<tr>
<td>Net income attributable to parent company shareholders</td>
<td>12,338</td>
<td>32,377</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>FY2021 (From April 1, 2021 to March 31, 2022)</th>
<th>FY2022 (From April 1, 2022 to March 31, 2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>37,314</td>
<td>60,301</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>-17,371</td>
<td>-27,026</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>-39,927</td>
<td>-16,198</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>1,059</td>
<td>1,468</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>-18,324</td>
<td>24,565</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>80,797</td>
<td>84,472</td>
</tr>
<tr>
<td>Increase or decrease in cash and cash equivalents due to changes in scope of consolidation</td>
<td>-1</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>84,472</td>
<td>109,039</td>
</tr>
</tbody>
</table>

### Net Sales and Operating Income / Breakdown of Net Sales

<table>
<thead>
<tr>
<th>Department</th>
<th>FY2022 Net sales and operating income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department store business</td>
<td>Net sales ¥416.0 billion 111.3% YoY</td>
</tr>
<tr>
<td>Credit &amp; finance business / customer organization management business</td>
<td>Operating income ¥20.4 billion 71.3% YoY</td>
</tr>
<tr>
<td>Real estate business</td>
<td>Net sales ¥30.8 billion 101.1% YoY</td>
</tr>
<tr>
<td>Credit &amp; finance business / customer organization management business</td>
<td>Operating income ¥3.7 billion 62.5% YoY</td>
</tr>
<tr>
<td>Other businesses</td>
<td>Net sales ¥1,977.7 billion 245.9% YoY</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥3.7 billion 62.5% YoY</td>
</tr>
</tbody>
</table>

*Other businesses* includes retail, manufacturing, import/export, wholesale, logistics, human resource services, information processing services, travel services, and other businesses.
Isetan Mitsukoshi Group Department Stores (As of September 2023)

Overview of the Isetan Mitsukoshi Group/Stock Information

List of Group Companies (As of September 2023)

Isetan Mitsukoshi Group Department Stores (As of September 2023)

Financial Information (As of March 31, 2020)

Major shareholders

Corporate Information

Department Store Business

Credit & Finance Business / Customer Organization Management Businesses

MORIYAMA KAJI CO., LTD.

Retail & Specialty Store Business

Isetan Mitsukoshi Human Resources and Service Business

The Four brands

Real Estate Business

Isetan Mitsukoshi Property Design Ltd.

MITSUKOSHI FEDERAL RETAIL, INC.

Manufacturing, Import / Export and Wholesale Businesses

IMGS CO., LTD.

Century Trading Co., Ltd.

Isetan Mitsukoshi System Solutions Ltd.

Studio Alta Co., Ltd.

Travel Business

Isetan Mitsukoshi Innovations Ltd.

Corporate Venture Capital Business

Isetan Mitsukoshi Holdings Ltd.

Established:

April 1, 2008

Address of main store (registered):

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

Address of head office:

3-2-5, Nishishinjuku, Shinjuku-ku, Tokyo 160-0023, Japan

URL:


Capital:

JYP 31.0 billion

Business year:

From April 1 to March 31 of the following year

26 overseas stores
12 Isetan Mitsukoshi stores
14 Shin Kong Mitsukoshi stores

20 department stores
in Japan
Approximately 100 small and medium-sized stores

The Group has non-consolidated subsidiaries other than those listed above.

*Equity method affiliate

*Includes equity method affiliates

Stock Information (As of March 31, 2020)

Number of shares authorized 1,500,000,000

Number of shares per unit 100

Number of shares issued 396,931,154

Number of shareholders 297,396

Shareholding ratio

Treasurer stock 3.79%

(1 person / 15,048,000 shares)

Japanese individuals and others 31.78%

(294,856 persons / 126,155,000 shares)

Overseas investors 16.12%

(979 persons / 63,992,000 shares)

Overseas investors 12.90%

(1,520 persons / 51,202,000 shares)

Treasury stock 12.90%

(1,554 persons / 51,202,000 shares)

Financial institutions 32.91%

(51 persons / 130,648,000 shares)

Financial instruments business operators 2.49%

(55 persons / 9,986,000 shares)

Other corporations 3.79%

(1 person / 15,048,000 shares)

Major shareholders

Name of Shareholders

Number of Shares Held

Voting Rights Percentage (%)

The Master Trust Bank of Japan, Ltd. (Trust account) 66,217,700 17.34

Custody Bank of Japan, Ltd. (Trust account) 30,314,700 7.94

The Mitsukoshi Health and Welfare Foundation 13,067,832 3.42

Isetan Mitsukoshi Group’s partner holding companies 8,333,178 2.18

SHIMIZU CORPORATION 6,200,000 1.62

Meiji Yasuda Life Insurance Company 5,697,279 1.49

RBC I ST 15 P CT LENDING ACCOUNT-CLIENT ACCOUNT 5,021,859 1.32

Isetan Mitsukoshi Group Employees Shareholding Association 4,588,586 1.20

STATE STREET BANK WEST CLIENT-TREATY 505234 4,089,600 1.07

TAIJI LIFE INSURANCE COMPANY LIMITED 3,806,300 1.00

Treasury stock (15,048,154 shares) is deducted from Voting Rights Percentage.

Number of shareholders 297,396

(294,856 persons / 126,155,000 shares)

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(294,856 persons / 126,155,000 shares)

The Group has non-consolidated subsidiaries other than those listed above.

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Contact for Inquiries:
Isetan Mitsukoshi Holdings Ltd.
General Affairs Department
Corporate Communication and IR Division
https://www.imhds.co.jp/en/inquiry