



ISETAN MITSUKOSHI HOLDINGS


Integrated Report

# Isetan Mitsukoshi Holdings Report

# 2022



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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

FY2021 (April 1, 2021 to March 31, 2022) is the primary target period, but we have also included the latest information as of the date of publishing whenever 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.

# History of Challenges Taken on by the Isetan Mitsukoshi Group

## History of the Department Store Business



In this era of change, we have overcome several challenges by transforming ourselves. Throughout its history, Mitsukoshi has accumulated experience through its customer-first principle and attempts to transform itself. The foundation of these activities is the spirit of cordiality, the willingness to work for the good of customers, which is something that has remained unchanged since its foundation. Isetan also takes on new challenges by devising creative measures based on its customer-first principle, which it has held since its foundation. Against many different backdrops throughout our history, we have continued to propose unique value in all areas including clothing, food, and housing. While facing a tough environment, we anticipate changes in society and customer needs and continue to deliver rich and joyful experiences to customers. This policy is in the DNA of the Isetan Mitsukoshi Group.

### Launch of the Department Store Business

#### ◆ 1673 Foundation of Echigoya

Takatoshi Mitsui founded Echigoya, a kimono shop. This shop was the first to begin sales based on cash payment and honest, fixed prices indicated on labels. It also started a business selling cloth in cut pieces according to customer needs, which expanded its customer base.



Drawing of the Echigoya Kimono Shop in Surugacho by Okumura Masanobu

#### ◆ 1754 Foundation of Beniya

Koemon Nakamura founded Beniya, the kimono shop that was the predecessor of Iwataya. It was renamed Iwataya in 1764.



A drawing of Iwataya when it was a kimono shop

#### ◆ 1872 Foundation of Marui Imai

Toshichi Imai, the founder of Marui Imai, opened a haberdashery near Sosei Bridge. He opened Imai Gofukuten (a kimono shop) in 1874.



Imai Gofukuten

#### ◆ 1886 Foundation of Iseya Tanji Kimono Fabric Shop

Founder Tanji Kosuge opened a kimono fabric store. The store focused on obi and patterns, providing unique products such as kimono with the Goshuden pattern, and gained popularity.



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 later 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 over-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.

1673

1904

1914

1933

Completion of Mitsukoshi Main Store's new building

Relocation of Isetan Main Store to Shinjuku

## 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 a lion statue, 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 cafeteria, and rooftop garden, making it the hottest new landmark in Tokyo as a place where people could experience Western culture. In terms of merchandise, it took form as a modern department store, offering not only kimono fabric but also a full lineup of general merchandise.

In the same year, the store held its first cultural event, Exhibition of Korin's Remains. By holding the Korin Design Exhibition in conjunction with this, the company established a new business model that was unparalleled in the world, combining the "pleasure of seeing" and the "pleasure of buying." Our efforts to promote culture, which have continued since that time, have evolved into a more locally-oriented approach that now includes not only product and art exhibitions, but also the revitalization of local industries and product development centered on the Group's bases.



A national newspaper advertisement announcing the Department Store Declaration

## Creating the foundations for everyone to freely enjoy fashion

### Creating unconventional sales floors

#### ◆ 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, Isetan 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 lifestyle and unique body shape of this age group, Isetan 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 Isetan as a byword for fashion.



Opening of the Isetan Shinjuku Main Store Otoko-no Shinkan

Otoko-no Shinkan remodeled into the Men's Building

Opening of New Nihombashi Main Store

1956 1963 1968 2003 2004

#### ◆ 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 was becoming mainstream in Europe and the U.S., establishing the Fashion 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 1969 Shop for small sizes

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

## History of the Isetan Mitsukoshi Group

### 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

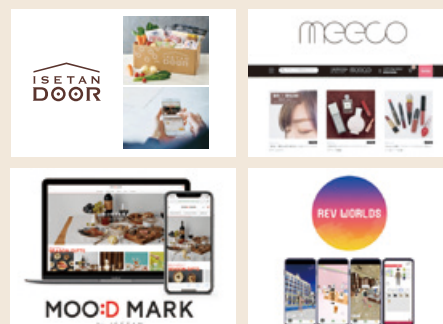
- 2009 • Establishment of Hakodate Marui Imai
- Establishment of Sendai Mitsukoshi
- Establishment of Nagoya Mitsukoshi
- Establishment of Hiroshima Mitsukoshi
- Establishment of Takamatsu Mitsukoshi
- Establishment of Matsuyama Mitsukoshi
- 2010 • Establishment of Niigata Isetan Mitsukoshi
- Establishment of Iwataya Mitsukoshi
- 2011 • Establishment of Isetan Mitsukoshi
- Establishment of Sapporo Marui Mitsukoshi

# 2008

### 2018 onward: Digital business and services

We provide customers with new customer experiences by developing new online businesses that take advantage of the strengths of the Isetan Mitsukoshi Group.

- 2018 • ISETAN DOOR (regular delivery service)
- 2019 • meeco (online cosmetics store)
- MOO:D MARK by ISETAN (online service for casual gifts)
- Isetan Mitsukoshi Hometown Tax
- 2020 • Isetan Mitsukoshi app
- Isetan Mitsukoshi Remote Shopping app (allows customers to shop remotely in the same way as in stores)
- 2021 • REV WORLDS (virtual city service using the metaverse)





# Future of the Isetan Mitsukoshi Group

The Isetan Mitsukoshi Group is a corporate group that operates a wide range of businesses, including credit & finance, construction and design, travel, systems, logistics, and temporary staffing, with 20 domestic and 28 overseas department stores at its core.

The Group has responded to the demands of customers and other stakeholders on the strength of the ties with customers built up over its long history and the value of the goodwill of its four department stores: Mitsukoshi, Isetan, Marui Imai, and Iwataya.

Over the medium to long term, we will seek to enrich the lives of our customers by linking our abundant resources and customer base. We will also create synergies that transcend business boundaries and take on the challenge of providing new value and developing business solutions.

## Opportunities and Risks

Irreversible acceleration in online sales

Changes in customer structure

Rising environmental and social consciousness

Accelerating polarization of income and consumption

Environmental changes caused by IT

Coexistence with local communities

## Basic Strategy

Expand and dominate in high sensitivity, fine quality consumption, providing the ultimate customer experience

## Key Strategies

1

“High Sensitivity, Fine Quality” Strategy

→ P. 20

2

“CRM Strategy Connecting with Individual Customers”

→ P. 23

3

“Intra-Group Coordination” Strategy

→ P. 24

## Group Platform

Digital Transformation (DX) / CRE / Income and expenditure structural reform

## Management Platform

System/data platform

Human resources platform

Sustainability Governance Business management system

# Vision



**To be a “special” department store-centered retail group that enriches the lives of its customers**

~ To gain the utmost support in high sensitivity, fine quality consumption, with the pride of Japan and the ability to convey this around the world ~



**We aim to be a “special” department store-centered retail group that enriches the lives of its 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 New Medium-Term 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 for some time. 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. They were focused on a mass marketing business model, which involved attracting a large number of customers to the store from a wide area in order to increase sales by customers walking around themselves once they arrived.

However, as the lifestyles and values of customers have changed with the times, customers no longer visit stores with the conventional range of merchandise. Traditional mass marketing does not meet the needs of customers who want to be very

discerning about what they consume or for the products they care about because what customers put emphasis on varies from person to person, while at the same time being focused on function and price for other products that discerning customers are not much interested in. Moreover, with rapid advances in digitization, customers now have so much information we cannot keep up with it. These days, many customers can use their smartphones to instantly search and compare the things they want. As these customers connect with such information on a daily basis, they have become increasingly sensitive to information, and when they come to the store, they only buy what they need and then leave.

The old business model for department stores does not exactly meet this emerging trend, and my mission as president is to find a way to change this.

I became CEO in April 2021, and moved immediately to steer a major change in the business model for the Medium-Term Plan (FY2022 to FY2024), first presenting an outline in May and then announcing more specific details, including numerical targets, in November.



Looking at the environment surrounding the department store industry, as you may know, the future of personal consumption is very uncertain due to soaring raw material costs triggered by the Ukraine crisis, inflation, and the rapid depreciation of the yen. The market size of department stores appears to be getting smaller and smaller, due in part to Japan's accelerated population decline, declining birthrate, and aging population, demographic trends that were already underway prior to the COVID-19 pandemic. 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. These product lines were by no means supported only by high-income earners.

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.

In building a new business model, we will continue to build on these strengths that we have cherished for many years. However, it has been 14 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.

## Vision of the Isetan Mitsukoshi Group

### The aim of our new strategy

Our companies have a long history, with Mitsukoshi having been in business for 349 years and Isetan 136 years in 2022. Throughout this history, both companies have held a customer-first principle since their founding. While facing changes in society and the environment in each era, we have continued to anticipate customer needs and enrich their lives up until the present day. Now we are returning to this starting point with the aim of becoming a "special" department store that can provide exciting solutions for customers' problems and innovative proposals for their interests, thereby creating a new business model as a department store-centered retail group of today.

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 (10 years).

Let's look first at the biggest goal of the Medium-Term Plan, namely the revitalization of our department store business. Here, we aim to achieve a record profit for the Isetan Mitsukoshi Group, with

operating income reaching 35 billion yen in FY2024. We have been 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. In this case, we create regular profit/loss charts not only for stores, but for individual customer groupings. This response is not linked to a large mechanism but to spreadsheet software. However, it enables us to ascertain whether we are providing appropriate benefits in accordance with customer purchases, how and where we can spend money to please customers when they are shopping, and whether we can generate sustainable profits. We use this approach to formulate strategies and promote discussions based on concrete, not subjective, analysis.

We seek to thoroughly improve and revitalize our department store business, which is our key strength, centered around three determined strategies that I will explain later. Meanwhile, during the three years of the Medium-Term Plan, we will strive to create profitable business models in the long term for each of our Group businesses, centered primarily on real estate and finance by maximizing the appeal of department stores, creating as many customer fans as possible, and unite to respond sincerely to those customers' needs not only through our department stores but also through our Group companies. As a result of these efforts, over a span of 10 years, we are building a stable profit structure for the Group that will boast operating income of 50 billion yen and a business portfolio in which the majority of businesses are not related to department stores.

Let me now introduce the three strategies in the Medium-Term Plan.

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## Overview of the Medium-Term Plan

### **"High sensitivity, fine quality" strategy: For consumers who focus strongly on daily living and desire rich, high-quality lifestyles**

In order to have as many customers as possible become fans of our Company, we need to shift our thinking from mass marketing, which was a one-size-

fits-all approach, to personal marketing as soon as possible, listening carefully to each customer's needs and responding accordingly.

I will start with a case study of an out-of-store customer. On this occasion, we created several new frameworks for our out-of-store sales staff to be able to make new proposals. In addition to the creation of a framework for encouraging cooperation between 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 all 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. In addition to sales, this means we will be able to expand into direct marketing with our buyers listening directly to the voices of our customers. It will also be helpful for future product lineups, and make customers happy, creating a mechanism for lasting synergistic effects.

Our out-of-store customers 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

goodwill, 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.

Next, we need to consider our MICARD member customers. By creating admiration and empathy for stores, particularly the Shinjuku and Nihombashi main stores, among these individual customers, our aim is that they will want to go to Mitsukoshi or Isetan once in a while.

To revive Isetan as a byword for 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, 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 a high-quality space and services 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 which anyone has 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 digitally 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.

The next group of customers is the millennial generation. The millennial generation has not been very interested in department stores to date, but we are taking steps to make this generation lifelong fans of Isetan Mitsukoshi. The millennial generation has grown up in an age where digital technology is the norm, and their values, consumer behavior, and lifestyles are very different from the generations before them. Our digital strategy is providing us with the means to reach this generation. In fact, an overwhelming majority of the users of meeco, our cosmetics EC website, are actually millennials. In addition, both REV WORLDS, our new customer experience app which allows users to enjoy conversing and shopping in a virtual urban space, and our remote shopping app are widely used by millennial customers. These various digital initiatives are no doubt forming new points of contact with our customers. I believe that pursuing this kind of digital approach to attract not only millennials but also many other customers who have not had much to do with department stores in the past is an important strategy that will enable us to differentiate ourselves from other companies.

Finally, there are inbound tourists. After three years of the COVID-19 pandemic, restrictions on entry to Japan are gradually being eased, and the weak yen makes them a very promising group of customers. Although we have only recovered to about 30% of our pre-COVID-19 level, we are confident that our inbound customers will come back to us, and in the medium term, we will establish a system that allows us to respond to them on a personal basis, just as we do with our domestic customers. At our Shinjuku and Nihombashi stores, we are preparing to open salons exclusively for inbound customers and to trial our VIP program.

As I have described it 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 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 need mechanisms that can capture our customers' data and provide services tailored to individuals. 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 members 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. At the same time, we are also redesigning the Isetan Mitsukoshi Customer Program to facilitate a more comfortable and enriched shopping experience for customers and create systems to strengthen customer loyalty.

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 this CRM strategy, 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 will use the above two strategies and structural reforms in revenue and expenditures through "Scientific analysis of department stores" to first strive to thoroughly revitalize the department store business. I would now like to explain our "Intra-group coordination" strategy as the next deployment phase. Within the Group, there are a variety of companies involved in finance, systems, logistics, construction and design, staffing and other areas. These companies also provide very distinctive solutions, and some of the companies in the construction and design business have a long-established reputation within the industry for their 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, and the non-department store companies had been organized vertically, with each operating in isolation based on their own know-how and individual routes. By enabling better coordination and developing this business, we will be able to shift away from the traditional department store business model.

As an example, the credit card company MICARD, which has about 2.8 million cardholders, was steadily earning a profit of 4.8 billion yen in operating income even as the department store business suffered a major decline in performance in FY2020, when the COVID-19 pandemic broke out. By developing and expanding this business more using the strength of the department store business, which also has many customers, it is also a business with high reserves that could significantly change the Group's profit portfolio, which was biased toward the department store business. By unlocking this potential, we will

firmly grow and expand each company with new content under the Isetan Mitsukoshi Group brand.

We intend to start this strategy by first promoting the insourcing of business processes. With regard to our internal business affairs, we have not been able to properly coordinate information owing to the vertical nature of our business structure, and so, in many cases, we unknowingly outsourced internal operations to companies outside the Group even though we have Group companies that can provide equivalent services. So, first and foremost, we need to stop bleeding sales and profits outside the Group and promote more insourcing to help build a firm foundation for future business.

The next step is to further expand the potential of individual Group companies and construct a B2B business model that envelops all internal Group resources. Earlier I pointed out that our construction and design know-how is renowned within the industry. To give you another example, a remote shopping app built by our systems company that enables customers to consult a stylist, receive suggestions, and purchase products all without coming into the store has been extremely well received by customers, and is also in demand among companies as a B2B service. We aim for Group companies to encourage innovation by sharing ideas based on our long-amassed expertise, and create a business around this innovation.

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 in the fruition phase, but also utilize infrastructure organically within the Company. I believe that this is the perfect medium- to long-term strategy for us, and that we are perfectly positioned to achieve it as a “special” department store-centered retail group.

that the concept of “Scientific analysis of department stores,” which I have advocated since assuming the position of president, is gaining ground among our employees faster than I had expected.

For example, in FY2021, we reduced SG&A expenses by 26.2 billion yen on a consolidated basis compared to the previous year, and despite the lingering effects of COVID-19, we were able to record an operating income of 5.9 billion yen, far exceeding our initial plan. This result was not due to my top-down, unilateral implementation of cost reduction measures. I believe this is the result of each and every employee having a clear understanding of the direction of the Medium-Term Plan, correctly understanding numerical indicators such as the direct-to-indirect ratio and the ratio of advertising expenses to sales, thinking independently about where to spend money to generate more revenue, and putting these ideas into practice in their work.

In addition, the reform of out-of-store sales as part of our “High sensitivity, fine quality” strategy has been well received by customers, as it has created variations in their purchasing experience through the implementation of new and unique schemes, such as collaboration between sales and buyers, the introduction of a team system, and the use of digital technology. However, while these kinds of efforts may not have produced immediate results, they have increased the speed at which issues affecting the out-of-store business are resolved because these act as a framework for the Company to organize efforts to



## Progress of the Medium-Term Plan

### Penetration of strategic direction among employees

Although we have only just begun the execution phase of these strategies, some of the results are already starting to show. What is most encouraging to me is

resolve issues, which previously involved employees struggling to find solutions and doing so in an uncoordinated way. Out-of-store sales have been the driving force behind strong sales at Shinjuku and other stores, even in FY2022, when inbound sales still have not recovered.

In addition to the above, our strategies have also produced a number of other results. In our "CRM strategy connecting with individual customers," more than 1.25 million people had registered as app members as of June 2022, a little more than a year after the launch of the app, and we are increasing the number of customers with whom we can communicate interactively faster than planned. In our "Intra-group coordination" strategy, we launched the Alliance Promotion Office in FY2022 as an organization to flexibly promote alliances with external companies. We have also started B2B external sales of group resources by mailing catalogs listing the Isetan Mitsukoshi Group's menu of content to our business partners.

### Toward the achievement of new strategies

In the past, such medium-term plans were created unilaterally, formulated by management and communicated afterwards to all the departments, which would then each develop their own specific plans. For this plan, instead of a top-down approach, each company and department prepared a draft plan based on the strategy framework announced in May 2021, and then each department negotiated directly to work out the details. Although this method is time-

consuming, it is producing positive effects. Working together as a group result in more conviction and understanding about the content of the plan, and the formulation process has been providing various insights and hints for improvements.

This is not the only merit of this method. Our new Medium-Term Plan, for the first time, includes not only targets for medium-term operating income, but also lays out long-term steps and announces major financial and customer-related KPIs. This has been facilitated by the repeated discussions between each of these departments. And that's why I believe we are likely to achieve these KPIs. We have used a completely new method for determining this latest Medium-Term Plan.

## Management Governance Reform and Risk Management

In June 2020, we transitioned from a company with an audit and supervisory board to a company with a nominating committee, etc., and our management governance has changed significantly as a result. The Company's transparency has been enhanced by having an external director chair the Board of Directors for the first time, and the governance system has become more effective.

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 advance 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 Board of Directors currently has 10 members, six of whom are external directors. An external director chairs the Board of Directors, and external directors also chair the Nominating





Committee and Compensation Committee. 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 formulation and monitoring of the Medium-Term Plan.

In terms of internal control, we have been working to strengthen the compliance and risk management systems over recent years. Particularly 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, and we are taking measures to address compliance and incident risks that include strengthening specialized departments.

## Realizing a Rich Future for People 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 rich 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.

We published our first Sustainability Report in November 2021 and held our first sustainability briefing in December, which created a new venue for dialogue with all our stakeholders. In addition to myself, the briefing was attended by various other people, including the chief administrative officer in charge of sustainability initiatives, an external director who spoke about supervising business execution, the manager of our Merchandising Headquarters who represented the employees' view, and many others who expressed views in their own words and

facilitated the dialogue. This was the first such initiative, but I feel that we were able to convey a more transparent, equitable, and fair-minded sustainability message.

Our relationship with employees is also an important theme for me. Since I was appointed President and CEO, 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 allocated time for dialogue in roundtable discussions with employees at the level of section manager or equivalent and above, which we held 26 times in FY2021 with 1,660 participants, and we have begun to tackle new themes in FY2022. The executive officers also held approximately 220 roundtable discussions with other employees, with approximately 4,100 employees participating. These meetings provide a way to reduce the distance between management and employees, facilitate the smooth penetration of management policy, and share the voices of employees with management. 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 we have achieved a variety of results since the first year of the Medium-Term Plan is proof of this.

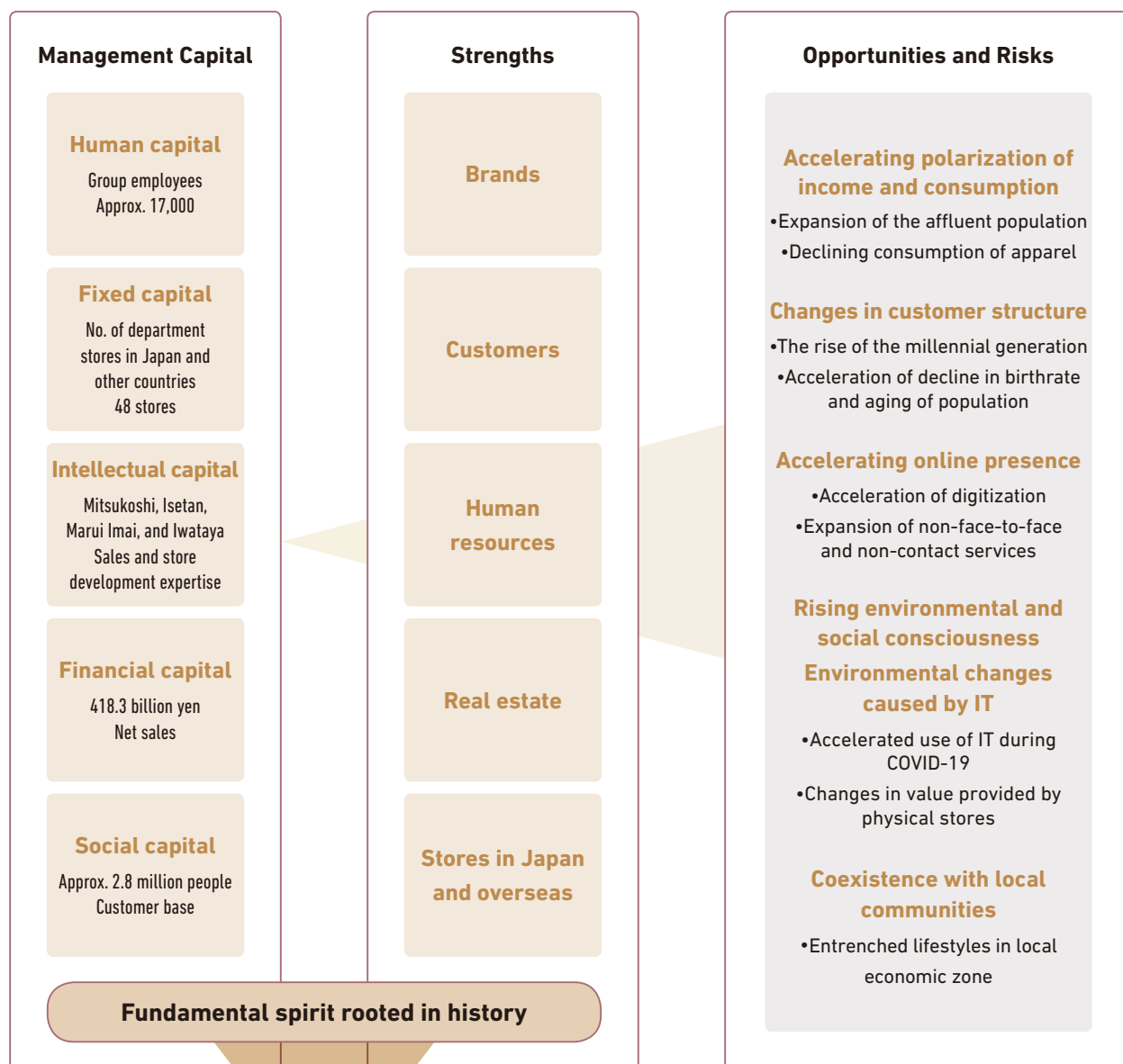
Finally, in terms of my personal credo, I am committed to providing well-balanced management for all stakeholders in accordance with my own sense of ethics and justice and without being biased by conflict of interests. To make all of our stakeholders into our supporters, we will engage in business and 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.

# The Isetan Mitsukoshi Group's Value Creation Process

## Our Vision

To be a “special” department store-centered retail group that enriches the lives of our customers



## Policy on Sustainability

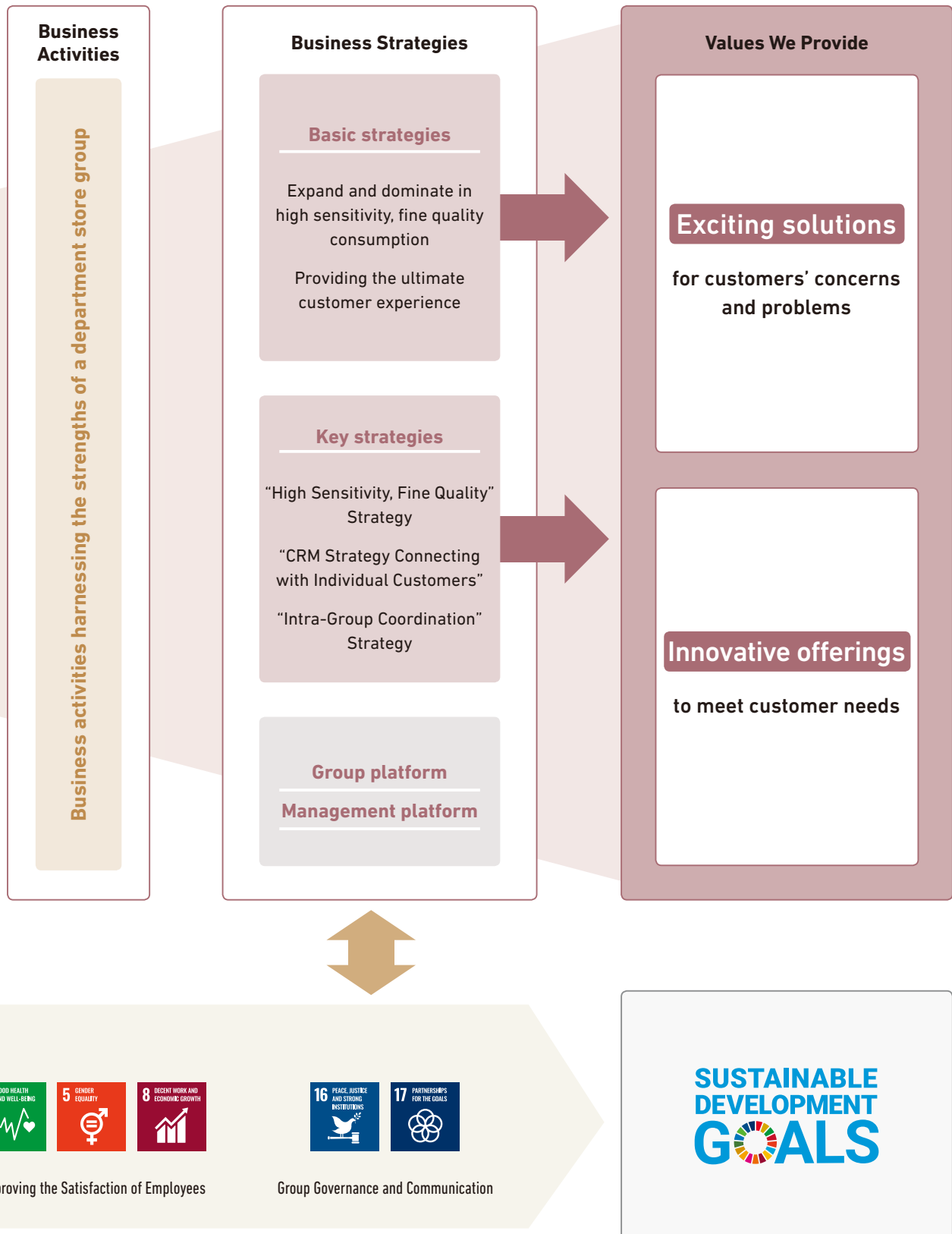


Connecting People and Local Communities



Connecting a Sustainable Society and the Times

~ To gain the utmost support in high sensitivity, fine quality consumption, with the pride of Japan and the ability to convey this around the world ~



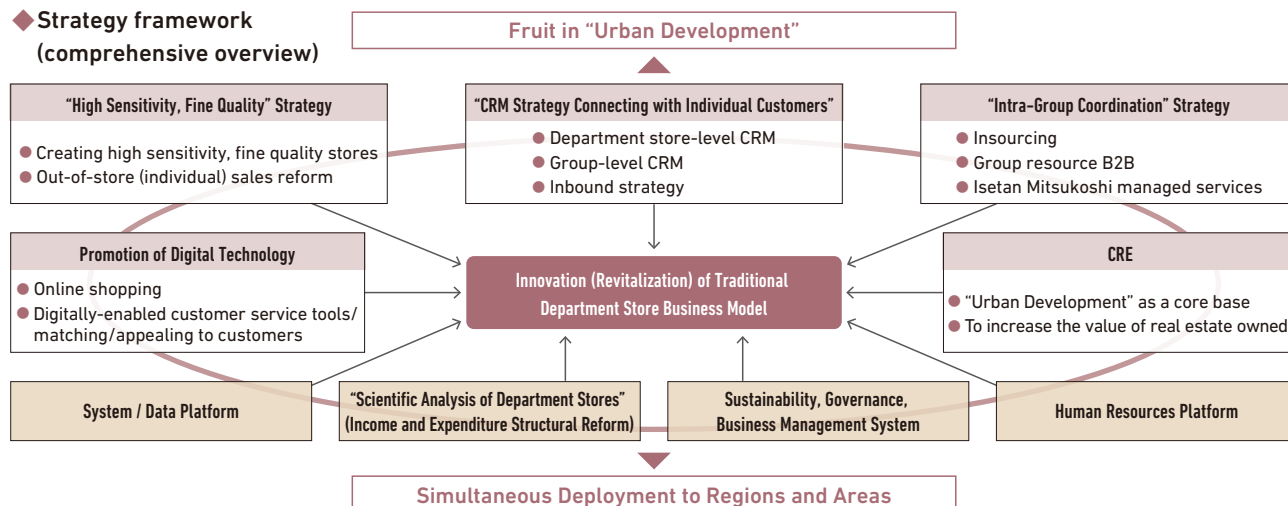


# Overview of the Medium-Term Plan

## Medium-Term Plan

The Isetan Mitsukoshi Group has set a long-term vision to become a “special” department store-centered retail group that enriches the lives of its customers and has formulated a new Medium-Term Plan through FY2024 designed to generate future growth. The plan centers around three key strategies that we are pursuing to achieve our long-term vision: **1) “High sensitivity, fine quality” strategy, 2) “CRM strategy connecting with individual customers,”** and **3) “Intra-group coordination” strategy.** We will simultaneously undertake in each region and area a reorganization of our traditional department store business model through the implementation of each of these strategies, and bring to fruition urban development for the future.

### ◆ Strategy framework (comprehensive overview)



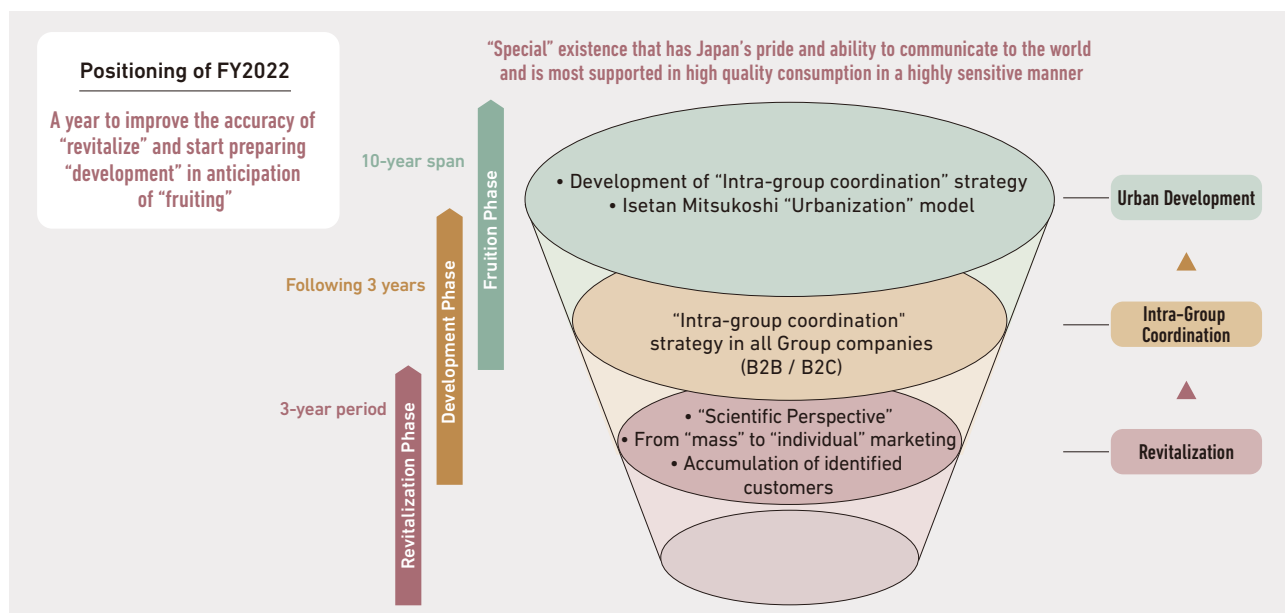
### ◆ Medium-to long-term strategic steps (Positioning)

We have established three phases for the medium- to long-term strategic steps aimed at realizing our new vision, namely the revitalization phase, the development phase, and the fruition phase.

In the first, the revitalization phase, to increase the number of fans of our Company we will revitalize our department store business, our strong point, by thoroughly shifting to personal marketing that meets the needs of each customer, and connecting with customers through all means, including digital.

In the next, the development phase, we will not only work to provide all of our Group's services to the customers we connected with in the revitalization phase, but to also establish a business model based on the "Intra-group coordination" strategy that allows us to earn revenue from infrastructure functions, such as external sales as a B2B business and alliances in the framework.

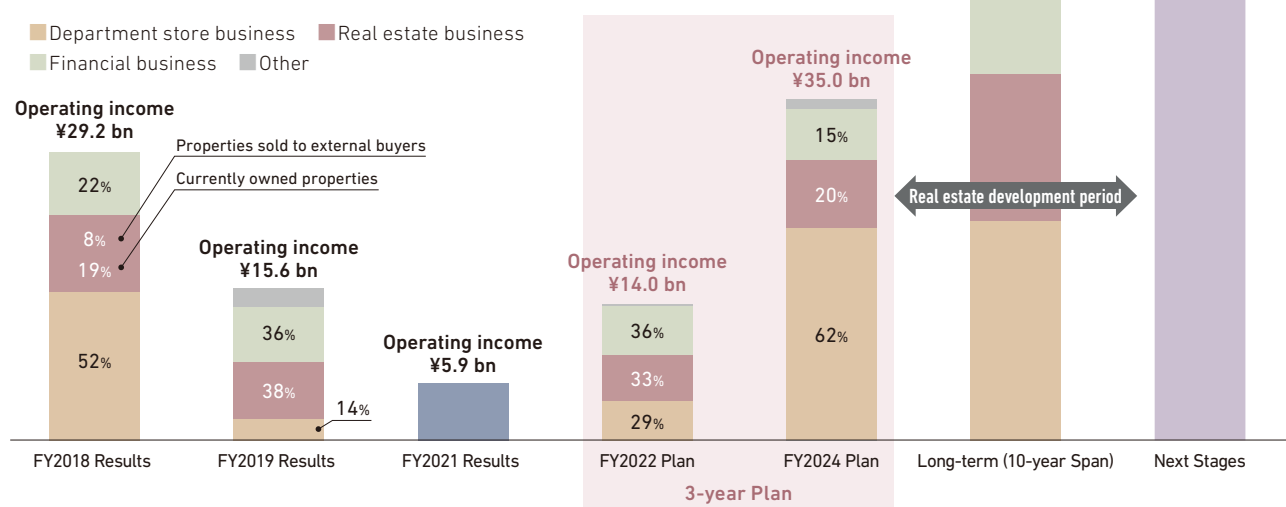
After that, in the fruition phase, we will create ultimate local urban communities with infrastructure functions by developing our real-estate holdings in Shinjuku, Nihombashi, and elsewhere with the attraction of department stores.



### ◆ Medium-to long-term profit steps and portfolio image

First, under our Medium-Term Plan through FY2024, we will revitalize our department store business through three strategies, including a “High sensitivity, fine quality” strategy. In FY2024, we aim to achieve operating income of 35.0 billion yen, the highest income for the Isetan Mitsukoshi Group since the establishment of Isetan Mitsukoshi Holdings Ltd. Although our results in FY2021 surpassed the target figures we initially set in the plan, we have left the target of 35.0 billion yen in operating income for FY2024 unchanged from the viewpoint of increasing the likelihood of achievement.

Thereafter, by leveraging our strength as a department store operator and working to monetize our real estate and financial businesses, we will not only reach the 50 billion yen operating income level in 10 years, but also build a stronger business portfolio with businesses other than department stores accounting for more than half of our profit share. Through this reform, we will proceed with our plan with an eye toward achieving an even higher profit level when real estate development projects are completed in the stages that are to follow 10 years down the road and beyond.



\*Although we have upwardly revised the planned figures for FY2022 to operating income of 17.0 billion yen, recurring income of 17.0 billion yen, and net income of 19.0 billion yen (as of the announcement of 1Q results for FY2022), this report shows the figures of the annual plan as announced on May 13, 2022 to ensure consistency of the overall figures.

### ◆ KPI

As shown in the portfolio above, the final year of the current Medium-Term Plan, FY2024, is positioned as a milestone as part of a Medium-Term Plan with a long-term perspective. With this in mind, we have set KPIs as follows. For the first time in our history, we have set not only financial indicators but also customer-related indicators. This structure allows us to properly check and verify the progress of our strategy to build relationships with our customers as we aim to revitalize our department store business.

| Financial KPI          | FY2019 Results    | FY2021 Results    | FY2022 Plan       | FY2024 Plan       |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| Gross sales            | 1.0 trillion yen  | 912.1 billion yen | 1.0 trillion yen  | 1.1 trillion yen  |
| SG&A                   | 307.0 billion yen | 237.7 billion yen | 264.0 billion yen | 275.0 billion yen |
| Operating income       | 15.6 billion yen  | 5.9 billion yen   | 14.0 billion yen  | 35.0 billion yen  |
| Net income             | -11.1 billion yen | 12.3 billion yen  | 17.0 billion yen  | 28.0 billion yen  |
| ROE (Return on Equity) | -2.0%             | 2.5%              | 3.3%              | 5.3%              |
| Interest-bearing debt  | 175.5 billion yen | 175.1 billion yen | 165.0 billion yen | 150.0 billion yen |

| Customer KPI              | FY2019 Results    | FY2021 Results    | FY2022 Plan               | FY2024 Plan       |
|---------------------------|-------------------|-------------------|---------------------------|-------------------|
| Identified customer sales | 451.2 billion yen | 417.8 billion yen | Approx. 500.0 billion yen | 580.0 billion yen |
| Sales from MICARD members | 451.2 billion yen | 394.2 billion yen | Approx. 460.0 billion yen | 500.0 billion yen |



### *Connecting with all individual customers*

**Toru Takeuchi**

Director, Executive Vice President  
and CMO  
(Chief Merchandising Officer)

The goal of the Isetan Mitsukoshi Group's Medium-Term Plan is to revitalize our department store business. The cornerstone of this plan is to connect with as many customers as possible and make them our fans in order to maximize the power of our department stores, including Mitsukoshi and Isetan, and bring synergies to the entire Group. To ensure that we are able to meet the needs of each and every one of our customers, we offer a full range of ways to connect with them, through stores, sales, and digital platforms.

First, our customers who make a large number of purchases are connected through out-of-store sales. Second, customers who visit our department stores on a daily basis are connected through MICARD, and when necessary, through the Isetan Mitsukoshi app. For those who are busy and do not have time to visit our stores, they can use the Isetan Mitsukoshi Online Store to connect with us through their digital IDs.

For mass marketing customers to whom we still cannot fully connect, we can connect with them through social media. The Group currently maintains approximately 340 accounts on social networking sites such as Instagram, Twitter, and Facebook, with approximately 2.4 million followers. If these followers spread not only information about products and events, but also their empathy and excitement about the information they receive, our reach will extend to an infinite number of places.

Until now, we have only been able to advertise through mass marketing utilizing such one-way means as newspaper inserts and hanging advertisements inside trains. However, with social networking services, we can connect with "# (hashtag)" and clusters of things we are interested in and keyword categories,

allowing us to connect to customers through a shift from mass to personal marketing.

The Isetan Mitsukoshi app also allows us to connect with individual customers who have marked their favorite stores and preferred categories, and we can provide them with the latest information from those stores in a timely manner according to their preferences, enabling us to connect with them more efficiently and precisely than before.

Here is a clear case in point. Prior to COVID-19, we distributed 900,000 copies of direct mail and flyers for the Mitsukoshi British Exhibition at the Mitsukoshi Nihombashi Main Store. When the British Exhibition was held at the same store for the first time in two and a half years since the outbreak of the pandemic, we took an unprecedented approach: we did not send out any direct mail, but instead sent out information via apps and social media, and then relied solely on the spread of information via individual customers. The dissemination of information was a great success, with some visitors queuing up to get in. This was due to the fact that we were able to connect with customers on a personal basis through mass marketing thanks to the tools of social networking.

By connecting with customers on a personal basis, both in real and digital life, we can build deep LTV (Lifetime Value) relationships and further increase our wallet share. By connecting with many customers on a personal basis and promoting two-way communication, we can make the most of our product lineup and sales services to meet customer needs. We will continue to strive to provide many customers with the high sensitivity, fine quality shopping experience of the Isetan Mitsukoshi Group.



## “High Sensitivity, Fine Quality” Strategy

We have decided to adopt a strategy for shifting from our previous mass marketing approach to a personal marketing approach in order to become the “special” presence that we set forth in our long-term vision and to be able to provide exciting solutions for customer’s concerns and individual problems and innovative proposals for their interests.

We consider all consumer spending by customers who are committed to life and seek fine quality, affluent lifestyles as high sensitivity, fine quality consumption. We intend to respond firmly to those needs while also seeking to deepen our connection with all customers who use the Isetan Mitsukoshi Group, whether that be on a daily and occasional basis, once a month, or once a year.

Direction



- Providing seamless customer experience value combining physical and online stores through a “High sensitivity, fine quality” strategy and digital reforms
- Expanding the “Group Lifetime Individual Customers” with “connected CRM” based on personal (individual) marketing

### ① Creating high sensitivity, fine quality stores

This initiative involves positioning our Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store at the center of a nationwide high sensitivity, fine quality store network and refining them to become symbols of admiration and empathy in urbanized communities. The first step will be to clarify what both main stores should be striving to achieve, applying “Scientific analysis of department stores,” and changing the merchandising balance. We intend to evolve the Isetan Shinjuku Main Store into one that primarily pursues fashion and the latest, newest global MD, and the Mitsukoshi Nihombashi Main Store into one that focuses primarily on tradition, culture, art, and lifestyle.

Direction



- Evolve the two main stores into symbols of admiration and empathy

#### ◆ Priority initiatives to achieve the Medium-Term Plan



Isetan Shinjuku Main Store

Revive Isetan as a byword for fashion

#### Product expansion

- Expansion of “authenticity, essence, discernment, and cutting-edge” with “prior and limited edition”
- New middle categories targeting the next generation

#### Communication

- Implement community marketing

#### Services

- Conduct marketing that responds to personal needs
- Provide the best hospitality in a special environment



Mitsukoshi Nihombashi Main Store

Establish as a store with strengths in “tradition, culture, art, and lifestyle”

#### Product expansion

- Regional no. 1 in the luxury sector
- Art: Establish a digital art museum
- Carry all goods for quality living, such as seasonal products

#### Communication

- Central Hall  
→ Special promotion as an Important Cultural Property

#### Services

- Implement data marketing to respond to individual customers

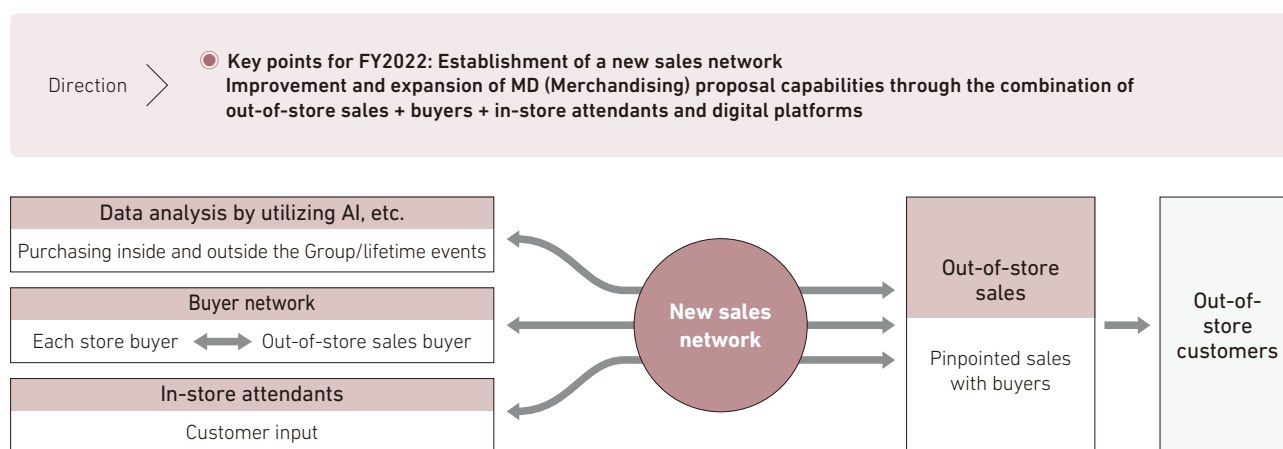
# Key Strategies: “High Sensitivity, Fine Quality” Strategy

## ② Reform of out-of-store (individual) sales

Traditionally, we have conducted out-of-store (individual) sales, in which employees make use of their individual wisdom and experience to make product proposals in a one-on-one relationship with customers. In addition to this, we are utilizing AI and other data analysis to make customer contact a science. By utilizing our buyer network, we are able to respond promptly to customer feedback, make proposals that exceed customer expectations, and create teams of in-store attendants and sales representatives who can visit customers even when sales representatives are not available.

### ◆ 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 a new sales 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 all buyers at both main stores.

#### Introduced a digital sales style in addition to the knowledge and experience of individuals

We began a trial of this new sales style first at the Nihombashi Main Store in FY2020, which we extended to the Shinjuku Main Store in FY2021. We are currently working to expand the scale of these trial at both stores in FY2022.

#### Expanded MD outside department stores to meet all customer needs

By transforming from department store MD-driven proposals to proposals that embody customer insights, and by getting closer to customers' lifestyles and deepening understanding of their needs, we have been making special proposals that reflect customers' voices in MD outside department stores, such as travel, at both main stores, and will expand this to branches and regional stores in the future.

### Total turnover for out-of-store (individual) sales groups at both main stores

Total turnover: All turnover from out-of-store sales activities

| FY2021 Results   |   | FY2022 Plan      |   |
|------------------|---|------------------|---|
| 79.0 billion yen | Difference from FY2019<br>+7.4 billion yen  | 86.0 billion yen | Difference from FY2019<br>+14.4 billion yen |
|                  | Difference from FY2020<br>+18.0 billion yen |                  | Difference from FY2021<br>+7.0 billion yen  |



**Advance initiatives of both main stores to be rolled out to branches and regional branches**

**Kaoru Shimada**

Buyer, Sales Division 2  
Sales Department  
Mitsukoshi Nihombashi Main Store  
Isetan Mitsukoshi Ltd.

### Response to out-of-store (individual) sales reform: Dialogue between buyer and sales representative

From a buyer's perspective

From a sales perspective

**Yukihiro Yoshida**

Private Stylist, Division 1  
Mitsukoshi Nihombashi Private Sales Department,  
Private Sales Group, Direct Sales Management Department,  
Isetan Mitsukoshi Holdings Ltd.

#### What is your traditional sales style and the challenges you face in terms of this?

**Yoshida** In the past, a single sales person worked closely with customers' needs and lifestyles, proposing products and promoting store visits in cooperation with the shop floor. However, as customers' needs became more diverse, there were fewer options for proposals and it took more time to respond to their requests. For this reason, we felt the need to collaborate more with our business partners and buyers, not just with the shop floor.

**Shimada** Nihombashi's proposals to its out-of-store customers, who account for a large share of the market, were important, and the sales department always sent product information to the out-of-store sales section to request proposals to its customers. However, this information was not sufficiently communicated to individual salespeople, and there was insufficient understanding of individual customers' opinions.

#### What are you working on in response to out-of-store sales reform?

**Yoshida** In my role, I work as a team with a single customer. In addition, I work with sales and buyers to provide a broader and deeper range of proposals than before.

**Shimada** The other day, a customer was looking for a dress for a party, but could not find one that matched her image in our regular assortment. We discussed and negotiated with our business partners regarding the relationship between sales and the customer, and made a visual presentation of one-of-a-kind items in advance and showed it to the customer. We sat down with the customer in a personal room and proposed dresses that are usually only available in street stores and miscellaneous goods from brands that are not available at Nihombashi, thus transcending the boundaries of each brand.

**Yoshida** Although the customer was only intending to buy a single set for a single party, being very impressed with the suggestion, she purchased multiple items as a result.

#### What effects has this out-of-store sales reform had on the shop floor?

**Yoshida** By making a wide range of proposals in this way,

something which is beyond the capabilities of a single sales person, the customer's options steadily expand, and the customer is moved and motivated to make a new purchase. This customer requested to meet the buyer who made the proposal and hear his/her thoughts.

**Shimada** By meeting the customer in person, we were able to get a more concrete image of the customer's needs. Our relationship has since deepened, such that we have proposed further products to the customer. This was by no means a one-off. By meeting customers in person or hearing in detail about the customer's overall life events from the sales staff, we have been able to plan and propose products while keeping the customer's face in mind. In addition, because of the strong relationship between customers, sales, and buyers, our business partners have been more willing to supply products to Nihombashi that would not normally be included in the store's product lineup. Furthermore, the expansion of the product lineup in the store has led to a virtuous cycle that enables us to make a wide range of proposals to other customers as well.

**Yoshida** As an organization, enlisting the help of colleagues with strengths in specialized fields leads to proposals that are quicker and more impressive to customers. When sales and buyers have a mutual understanding and discuss things with each other, it leads to a wide range of proposals, and customers feel the effort. It is important to be aware that not only out-of-store sales persons but the Company as a whole hosts the customers. By responding as an organization as needed, we can maximize our capabilities as a company.

#### What are your goals for the future?

**Yoshida** Recently, we have been told that customers are also interested in the corporate stance behind these initiatives, and that they want us to make full use of our network within the Company, rather than just one sales person. It is important to understand that this reform is an initiative that customers are looking for, and to act accordingly.

**Shimada** The issue for the future is how to expand this initiative to other sales, business partners, and customers. Also, last year I worked solely as an out-of-store sales buyer, but now my buyer duties encompass out-of-store sales initiatives for individuals, and I feel it is important for me to have a strong awareness of this fact.

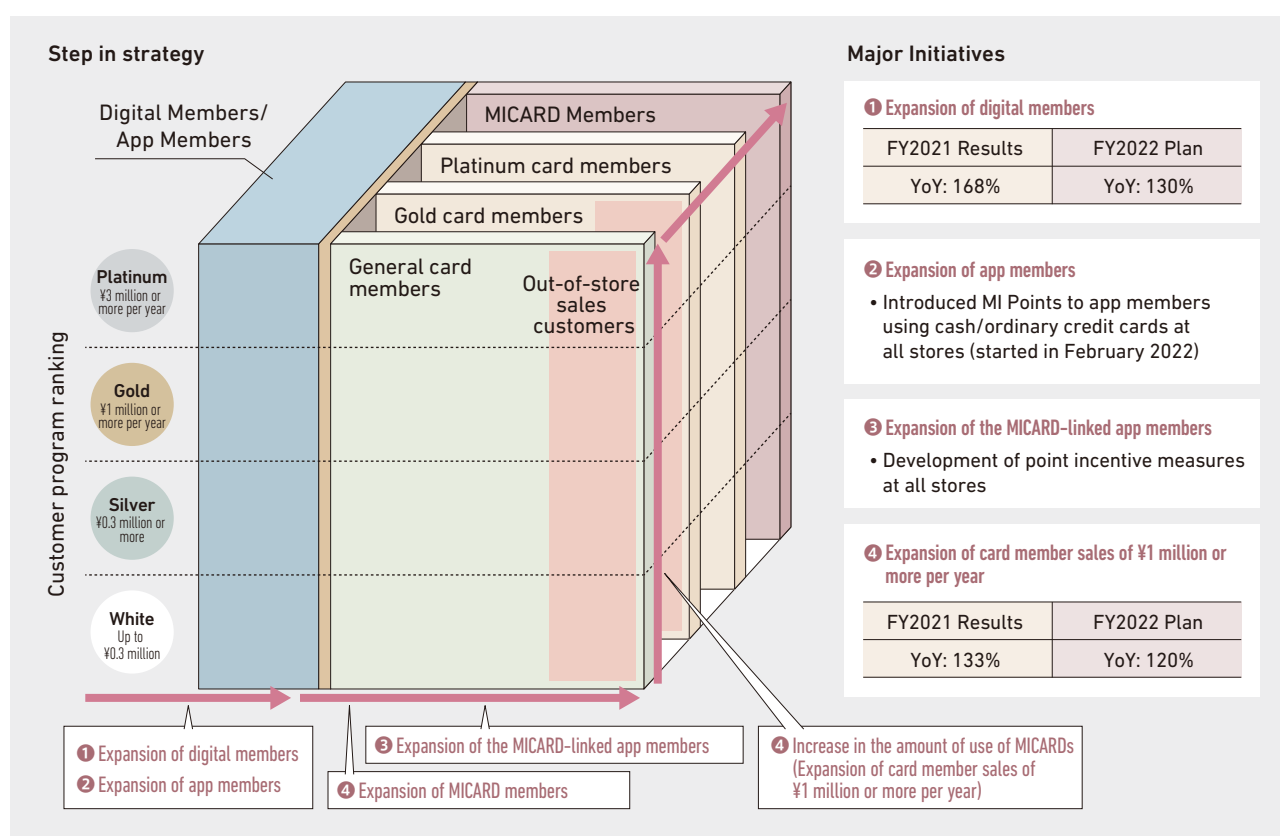


## “CRM Strategy Connecting with Individual Customers”

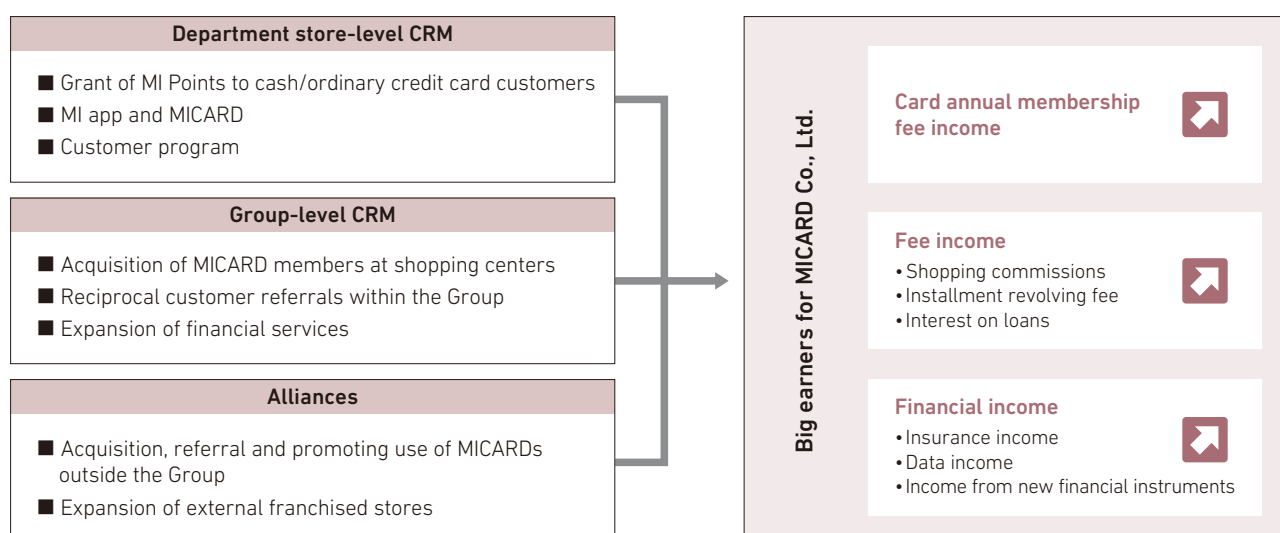
As part of our “CRM strategy connecting with individual customers,” we intend to build systems that connect with individual customers who support our “High sensitivity, fine quality” strategy. We will promote department store-level CRM, Group-level CRM, payment infrastructure development, and our inbound strategy in order to expand the number of connected customers and improve their usage amount and frequency.

Direction

- Expand the number and usage amount of connected customers in both our department stores and card businesses
- Implement a new approach that uses the Isetan Mitsukoshi app and MICARD to respond to the connected customers step



## ◆ Improve card business profits through “CRM strategy connecting with individual customers”



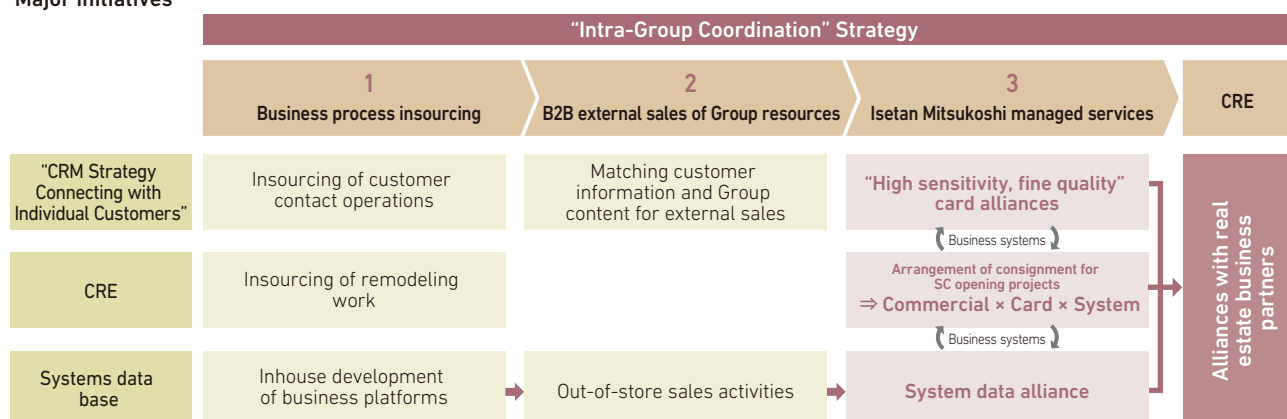
### "Intra-Group Coordination" Strategy

This strategy focuses on using Group resources to maximize the connections with 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 design. We will challenge new ways of creating innovations and monetization methods going beyond the barriers between businesses.

Direction

- Acquire revenue outside of department stores by intra-group coordination type based on the department store business system (In FY2022, we will work quickly to build up a pool of successful cases)
- From FY2022, start full-fledged alliance promotion with external companies (establish Alliance Promotion Office)

#### Major initiatives



#### Catalog content menu of Group resources "B2B external sales"

|  |  |   |
|--|--|---|
| 1<br>Planning and production of original products  | 2<br>Shareholder benefit program and support for shop management | 3<br>Proposals for memorabilia and gifts        |
| 4<br>Planning and production of corporate uniforms | 5<br>Support for advertising and event opening                   | 6<br>System-related services                    |
| 7<br>Logistics and fulfillment                     | 8<br>Environmental creation and construction and design          | 9<br>Temporary staffing, education and training |
| 10<br>Credit card-related services                 | 11<br>Travel planning  | 12<br>Store development                         |

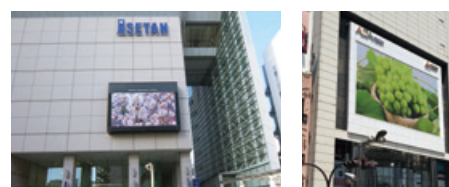
#### Isetan Mitsukoshi Property Design Ltd.

- Become a company that plays a role in the Group's "Intra-group coordination" strategy based on the pillars of construction and design 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

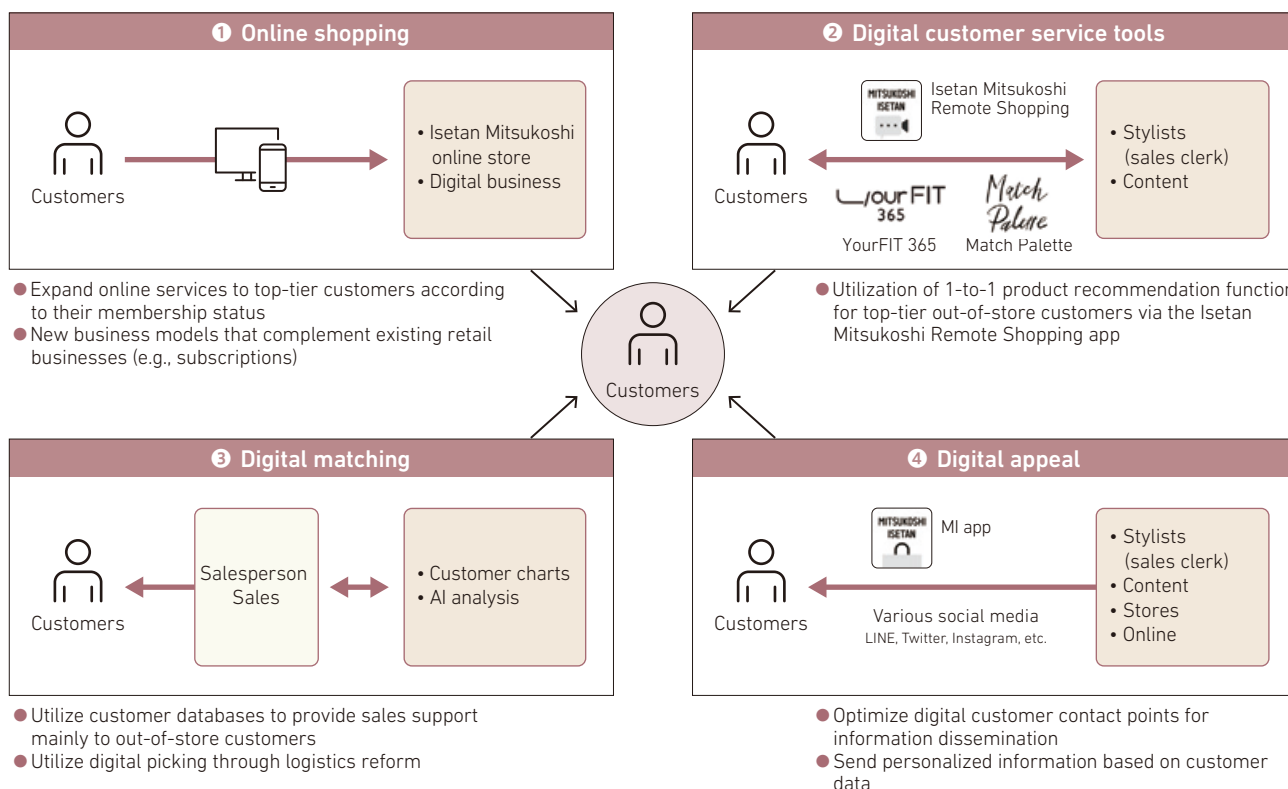


## Promotion of Digital Technology

The Isetan Mitsukoshi Group will provide the best customer experience by utilizing digital transformation in the follow 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**.

Direction

- Implement merchandising that integrates physical stores and people through the accumulation and utilization of customer data

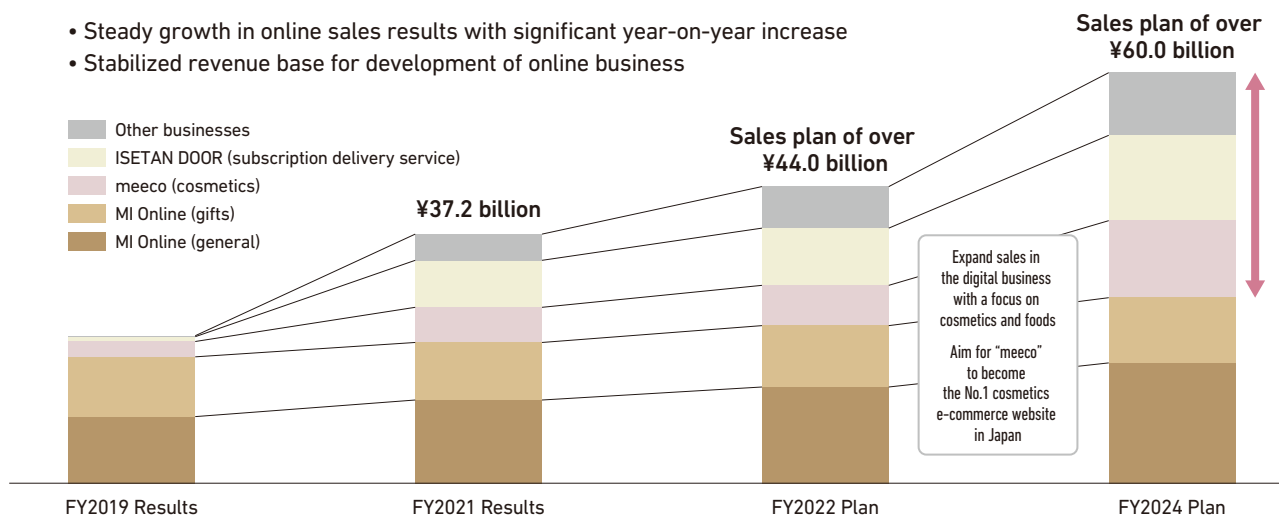


### ◆ Online business

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 expect to achieve profitability from the FY2022 plan onward, including improvement of the cost structure by narrowing down the appropriate number of models to be listed, implementing stylist posting, and reducing the number of delivery days and costs through digital picking.

- Steady growth in online sales results with significant year-on-year increase
- Stabilized revenue base for development of online business



## CRE

We intend to use Isetan Mitsukoshi Group resources, such as department stores and real estate to build a new business model based on “High sensitivity, fine quality” base networks, while also preparing our own infrastructure.

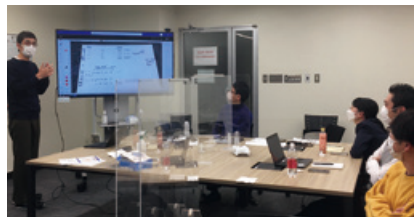
Direction

- Promote urban development as a symbol of admiration and empathy in “High sensitivity, fine quality” base networks
- Start full-scale review of the future of the two main stores

### ◆ Toward the formulation of a conceptual framework for urban development

Over the course of our long history of doing business in Shinjuku and Nihombashi, we have held a series of management meetings (PMO) to thoroughly examine our experiences of being deeply involved in the way each urban community should be and the various reviews that we have conducted, and have reaffirmed the presence and roles of Isetan Mitsukoshi in each area.

In addition, at the Shinjuku Main Store, we launched the Grand Design Project with approximately 50 members selected from across age and affiliation lines, and divided them into five teams to discuss future visions for the community and the role Isetan Mitsukoshi will play in the future. Based on various future forecast reports and data, the project team members drew up a vision of future changes in society and people, and held in-depth discussions on what Shinjuku Station East Exit and Isetan will look like 20 years from now, taking into consideration the history of Shinjuku and Isetan. Finally, each of the five teams held discussions with the management team based on their own concepts of urban development and the roles Isetan should play in this concept.

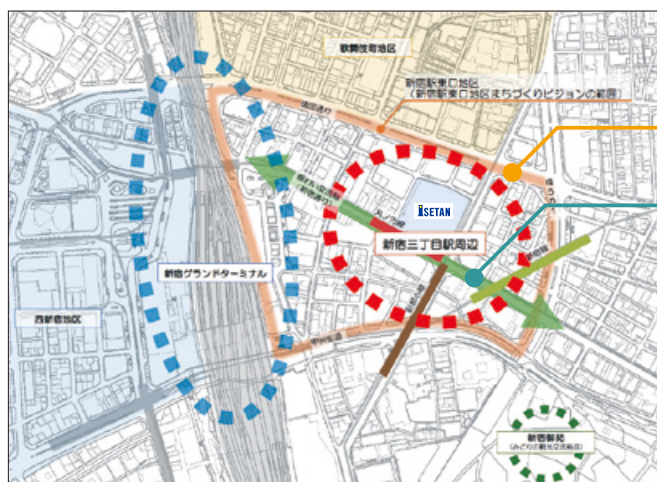


### ◆ In response to the Shinjuku Station East Exit District Urban Development Vision

The Shinjuku Station East Exit Area Urban Development Vision formulated by Shinjuku City outlines a future vision for the area as “a vibrant city representing Japan and a place where people want to take a stroll,” and indicates the formation of a lively exchange axis centering on Shinjuku Station, Shinjuku-sanchome Station, and Shinjuku-dori Avenue. The Shinjuku-sanchome Station Area Community Development Study Committee, established in February 2021, has been reviewing this future vision for the Shinjuku-sanchome Station area and the guiding principles for the realization of urban development. 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–**



Scope of the Shinjuku Station East Exit Area Urban Development Vision

Lively exchange axis (Shinjuku-dori Avenue)

\*Created based on the “5th Shinjuku-sanchome Station Area Community Development Review Committee Document”

### ◆ Start of review of the Nihombashi area

As the development of the entire Nihombashi area is taking shape, landowners are currently holding review sessions in the vicinity of our buildings. We are also participating in these sessions, and are studying ways to enhance the value of the community together with the local residents.



# Group Platform: CRE / Income and Expenditure Structural Reform

## ◆ Design of business model

We will create a network of “High sensitivity, fine quality” bases by establishing a business structure that is tailored to each property we own or lease according to market scale, customer needs, and distance from the mothership store.

| Restructuring of existing stores   | Station-front facility occupancy type  | Non-opening area type of department store  |
|--|--|--|
| <ul style="list-style-type: none"> <li>■ Shift from a conventional department store structure</li> <li>■ Improve customer appeal by introducing new lifestyle-related contents (center of the town)</li> </ul> | <ul style="list-style-type: none"> <li>■ Make proposals on regular daily living primarily related to food</li> </ul> | <ul style="list-style-type: none"> <li>■ Daily content closely linked to the market</li> </ul> |

## Examples of “High sensitivity, fine quality” base networks

Ehime  
Matsuyama Mitsukoshi

- 9 floors
- Opened in October 2021

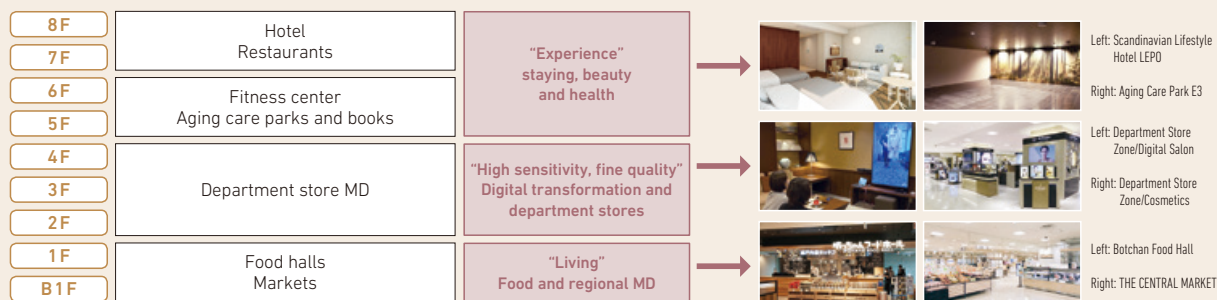
Tokushima  
Mitsukoshi Tokushima

- Tokushima Amico Building 2F/5F
- Opened in April 2022

Aichi  
Mitsukoshi Toyota

- T-FACE Pavilion A, 2F
- Opened in April 2022

- Matsuyama Mitsukoshi case**
- Proposing lifestyles that expand content through collaboration with local companies
  - A new model that expands collaboration between individual stores through a digital network and a sales network

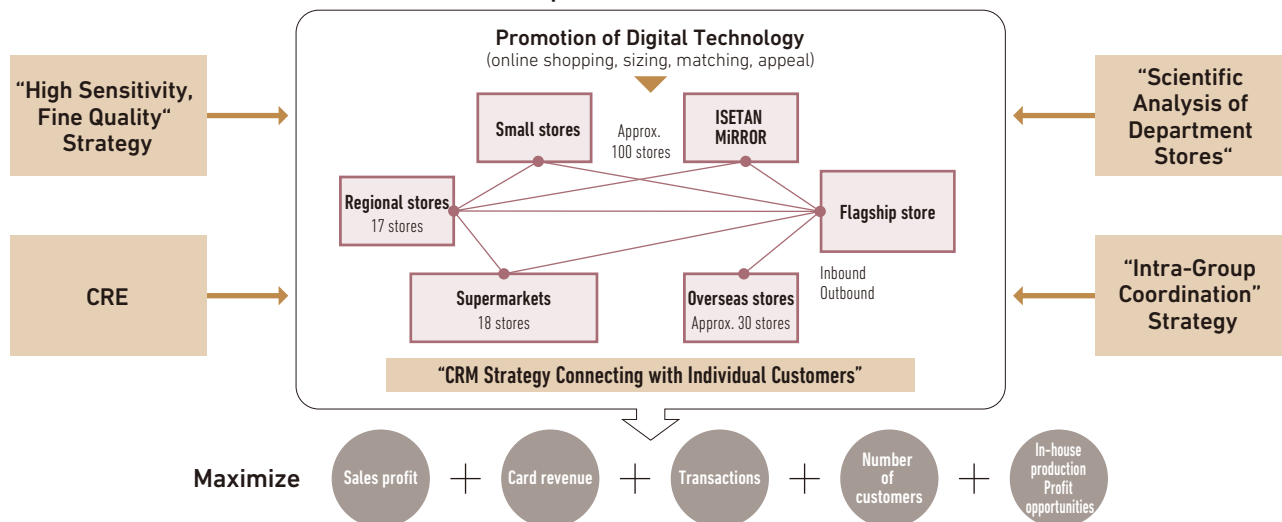


## ◆ Base network = Area strategy

The Isetan Mitsukoshi Group has established more than 170 customer contact points through a network that allows each location to work together by making full use of digital technology.

In the past, we looked at single store sales and operating income at each location, but from now on, we are pursuing a strategy of not only increasing sales and income at each location, but also acquiring profits for the entire Group, including the financial business and real estate business for customers in the vicinity of the locations. We are also expanding new customer contact points by incorporating MI Food Style (supermarket business), in which we repurchased shares in June 2022, into our network.

## More than 170 points of contact with customers



## Income and Expenditure Structural Reform

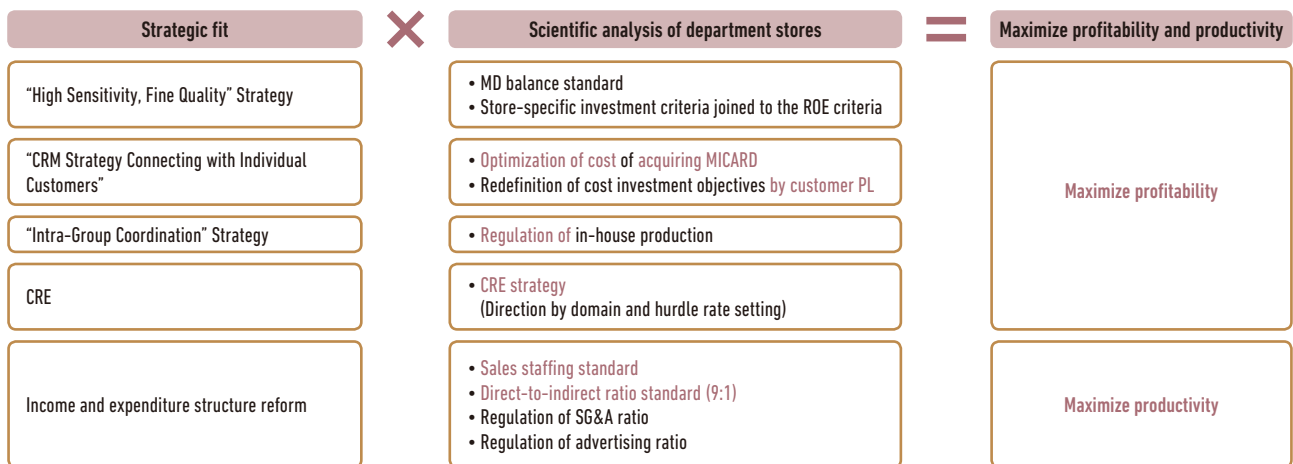
Under the slogan “Scientific analysis of department stores,” we will redesign the business structure of department stores by analyzing not only sales but also revenue and productivity in all units within the Group and its businesses. This will allow us to gain a grasp of the overall situation and adopt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

### ◆ “Scientific analysis of department stores”

Direction > ● Evolution of the “Scientific analysis of department stores” for the revitalization of department stores

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

1. Reform the cost structure and redesign the department store business structure to revitalize department stores, 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



### ◆ Income and expenditure structure control

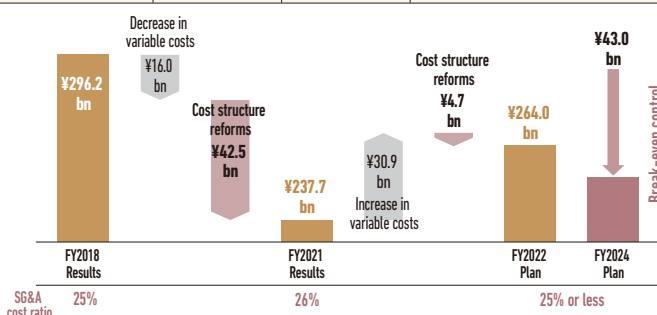
Direction > ● Reducing SG&A expenses from a scientific perspective and redesigning the business structure by optimizing the number of personnel

We are redesigning our income and expenditure structure to maximize efficiency by analyzing all costs and productivity of personnel based on the “Scientific analysis of department stores.” This will enable us to reduce personnel and other fixed costs to an optimal balance for our business, thereby transforming our business structure into a more muscular one.

In order to promote the “Intra-group coordination” strategy, we are also shifting personnel from the department store business to the financial and real estate businesses, accounting for half of our profit portfolio in 10 years’ time.

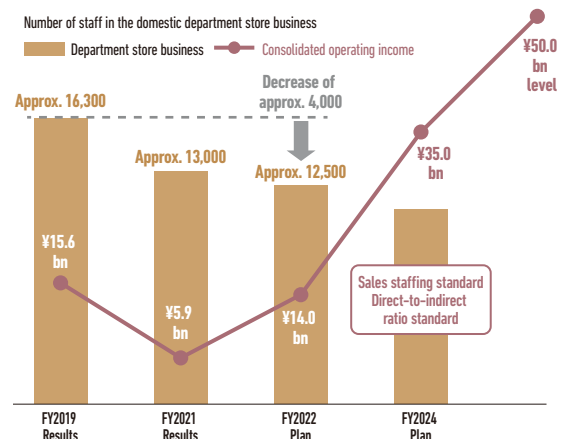
#### Cost control

|                             | FY2018-2021          | FY2022              | Major Initiatives   |
|-----------------------------|----------------------|---------------------|---|
| <b>Total</b>                | <b>¥42.5 billion</b> | <b>¥4.7 billion</b> |   |
| <b>Personnel expenses</b>   | ¥22.8 billion        | ¥2.7 billion        | • Appropriateness of personnel (workstyles)                           |
| <b>Lease payments</b>       | ¥6.0 billion         | ¥0.2 billion        | • Return rental properties (workstyles)<br>• Negotiate rent reduction |
| <b>Consignment expenses</b> | ¥5.8 billion         | ¥0.4 billion        | • Operational efficiency  |
| <b>Others</b>               | ¥7.9 billion         | ¥1.4 billion        | • Reduction of utilities, repair costs, etc.                          |



#### Personnel control

- Steady progress in line with the Medium-Term Plan
- The number of staff in the department store business is in decline over the long term





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

## Yoshinori Makino

Managing Executive Officer, Chief Strategy and Digital Officer and CFO

## Review of FY2021 and future financial strategy

The COVID-19 pandemic, which has spread throughout the globe since the end of FY2019, has had a significant impact on our Company, resulting in losses in both operating income and net income in FY2020. However, even under such circumstances, as part of our proactive initiatives, we have vigorously promoted structural reforms starting in FY2020, and by reducing fixed costs by approximately 26.0 billion yen in FY2021, we secured an operating profit. Furthermore, we secured net income of over 12.0 billion yen through measures such as the strategic replacement of assets from a medium- to long-term perspective. On the other hand, as part of our defensive initiatives, we have been working to improve our profit structure by reducing interest-bearing debt through improved operating cash flow and controlling expenses and investment cash outflows.

Although the outlook for our Company remains unclear, what with the ongoing uncertainty surrounding the pandemic, as well as the impact of global economic stagnation caused by the situation in Ukraine and other factors, we will continue to improve our earnings structure by implementing the key strategies under our new Medium-Term Plan, which we announced last November, and by further promoting income and expenditure structural reform.

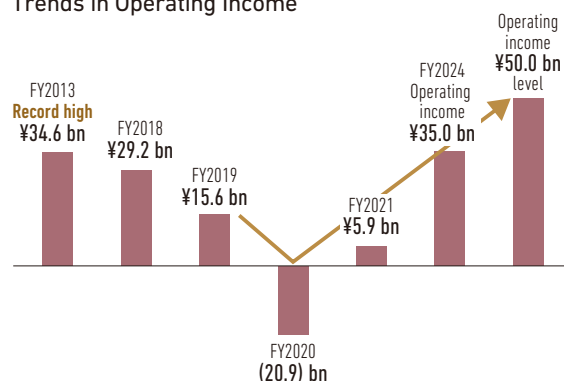
On the financial side, in response to the changing business environment, we will work to further generate operating cash flow by addressing the three elements of improving business profitability, balance sheet optimization, and capital efficiency as interrelated rather than independent items. At the same time, in order to build the best possible relationship with all our stakeholders, we will build

### Trends in Consolidated Results

(Unit: Billions of yen)

|                  | FY2018  | FY2019  | FY2020 | FY2021 | YoY (%) | Difference |
|------------------|---------|---------|--------|--------|---------|------------|
| Gross sales      | 1,196.8 | 1,119.1 | 816.0  | 912.1  | 111.8%  | 96.1       |
| Gross profit     | 348.2   | 322.7   | 227.5  | 243.6  | 107.1%  | 16.1       |
| SG&A             | 319.0   | 307.0   | 248.5  | 237.7  | 95.7%   | (10.7)     |
| Operating income | 29.2    | 15.6    | (20.9) | 5.9    | —       | 26.9       |
| Recurring income | 31.9    | 19.7    | (17.1) | 9.5    | —       | 26.6       |
| Net income       | 13.4    | (11.1)  | (41.0) | 12.3   | —       | 53.4       |

### Trends in Operating Income



an optimal financial base in terms of flow and stock, while maintaining a balance between shareholder returns, reduction of interest-bearing debt, and investments that contribute to earnings, while securing sufficient capacity for medium- and long-term investments.

## Three elements of our future financial strategy

### Business profitability improvement

Income and expenditure structural reform is the most important factor in the profitability of our business. In order to drive through this reform, we are taking steps to establish standards for cost control from the perspective of "Scientific analysis of department stores." We are working to create further operating income through more effective management of income and expenditure by subdividing income management into units such as by location, channel, and measure, and visualizing the results. We will also work to improve non-operating income and extraordinary income and loss. To this end, in order to increase final profits, we will strengthen investment return management and monitoring of investments and loans for growth investments that will lead to business expansion, while promoting group-wide cash flow management through the introduction of a consolidated tax payment system.

### Balance sheet optimization

We will maintain a sound financial base with respect to the balance sheet during the period of the Medium-Term Plan. Specifically, we have set interest-bearing debt at 150.0 billion yen or less for FY2024 with a view to investing in future growth, and to achieve this goal, we will review the balance between operating cash flow, investment cash flow, reduction of interest-

bearing debt, and shareholder returns on a yearly basis for optimal allocation. In addition, we are diversifying our funding methods, and although only a small portion of our funding is being used, we are also executing sustainability-linked loans in a bid to contribute to the realization of a sustainable society.

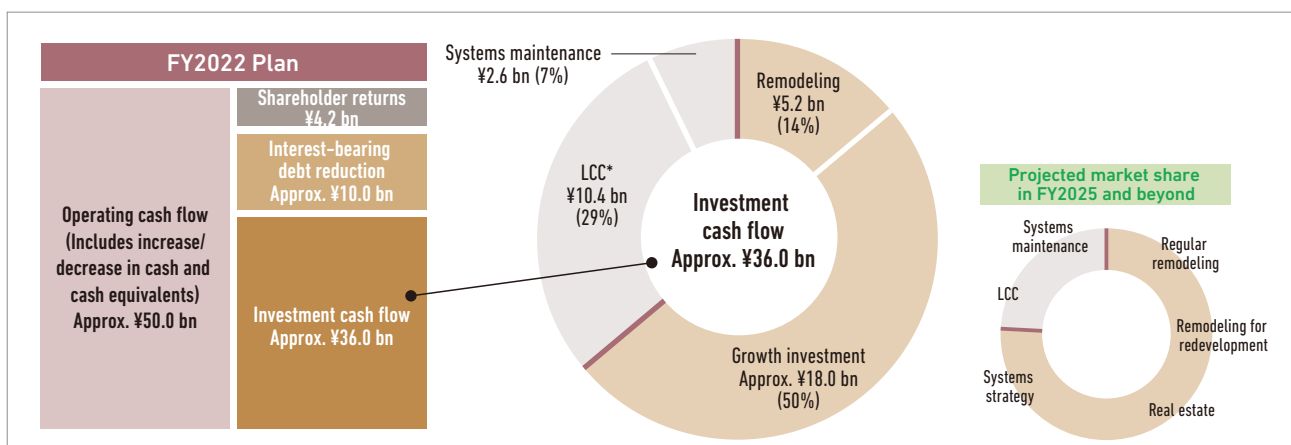
### Capital efficiency

In the Medium-Term Plan, we have set ROE of 5.3% for FY2024 as a KPI to expand earnings and optimize the balance sheet. Regarding dividends, in light of the recovery of business performance in FY2021 and our earnings forecast for FY2022, we have announced that we will increase dividends to 12 yen per share, the pre-COVID-19 level, ahead of the original schedule. Going forward, we will continue to maintain a relationship of trust with all stakeholders by promoting shareholder returns in line with the recovery of earning power, based on a policy of considering stable dividend increases over the medium to long term.

## Medium-term cash allocations

The following are the basic policies set out under our Medium-Term Plan. In this context, we will plan and execute cash allocation based on cash flow in accordance with each fiscal year's business performance.

|                         |   |
|-------------------------|---|
| ① Shareholder returns   | Surpass the pre-COVID dividend of 12 yen per share, and continue to gradually increase dividends thereafter.                                      |
| ② Interest-bearing debt | Plan to reduce by 25.0 billion yen in order to secure the investment capacity required to prepare for future large-scale real estate development. |
| ③ Growth investment     | Allocate over half of our investment cash flow to growth investment.  |



\*Life Cycle Costing



## Our Views on Sustainability

### Our Vision

To become the “special” department store-centered retail group that enriches the lives of our customers

~ To gain the utmost support in “High sensitivity, fine quality” consumption, with the pride of Japan and the ability to convey this around the world ~

### Our Philosophy

Connecting people and bridging times  
Strive to change.

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

### Isetan Mitsukoshi Group Policy on Sustainability

We fulfill our corporate social responsibility facing various social issues and contributing to solving them through our corporate activities. We will play a role in achieving both a prosperous future for all stakeholders and a sustainable society.

Isetan Mitsukoshi Group  
Corporate Code of Ethics

Isetan Mitsukoshi Group  
Human Rights Policy

Isetan Mitsukoshi Group  
Procurement Policy

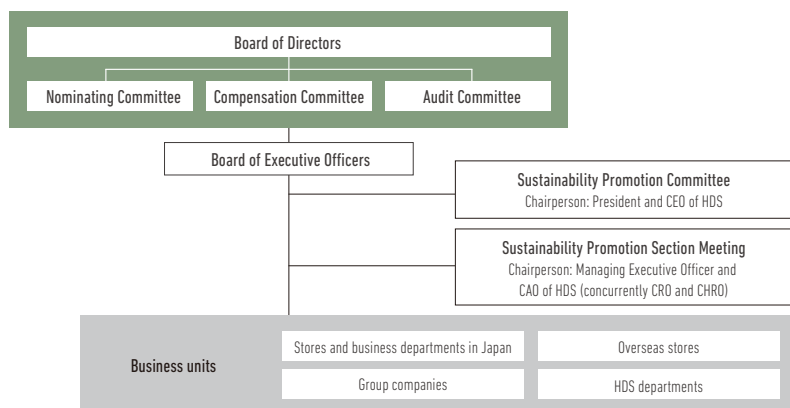
Isetan Mitsukoshi Group  
Environmental Policy

Isetan Mitsukoshi Group  
Corporate Governance  
Guidelines

## Structure for Promoting Sustainability

In FY2018, the 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 both solving social issues through our business and improving corporate value under the leadership of senior management by establishing and holding the Sustainability Promotion Committee chaired by the CEO.

## Organization for promoting sustainability in FY2022



\*HDS stands for “holdings company.”

### ◆ Sustainability Promotion Committee

The Sustainability Promotion Committee seeks to promote and raise awareness of the measures and priority initiatives of our sustainability activities across the Isetan Mitsukoshi Group. Chaired by the CEO of Isetan Mitsukoshi Holdings, the Committee consists of the general managers of departments (business unit representatives) and group companies representatives. The Committee was held once in FY2021.

### ◆ Sustainability Promotion Section Meeting

The Sustainability Promotion Section Meeting operates under the Sustainability Promotion Committee. Chaired by the CAO (concurrently CRO and CHRO) of Isetan Mitsukoshi Holdings, this Meeting works to promote sustainability measures and consists of managers (business subunit chiefs), including the general managers of the general affairs departments of the Group companies and Group stores. The Meeting was held once in FY2021.

### ◆ Initiatives we endorse



**TCFD (Task Force on Climate-related Financial Disclosures):** A framework for disclosing financial information on corporate climate change initiatives and impacts. We endorsed this initiative in November 2021.

### ◆ External ratings



**CDP:** An NGO run by a British charity that operates a global disclosure system to help investors, corporations, nations, regions, and cities manage their own environmental impacts. We are rated “A-” in 2021.



**CASBEE:** Certification based on a comprehensive evaluation of a building's quality, including its energy-saving performance, indoor environment, and maintenance management. We acquired real estate certification for Isetan Shinjuku Main Store, Mitsukoshi Nishinomiya Main Store, Mitsukoshi Ginza Store, Isetan Urawa Store, and Niigata Isetan Mitsukoshi.

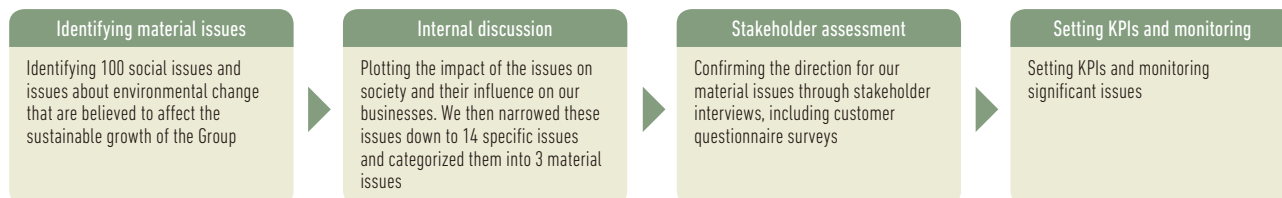
For details of the Group's sustainability initiatives, please refer to the Isetan Mitsukoshi Holdings Sustainability Website. The Sustainability Report 2022 (English version) is planned to be released in January 2023.

<https://imhds.disclosure.site/en>

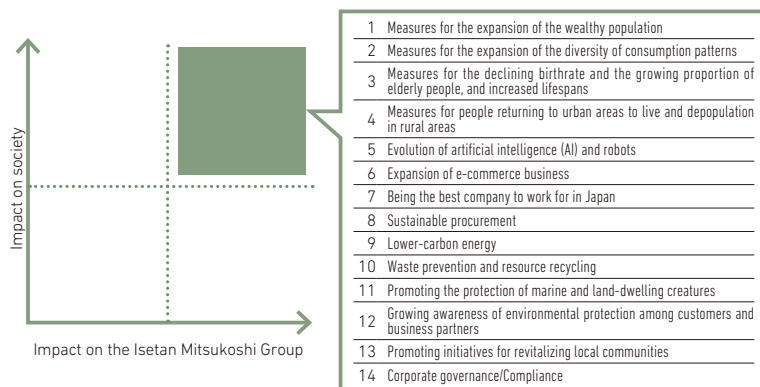


## Priority Initiatives (Materialities): The Identifying Process

At the 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 have identified three priority initiatives (Materialities) among social issues and requests from our stakeholders, from the perspective of making the most of our strategy to maximize the Group's strengths, through the process described below.



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



### ◆ Customer questionnaire survey conducted in February 2022

n=5,990

Measures that customers want the Isetan Mitsukoshi Group to take

- 1 Guaranteeing product quality and safety and accurate labeling **20.1%**
- 2 Reduction of food loss **15.0%**
- 3 Reduction of all packaging materials, including plastic and paper containers **9.0%**

Every year, many customers responding to the survey choose "guaranteeing product quality and safety and accurate labeling" as a measure that they want the Isetan Mitsukoshi Group to take. However, recent years have seen a growing proportion of respondents select such things as "reduction of food loss" and "reduction of packaging materials."

## Priority Initiatives (Materialities) and Long-Term Goals

|  | Current   | 2024  | 2030  |
|--|---|---|---|
| <b>Priority Initiative 1</b><br>Connecting People and Local Communities        |   | Propose new values and connect Japanese technology and traditional culture to the next generation, while bringing people and communities together through products and services by leveraging our network of stores and product procurement capabilities in Japan and overseas.   | Work together with local communities to realize new urban development centered on department stores, making the most of the city's attractions.   |
| <b>Priority Initiative 2</b><br>Connecting a Sustainable Society and the Times | Greenhouse gas emissions (under third-party verification FY2021 preliminary results/ vs. FY2013) <b>Down 42.9%</b><br><br>Implementation of questionnaire and dialogue with business partners<br>292 companies responded (51%)  | Promote installation of LED lighting in supporting divisions (installation in store ceilings already completed)<br><b>Change to high-efficiency equipment through our long-term maintenance plan</b><br>Promote energy saving by introducing equipment systems that incorporate new technologies<br><br>Disclose and explain Isetan Mitsukoshi Group Procurement Policy to all business partners and encourage the holding of dialogues on issue sharing and resolution<br><br>Establish solid human rights due diligence processes<br>Conduct human rights education for all employees | Greenhouse gas emissions (vs. FY2013) <b>Down 50%</b><br><br>Ratio of renewable energy introduced (Percentage of electricity used at domestic department store business) <b>60%</b><br>*At Company-owned properties in the domestic department store business: 100%<br><br>Isetan Mitsukoshi Group Procurement Policy Penetration rate among employees and business partners <b>100%</b>              |
| <b>Priority Initiative 3</b><br>Improving the Satisfaction of Employees        | Ratio of female managers (across the Group) <b>31.0%</b><br>*Equivalent to section chief level, or above (as of April 1, 2022)<br><br>Ratio of employees with disabilities Isetan Mitsukoshi Ltd. and major Group companies in the Tokyo metropolitan area (as of June 1, 2022) <b>2.83%</b><br><br>Percentage of male employees taking childcare leave Isetan Mitsukoshi Ltd. (FY2021 results) <b>30.9%</b><br><br>Companies achieving the average 1,700 total working hours per year (*target 23 Group companies) (FY2021 results) <b>39.1%</b><br><br>Employee satisfaction survey response rate (FY2020 results) <b>97.0%</b> | Ratio of female managers (across the Group) <b>33.0%</b><br><br>Ratio of employees with disabilities Isetan Mitsukoshi Ltd. and major Group companies in the Tokyo metropolitan area <b>3.0%</b><br><br>Percentage of male employees taking childcare leave Isetan Mitsukoshi Ltd. <b>100%</b><br><br>Companies achieving the average 1,700 total working hours per year (*Target 23 Group companies) <b>80.0%</b><br><br>Employee satisfaction survey response rate <b>100%</b>  | Ratio of female managers (across the Group) <b>38.0%</b><br><br>Ratio of employees with disabilities Isetan Mitsukoshi Ltd. and major Group companies in the Tokyo metropolitan area <b>3.5%</b><br><br>Percentage of male employees taking childcare leave Group-wide <b>100%</b><br><br>Companies achieving the average 1,700 total working hours per year (*Target 23 Group companies) <b>100%</b> |

## Priority Initiative ①

## 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.

### Initiatives for the current fiscal year

| Co-creation with local communities   | Promoting and passing on culture and tradition  | Connecting with people to carve a new future   |
|--|---|--|
| <ul style="list-style-type: none"> <li>Community revitalization</li> <li>Social contribution activities</li> </ul> | <ul style="list-style-type: none"> <li>Contribution to projects related to culture and tradition</li> <li>Supporting and nurturing the next generation</li> </ul> | <ul style="list-style-type: none"> <li>Providing new customer experiences</li> </ul> |

### Vision

We will leverage the Group's strengths, including our extensive store network in Japan and overseas and product procurement capabilities, to connect Japanese technology and traditional culture to the next generation through goods and services. We will also propose 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 through collaboration with national museums and museums of art.

## TOPICS

### Isetan Mitsukoshi Hometown Tax

The Isetan Mitsukoshi Hometown Tax scheme is designed to revitalize local municipalities and industries by leveraging the Isetan Mitsukoshi Group's strengths in merchandising and its network with local communities. Since its launch in 2019, the amount of donations made through this scheme has grown significantly, by approximately 235% year-on-year in 2021, while expanding to include new partnerships with additional municipalities.

Our Group's regional department stores nationwide serve as points of contact with municipalities and businesses, creating a system that allows customers to support local communities from a closer distance. In addition, the quality of the gifts we send in return for donations is controlled in accordance with department store standards. We aim to contribute to the revitalization of local industries by creating an environment that facilitates the expansion of high-quality local products into sales channels other than the Hometown Tax scheme, and by enabling businesses to earn continuous profits that are not tied to the system.

The Isetan Mitsukoshi Hometown Tax scheme provides opportunities to introduce the Hometown Tax scheme directly to customers not only through the portal site but also through events and store counters. We believe that our Group's unique strength lies in the fact that our stores can be used as an opportunity for customers to start paying the Hometown Tax and to learn about the charms of the region.



## Priority Initiative ②

## Connecting a Sustainable Society and the Times



## Concept

To pass on a sustainable society to future generations, the Group is implementing initiatives to reduce our environmental impact, including the provision of safe, reliable products and services, the contribution to the realization of a carbon-neutral society, and resource conservation. In particular, consumers' environmental awareness is rapidly increasing, and we have been actively proposing environment-conscious products and services to our customers. Going forward, we intend to convey messages for the future, make proposals, and improve communication not only through our physical stores but also through our online stores.

## Initiatives for the current fiscal year

| Achieving a carbon-neutral society  | Supply chain management   |
|---|---|
| <ul style="list-style-type: none"> <li>Initiatives to reduce CO<sub>2</sub> emissions from energy use</li> <li>Initiatives for medium- and long-term environmental targets</li> <li>Information disclosure in line with TCFD recommendations</li> </ul> | <ul style="list-style-type: none"> <li>Toward a recycling-oriented society</li> <li>Building a system for responsible procurement</li> <li>Quality control initiatives</li> </ul> |

## Targets and progress

| Current   | Initiatives   | Targets for 2030   |
|---|---|--|
| <ul style="list-style-type: none"> <li>Greenhouse gas emissions (under third-party verification FY2021 preliminary results/ vs. FY2013)<br/><b>Down 42.9 %</b></li> <li>Building the foundations for responsible procurement</li> </ul> | <ul style="list-style-type: none"> <li>Endorsement of TCFD</li> <li>Conversion to LED lighting in supporting divisions</li> <li>Start of pilot test of AI smart air-conditioning system</li> <li>Promotion of energy creation at Isetan Mitsukoshi Logistics Center</li> <li>Implementation of dialogue on procurement among business partners (292 companies / 51% response rate)</li> <li>Engage in individual dialogue with business partners</li> </ul> | <ul style="list-style-type: none"> <li>Greenhouse gas emissions (vs. FY2013)<br/><b>Down 50%</b></li> <li>Ratio of renewable energy introduced (Percentage of electricity used at domestic department store business)<br/><b>60%</b></li> <li>Isetan Mitsukoshi Group Procurement Policy Penetration rate among employees and business partners<br/><b>100%</b></li> </ul> |

## TOPICS 1

## Supply chain management

To address social issues such as sustainable supply chains and business and human rights, we formulated the Isetan Mitsukoshi Group Procurement Policy and the Isetan Mitsukoshi Group Human Rights Policy in FY2018 and disclosed them on our website.

In July 2021, we conducted a questionnaire survey on sustainable procurement targeting business partners accounting for approximately 70% of the top sales in the department store business and major suppliers in other businesses and supporting divisions, and received responses from 292 companies and groups. In November, we held a briefing session on Isetan Mitsukoshi's policies, which was attended by representatives from more than 300 business partners. At the briefing, we explained the Group's responsible procurement policy and asked business partners to comply with laws and regulations and to consider the environment and human rights.

In FY2022, based on the results of the survey, we will further enhance communication with business partners to help understand and improve the actual situation, as well as establish a management system for environmental and human rights issues in the supply chain.



Isetan Mitsukoshi policy briefing meeting

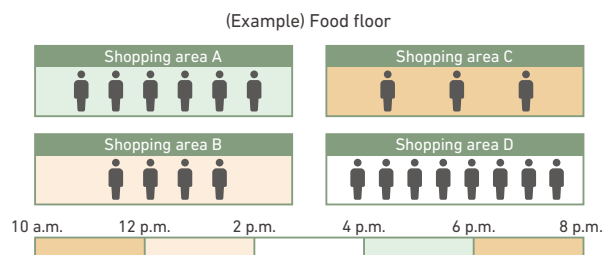


## TOPICS 2

### Achieving a carbon-neutral society

At the Isetan Shinjuku Main Store, we are working to introduce an AI smart air-conditioning system to reduce annual energy consumption (electricity and gas) for air conditioning on each floor by 50% compared to the previous system. Until now, air conditioning has been centrally controlled on each floor, but we will promote energy conservation by making it possible to control air conditioning according to the congestion of sales floors or the time of the day. In FY2022, we plan to start a trial on the basement food floor, verify the effectiveness of the system for full-scale introduction, and gradually expand the system.

AI analyzes congestion and time of day, and adjusts the air conditioning environment to suit each sales floor



## Response to Climate Change and Information Disclosure According to the TCFD Recommendations

The Isetan Mitsukoshi Group regards action on climate change as an important issue for continuous operation of our business. In FY2018, the Group identified a Priority Initiatives (Materialities) for helping realize a sustainable society through its business, and started to promote sustainable management, which included responding to climate change. To encourage even more proactive climate change countermeasures, we have declared our support for the Task Force on Climate-related Financial Disclosures (TCFD), and continue to review our evaluations and analysis based on more quantitative information that takes environmental change into account.

|                               |  |
|-------------------------------|--|
| <b>Governance</b>             | We recognize climate change as an important management issue. To this end, the Board of Executive Officers, chaired by the CEO, evaluates and decides how to respond to climate change, and the Board of Directors supervises this process.  |
| <b>Strategy</b>               | We envisaged two futures, one in which average global temperatures rose by 4°C and one where the temperature rise was less than 2°C compared to pre-industrial levels, and conducted scenario analysis to ensure we could take appropriate action toward in each case. We are now identifying the financial impact of each case on the Group, examining both the risks and opportunities, and taking appropriate measures.   |
| <b>Risk management</b>        | We evaluate, analyze, and decide how to deal with both the climate-change risks (transitional and physical) and opportunities of individual processes. We also examine risks and opportunities relating to climate change in our Sustainability Promotion Committee, which are then shared across the entire Group.  |
| <b>Indicators and targets</b> | <p>We have set specific targets for reducing greenhouse gas emissions as an indicator for realizing a carbon-neutral society.</p> <ul style="list-style-type: none"> <li>Isetan Mitsukoshi Group Medium-Term Environmental Targets for 2030<br/>A reduction of the Group's CO<sub>2</sub> emissions of 50% from FY2013 levels by 2030 (Scope 1 and Scope 2)</li> <li>Isetan Mitsukoshi Group Long-term Environmental Targets for 2050<br/>A reduction of the Group's CO<sub>2</sub> emissions to virtually zero by 2050</li> </ul> |

| The world in 2030 |                                    |                                     | Impact on business operation   |  | Average global temperature rise |     |
|-------------------|------------------------------------|-------------------------------------|--|--|---------------------------------|-----|
|                   |                                    |                                     |  |  | Less than 2°C                   | 4°C |
| Risks             | Physical risks                     | Extreme and abnormal weather events | <ul style="list-style-type: none"> <li>Financial risk of loss incurred due to Group stores being damaged by extreme weather events</li> <li>Risk of reduced sales due to stores being unable to operate because of typhoons and other weather events</li> <li>Risk of reduced sales because products cannot be procured due to disruption of the supply chain</li> </ul> |  | ▼▼                              | ▼▼▼ |
|                   |                                    | Advancement of global warming       | <ul style="list-style-type: none"> <li>Risk of reduced sales of cold protection and other goods</li> <li>Risk of reduced sales due to reduced customer traffic as consumers avoid going out in the heat</li> </ul>   |  | ▼                               | ▼▼▼ |
|                   | Transitional risks                 | Introduction of carbon pricing      | <ul style="list-style-type: none"> <li>Increase of energy costs</li> <li>Additional capital expenditure and other costs required for reducing CO<sub>2</sub> emissions</li> <li>Increase of product procurement costs</li> </ul>   |  | ▼▼▼                             | ▼▼  |
| Opportunities     | Changes in consumer behavior       |                                     | <ul style="list-style-type: none"> <li>Rise in interest in environmentally conscious consumption and responses to that rise</li> </ul>   |  | △△△                             | ▼   |
|                   | Achievement of energy conservation |                                     | <ul style="list-style-type: none"> <li>Financial effect of reduced energy costs</li> </ul>   |  | △△                              | △   |
|                   | Evaluation of corporate value      |                                     | <ul style="list-style-type: none"> <li>Improved reputation among stakeholders and the public by striving to become an environmentally friendly business</li> </ul>   |  | △△                              | △   |

▼: Increase of business risk △: Increase of business and revenue opportunities

Scenarios referenced  
Representative Concentration Pathway 8.5 (2.6 to 4.8°C)  
Stated Policies Scenario  
Reference Technology Scenario  
Sustainable Development Scenario

IPCC2015  
WEO  
IEA  
WEO

Beyond 2°C Scenario  
Representative Concentration Pathway 2.6/0.3-1.7°C  
World Energy Outlook  
"Recommendations on Flood Control Planning in Light of Climate Change," Ministry of Land, Infrastructure, Transport and Tourism

IEA  
IPCC 2014  
IEA

## Priority Initiative ③ Improving Employee Satisfaction



### Concept

The Isetan Mitsukoshi Group believes that people are the most important factor in achieving its business strategies. In order for all employees to work toward the same goal, we consider employee satisfaction (job satisfaction and comfortable working environment) to be the most important foundation.

Our efforts to improve each and every employee engagement and to foster a relationship of trust with a wide range of stakeholders are based on the achievement of job satisfaction and comfortable working environment for our employees, who are essential for our corporate activities. We will continue to promote a variety of initiatives that contribute to solving a wide range of social issues, including human rights and diversity & inclusion.

### Initiatives for the current fiscal year



### Targets and current progress

| Current  |        |                               |                   | Long-term target  |        |                               |   |
|--|--------|-------------------------------|-------------------|---|--------|-------------------------------|---|
|  | Result | Difference from previous year | Target for FY2030 |   | Result | Difference from previous year | Target for FY2030                         |
| <b>Ratio of female managers</b><br>(across the Group)<br><small>*Equivalent to section chief level, or above (as of April 1, 2022)</small>                         | 31.0%  | +0.2%                         | 38.0%             | <b>Percentage of male employees taking childcare leave</b><br><small>Isetan Mitsukoshi Ltd. (FY2021 results)</small>                            | 30.9%  | +9.2%                         | 100%                                      |
| <b>Ratio of employees with disabilities</b><br><small>Isetan Mitsukoshi Ltd. and major Group companies in the Tokyo metropolitan area (as of June 1, 2022)</small> | 2.83%  | +0.08%                        | 3.5%              | <b>Companies achieving between 1,700 and 1,800 total working hours per year</b><br><small>(*target 23 Group companies) (FY2021 results)</small> | 39.1%  | +8.7%                         | 100%                                      |
|  |        |                               |                   | <b>Employee satisfaction survey response rate</b><br><small>(across the Group)*1</small>  | 97.0%  |                               | 100%<br><small>*Achieve by FY2024</small> |

\*1 Actual results for FY2020 as it was not implemented in FY2021

### Promoting diversity & inclusion

Creating an environment in which all employees can play an active role

#### Number of female managers

■ Number of female managers as of April 1, 2022

|   | Number of female staff | Total number | Ratio of females |
|---|------------------------|--------------|------------------|
| Stage A (general manager)                   | 68                     | 430          | 15.8%            |
| Stage B (equivalent to section chief level) | 1,054                  | 3,195        | 33.0%            |
| Total                                       | 1,122                  | 3,625        | 31.0%            |

\*Across the Group

In order to create an environment in which all employees can make the best of their ability, regardless of their gender, employment status, and other factors, we are fostering individual awareness, as well as enhancing our systems and support mechanisms. In FY2022, we will focus particularly on the promotion of active participation of women initiatives to promote respect for LGBTQ+, and health management, and will seek to increase understanding among employees through the provision of various educational content and other means, while identifying issues to be reviewed in terms of systems and facilities.

### Improving motivation

Dialogue between top management and employees



Dialogue between CEO Toshiyuki Hosoya and Shizuoka Isetan employees

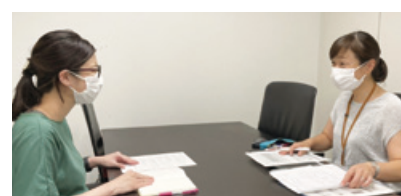
As a forum for two-way communication between employees and management, we continuously hold dialogue meetings between the CEO and other top management and employees.

In addition to deepening their understanding of the Group's strategies, employees engage in free and vigorous discussions and exchanges of opinions on issues and ideas to be promoted on the ground.

In FY2022, we will expand the scope of this initiative to include all major Group companies to foster a Group-wide culture of dialogue and increase motivation.

### Realizing Life-work balance

Support for balancing childcare and work



Meeting with Human Resources staff prior to maternity leave

Interviews with human resources staff are held before maternity leave and upon return to work to address individual concerns and worries.

In addition, since this fiscal year, we have been providing e-learning content for employees returning to work after childcare leave to enable female employees with children to advance in the workplace.

Furthermore, aiming for 100% of eligible male employees to take childcare leave by FY2030, we have started informing those employees about the system individually.

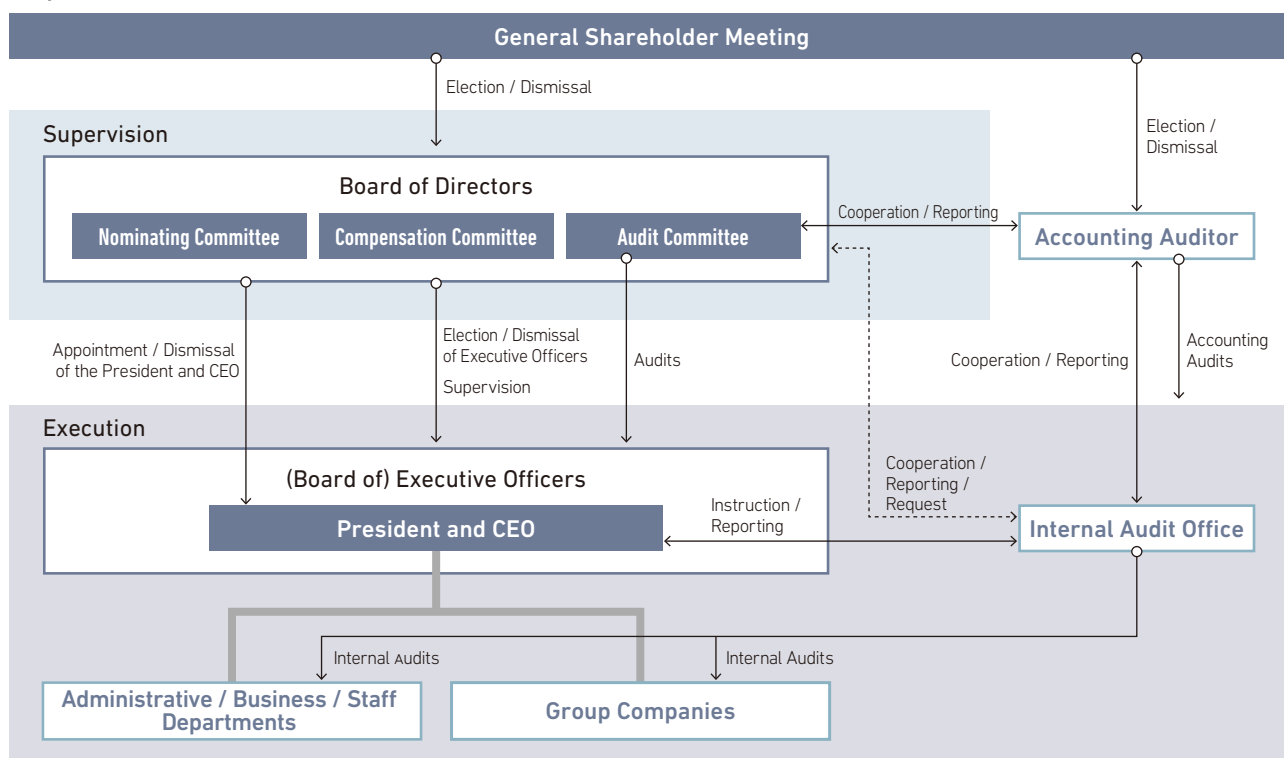
## Basic Views

While striving to build excellent relationships with customers, employees, shareholders, business partners, local communities, and other stakeholders, the Isetan Mitsukoshi Group is overhauling its corporate governance structure along with the management structure.

As part of these efforts, we have adopted the organizational structure of a company with a nominating committee, etc., for the purpose of further advancing corporate governance. We are working to ensure the transparency of our corporate activities and thorough compliance in our management, as well as to create and deliver value in various forms to all stakeholders associated with the Group.

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



## Board of Directors, System of Three Statutory Committees, etc.

### ◆ Responsibilities of the Board of Directors

Our institutional design as a company with a nominating committee, etc. clearly separates the roles of execution and supervision, and enhances the supervisory function of the Board of Directors by specializing the role of the Board of Directors in providing broad direction for the Group and supervising and monitoring business execution.

In order to create a structure suitable for monitoring the Group's management, the Board of Directors is composed of a majority of external directors and has been chaired by an external director since April 2021.

### ◆ Roles of the three statutory committees

#### <Nominating Committee>

The Nominating Committee decides on proposals for the appointment and dismissal of directors to be submitted to the general meeting of shareholders, deliberates on proposals for membership, etc., of the three statutory committees to be resolved by the Board of Directors and personnel proposals for executive officers and other officers, and deliberates on the succession plan of the President and CEO and the criteria for the appointment and dismissal of officers.






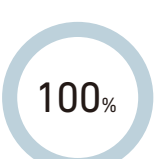
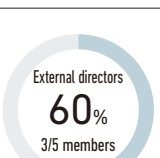
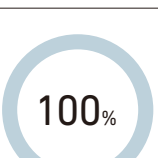
#### <Compensation Committee>

The Compensation Committee deliberates on issues and directions regarding the executive compensation system, including the nature of incentives for officers to enhance corporate value, and determines the amount of individual compensation, etc.

#### <Audit Committee>

The Audit Committee performs audits of the execution of duties by executive officers and directors, audits the status of internal control systems, and determines the content 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.

## Overview of the Board of Directors and Committees

|                        | Chairperson                    | Number of members and structure  | Main agenda in FY2021   | Number of times held<br>(June 2021 - May 2022) | Average attendance<br>(June 2021 - May 2022)   |
|------------------------|--------------------------------|--|---|--|--|
| Board of Directors     | Fukutaka Hashimoto<br>Director | <br>External directors<br>60%<br>6/10 members | <ul style="list-style-type: none"> <li>Resolutions and reports required under the Companies Act, our articles of incorporation, etc.</li> <li>Determination of policies, such as long-term visions and medium-term management plan</li> <li>Monitoring of key business execution</li> <li>Monitoring of internal control systems</li> </ul>   | 13   | <br>100%  |
| Nominating Committee   | Masami Iijima<br>Director      | <br>External directors<br>80%<br>4/5 members  | <ul style="list-style-type: none"> <li>Deliberations on the reappointment and succession plan of the President and CEO</li> <li>Determination of candidates for directors</li> <li>Deliberations on resolutions regarding the appointment of committee members and officers, including executive officers</li> </ul>  | 9  | <br>100%  |
| Compensation Committee | Miwako Doi<br>Director         | <br>External directors<br>100%<br>3/3 members | <ul style="list-style-type: none"> <li>Determination of policies on compensation for officers</li> <li>Investigations and decisions on incentive systems, such as performance-linked compensation and non-monetary compensation</li> <li>Determination of individual compensation amounts for the directors and executive officers, including representative executive officers and executive officers with special titles</li> </ul> | 8  | <br>100%  |
| Audit Committee        | Ken Akamatsu<br>Director       | <br>External directors<br>60%<br>3/5 members | <ul style="list-style-type: none"> <li>Formulation of audit policies and plans</li> <li>Reporting on risk management</li> <li>Reporting from the Internal Audit Office</li> <li>Reporting from the accounting auditor</li> <li>Interviews with executive divisions on the status of business execution</li> </ul>   | 17   | <br>100% |

## ◆ Committee affiliations and skills matrix of directors

○ = Areas of knowledge, experience and competence    ● = Areas where external directors are expected to contribute in terms of knowledge, experience, and abilities

| Name                        |                        |                      | Committee, etc. |              |       |   | Skills               |                         |        |                  |                     |  |                                       |
|-----------------------------|------------------------|----------------------|-----------------|--------------|-------|---|----------------------|-------------------------|--------|------------------|---------------------|--|---------------------------------------|
|                             |                        |                      | Nomination      | Compensation | Audit | Remarks   | Corporate management | Distribution, marketing | Global | DX, IT, security | Finance, accounting | Legal affairs, risk management, governance | Human resources, personnel management |
| Ken Akamatsu                | Non-executive          |                      |                 |              | ■     | Audit Committee Chairperson   | ○                    |                         |        | ○                |                     | ○  |                                       |
| Toshiyuki Hosoya            |                        |                      | ■               |              |       | Representative Executive Officer  | ○                    | ○                       | ○      |                  |                     |  |                                       |
| Toru Takeuchi               |                        |                      |                 |              |       | Representative Executive Officer  | ○                    | ○                       | ○      |                  |                     |  |                                       |
| Yuki Ishizuka               | Non-executive          |                      |                 |              | ■     |   |                      |                         |        | ○                |                     | ○  | ○                                     |
| Masami Iijima               | External Non-executive | Independent Director | ■               | ■            |       | Nominating Committee Chairperson  | ●                    |                         | ●      |                  |                     | ●  |                                       |
| Miwako Doi                  | External Non-executive | Independent Director | ■               | ■            |       | Compensation Committee Chairperson  | ●                    |                         |        | ●                |                     |  | ●                                     |
| Takashi Oyamada             | External Non-executive | Independent Director | ■               |              | ■     |   | ●                    |                         |        |                  | ●                   |  | ●                                     |
| Hidetoshi Furukawa          | External Non-executive | Independent Director | ■               |              | ■     |   | ●                    |                         | ●      |                  | ●                   |  |                                       |
| Fukutaka Hashimoto          | External Non-executive | Independent Director |                 |              |       | Chairperson of the Board of Directors   | ●                    |                         |        |                  |                     | ●  | ●                                     |
| Tomoko Ando                 | External Non-executive | Independent Director |                 | ■            | ■     |   | ●                    | ●                       |        |                  |                     |  | ●                                     |
| Number of committee members | Internal Director      |                      | 1               | 0            | 2     | *The above matrix is intended to show the fields/areas in which each individual is expected to play key roles based on his/her experience, etc. It does not represent every aspect of the person's knowledge. |                      |                         |        |                  |                     |  |                                       |
|                             | External Director      |                      | 4               | 3            | 3     |   |                      |                         |        |                  |                     |  |                                       |
|                             | Total                  |                      | 5               | 3            | 5     |   |                      |                         |        |                  |                     |  |                                       |



## Evaluation of Board of Directors' Effectiveness

We continuously analyze and evaluate the effectiveness of the Board of Directors, based on which we discuss how to further improve it and strive to make improvements through the formulation and implementation of action plans.

Through the Responsibilities of the Board of Directors, we aim to achieve sustainable growth and enhance the medium- to long-term corporate value of the Group. When examining the effectiveness of the Board of Directors, we have designed a process to improve effectiveness under the leadership of the Chairperson of the Board of Directors, who is an external director, based on the fiduciary responsibility and accountability to shareholders.

The process and evaluation results pertaining to the effectiveness of the Board of Directors during FY2021 are outlined below.

|                                 |   |
|---------------------------------|---|
| <b>1 Process</b>                | <p>After the Board of Directors discussed an interim evaluation of the status of improvement for the issues identified in FY2021, we conducted a questionnaire and interviews with all directors as well as executive officers regarding such things as the composition of the Board of Directors, the content of deliberations, and operational aspects of support. We then reported and confirmed the results of the analysis and evaluation to the Board of Directors, and held multiple discussions among external directors, executive officers, and directors and executive officers regarding recognition of issues and policies for the next fiscal year, and formulated a plan for the next fiscal year (operating policy, action plan, and draft schedule of annual agenda). In addition, the Nominating, Compensation, and Audit committees also conducted a similar review and discussion of issues, and formulated a plan for the next fiscal year. As in the previous fiscal year, we enlisted the services of a third-party organization to provide advice and suggestions from an objective perspective, including comparisons with other companies, to analyze and evaluate questionnaires and interviews, and to formulate action plans for the next fiscal year.</p>   |
| <b>2 Evaluation results</b>     | <p>The evaluation results confirmed that the effectiveness of the Board of Directors and Nominating, Compensation, and Audit Committees is ensured as follows.</p> <ol style="list-style-type: none"> <li>① The Board of Directors formulated the Medium-Term Plan that was announced in November 2021 after in-depth discussions based on a process of extensive direct dialogue between management and each division and the incorporation of each division's plans. Going forward, in view of the fact that the Medium-Term Plan has entered the execution phase, the opinion was expressed that it is necessary to hold timely and highly effective discussions focused on monitoring the plan.</li> <li>② 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 each item improved from the previous fiscal year for all items. By item, "discussion by the Board of Directors" and "support for external directors" showed significant improvements from the previous fiscal year, and a certain degree of affirmation and satisfaction was obtained with items such as setting the annual agenda schedule and conducting on-site inspections (including online inspections). However, "management of the Board of Directors, etc." showed that there is still room for further improvement in terms of effective and efficient time allocation.</li> <li>③ The results showed that each committee is engaging in sufficient discussions based on their role of being a statutory committee. In particular, opinions were expressed that discussions by the Nominating Committee can be commended as being transparent and objective, and that discussions by the Compensation Committee regarding the ideal compensation system for strategy promotion made progress. In addition, the opinion was expressed that it is necessary for the Audit Committee to monitor and audit the detection and response status of risks associated with strategy promotion.</li> </ol> |
| <b>3 Action plan for FY2022</b> | <p>In addition to responding to the issues that we have recognized, the action plan formulated in light of the objectives and vision at the time the Company transitioned to a company with a nominating committee, etc. in June 2020 consists of the following five points.</p> <ol style="list-style-type: none"> <li>① Providing broad direction for the Group (timely and appropriate agenda setting and discussion of important themes)</li> <li>② Supervision and monitoring of business execution (establish a follow-up system for medium-term plans, respond to and manage progress of individual important projects, enhance business execution reports)</li> <li>③ Improving the effectiveness of the Nominating Committee, Compensation Committee, and Audit Committee (enhance committee reports, cooperation between the Board of Directors and each committee)</li> <li>④ Further improving the effectiveness of the Board of Executives (improve decision-making accuracy)</li> <li>⑤ Continuously improving operations and support (expand opportunities for education including inspections, enhance support for external directors, improve efficiency of secretariat management)</li> </ol>   |

## 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.

More specifically, in the CEO's first year of tenure, deliberations in the Nominating Committee focus initially on the vision during his/her term of office, and then the progress of each year's management plan, future outlook, and issues that need to be solved are shared. With regard to information relating to a CEO successor, all sorts of information is shared with the Nominating Committee including screening results of candidates conducted by external personnel evaluation organizations, training plans, and proposed transfer assignments to fields where experience needs to be acquired. Systems are also in place for facilitating proactive judgements by external directors who are members of the Nominating Committee each year on whether a CEO should remain in office based on the available successor information.

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.

- ① A person from the Group who executes its business
- ② A person for whom the Group is a major business partner, or an executive director, an executive or a manager thereof
- ③ A major business partner of the Group, an executive director, an executive, a manager or an employee of any other type thereof
- ④ A person who executes business at a principal lender to the Group
- ⑤ 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
- ⑥ A shareholder or executive officer of the Company who holds 5% or more of its total outstanding shares
- ⑦ Any person who has fallen under any of the categories ① to ⑤ above in the last three years
- ⑧ A spouse or a relative within a second degree of kinship who falls under any of the categories ① to ⑤ above

\*A major business partner in categories ② and ③ above refers to any business partner for whom the annual transaction amount with the Company, on a consolidated basis, exceeds 1% of the total annual transaction amount of either party, over the preceding three years, even if this occurs on only one occasion.

\*A principal lender in category ④ above refers to any lender from whom the Group's balance of borrowings exceeds 2% of the Company's consolidated total assets as of the end of the fiscal year.

\*A certain sum in category ⑤ refers to 10 million yen or more in any of the last three fiscal years.

## 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 compares favorably 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

|                          |                                    |   |
|--------------------------|------------------------------------|---|
| Basic salary × 12 months | Bonuses<br>Basic salary × 5 months | Stock-based compensation<br>Basic salary × 3 months |
|--------------------------|------------------------------------|---|

**Non-executive directors** \*Including external directors

|                          |  |
|--------------------------|--|
| Basic salary × 12 months | Stock-based compensation<br>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 (5 months)) × corporate performance payment rate
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.

### ◆ 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

|  |  |
|--|--|
| Amount of monetary compensation claim        | Executive officers (including those who serve concurrently as directors): Monthly basic salary × 3 months<br>Non-executive directors: Monthly basic salary × 1 month |
| Calculation of the number of dividend shares | Individual monetary compensation claim ÷ Reference stock price* <sup>1</sup> (with any fraction less than 100 shares being rounded down)                             |
| Transfer restriction period                  | 30 years* <sup>2</sup>   |

\*<sup>1</sup> Reference stock price: Closing price of the Company's share 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).

\*<sup>2</sup> The transfer restriction is lifted in the case 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.

## Policy on Cross-Shareholding

### ◆ Policy on cross-shareholding

The basic policy of the Group is not to acquire or hold shares for the purpose of cross-holding, in principle, except where cross-shareholding is deemed conducive to the Group's sustainable growth and the improvement of its corporate value over the medium to long term. Regarding the shares we already hold for the purpose of cross-holding, the Board of Directors comprehensively examines factors from quantitative and qualitative perspectives every year, including the purpose of holding individual issues, transaction status, and dividend earnings. To reduce cross-shareholding, we are gradually selling these shares in consideration of the market environment, the status of the issues we hold, and other factors.

### ◆ Criteria for exercising voting rights related to cross-shareholding

The Company duly exercises the voting rights it holds due to cross-shareholding for each agenda item, comprehensively evaluating points, including the possibility that exercising the rights will lead the concerned companies toward the sustainable enhancement of corporate value and lead the Group toward sustainable growth and the enhancement of its corporate value in the medium to long term.

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

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

## 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.

|  |   |
|--|---|
| <b>CEO</b> Chief Executive Officer<br>Chief Executive Officer  | <b>CFO</b> Chief Financial Officer<br>Implementation of PDCA cycles for the Group's finance plans, financial risk management, budget management for operating companies, etc. |
| <b>CMO</b> Chief Merchandising Officer<br>Check of PDCA cycles of operating companies, the Group's overall policies regarding its business partners, structural reforms, etc.  | <b>CHRO</b> Chief Human Resource Officer<br>Implementation of the Group's human resource strategies, human resource allocation for operating companies, etc.                  |
| <b>CSDO</b> Chief Strategy and Digital Officer<br>Establishment of the Group's management plans, implementation of associated PDCA cycles, promotion of group alliances, supervision of overseas business, promotion of digital strategies, etc. | <b>CRO</b> Chief Risk Officer<br>Prevention of critical incident risks across the Group, leadership and direction in such incidents, etc.                                     |
|  | <b>CAO</b> Chief Administrative Officer<br>Implementation of the Group's general affairs, operations, sustainability, 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 execute their duties by presiding over these departments. Chief officers address Group-wide issues that require the involvement of multiple departments by serving as a project owner or chairing a committee consulted 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 process 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.

- Investment and Credit Committee
- Business Revitalization Committee

### ◆ Promotion Committees

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






- Compliance and Risk Management Promotion Committee
- Workstyle Reform Promotion Committee
- Sustainability Promotion Committee






## Basic Policy for Internal Control Systems

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

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



| Name  | Date of birth | Positions held  | Number of times attended<br>(for the fiscal year ended March 31, 2022)                                | Reasons for appointment (experience and knowledge)   |
|---|---------------|---|---|--|
|    |               | <b>Ken Akamatsu</b><br>Chairperson and Director<br>Chairperson of the Audit Committee<br>September 5, 1952<br><div>Audit Committee member</div>   | Board of Directors<br>12/12<br><br>Audit Committee<br>17/17   | <p>With his extensive experience in business (management) divisions such as general affairs, accounting, administration, and logistics, he has contributed to the development of the Group's infrastructure and governance structure. While utilizing his knowledge of governance from his lengthy service as Chairperson of the Board of Directors, he has served as Chairperson of the Audit Committee since June 2021, contributing to the enhancement of management oversight through audits.</p>  |
|   |               | <b>Toshiyuki Hosoya</b><br>Director<br>President and CEO (Representative Executive Officer)<br>July 1, 1964<br><div>Nominating Committee member</div>   | Board of Directors<br>10/10<br><br>Nominating Committee<br>8/8  | <p>Having worked in major sales divisions and in overseas postings, he was assigned to formulate the Company's management strategy as General Manager of the Corporate Planning Division, where he demonstrated strong leadership in the formulation of a new long-term vision for the Group and the implementation and achievement of the Medium-Term Plan. He has played an appropriate role in both execution and supervision, contributing to the further enhancement of the corporate value of the entire Group.</p>  |
| *Attendance figures are for the period since appointment as director.               |               |   |   |  |
|  |               | <b>Toru Takeuchi</b><br>Director<br>Executive Vice President and CMO (Representative Executive Officer)<br>May 21, 1960   | Board of Directors<br>12/12   | <p>After extensive experience in the sales department, he has demonstrated outstanding leadership in corporate management at a major department store subsidiary, as well as in human resources and human resource development at Head Office. By appropriately fulfilling his role on the Board of Directors as a person concurrently responsible for the Group's business execution, he enhances the effectiveness of the Board's monitoring and contributes to raising the Group's corporate value.</p>   |
|  |               | <b>Yuki Ishizuka</b><br>Director<br>June 11, 1962<br><div>Audit Committee member</div>  | (New appointment)   | <p>With experience in a wide range of product areas and overseas subsidiaries, she has demonstrated outstanding leadership in corporate management as the top executive of a subsidiary, including formulating management strategies, reforming existing business models, developing and reinforcing governance, risk and compliance systems, and supporting the development of internal human resources. As a non-executive director, she contributes to the enhancement of the Group's corporate value by fulfilling her responsibility to supervise the Group's management to ensure its fairness.</p>  |
|  |               | <b>Masami Iijima</b><br>External Director<br>Chairperson of the Nominating Committee<br>September 23, 1950<br><div>Nominating Committee member</div><br><div>Compensation Committee member</div><br><div>External Independent</div> | Board of Directors<br>12/12<br><br>Nominating Committee<br>10/10<br><br>Compensation Committee<br>8/8 | <p>He has extensive experience in corporate management through his involvement in the management of Mitsui &amp; Co., Ltd., contributing to the promotion of corporate governance as the Chairperson of the Board of Directors of Mitsui &amp; Co., Ltd. In addition, he has gained a profound knowledge of governance through his experience as an external director of some of Japan's leading listed companies. As Chairperson of the Nominating Committee, he plays a leading role in ensuring objectivity and transparency in the deliberation of the reappointment of the President and CEO and succession planning, as well as in the selection of director candidates.</p> |

| Name  | Date of birth  | Positions held   | Number of times attended<br>(for the fiscal year ended March 31, 2022)  | Reasons for appointment (experience and knowledge)   |
|---|--|--|---|--|
|    | <b>Miwako Doi</b><br>External Director<br>Chairperson of<br>the Compensation<br>Committee<br>June 2, 1954  | <div>Nominating Committee member</div> <div>Compensation Committee member</div> <div>External</div> <div>Independent</div> | Board of<br>Directors<br>12/12<br><br>Nominating<br>Committee<br>10/10<br><br>Compensation<br>Committee<br>8/8  | She has extensive knowledge and experience as a specialist in the ICT fields, including many accomplishments as a researcher and manager in the field of information technology at Toshiba Corporation. As Chairperson of the Compensation Committee, she plays a leading role in ensuring objectivity and transparency in the deliberation of the Company's executive compensation system and in the determination of individual compensation amounts.  |
|   | <b>Takashi Oyamada</b><br>External Director<br>November 2, 1955  | <div>Nominating Committee member</div> <div>Audit Committee member</div> <div>External</div> <div>Independent</div>        | Board of<br>Directors<br>12/12<br><br>Nominating<br>Committee<br>10/10<br><br>Audit<br>Committee<br>17/17       | In addition to his extensive experience in corporate management, having been involved in the management of the then Bank of Tokyo-Mitsubishi, Ltd., he has in-depth knowledge of finance and accounting based on his experience at financial institutions, and in-depth knowledge of governance based on his experience as an external director of some of Japan's leading listed companies. He contributes to the supervision of the Company's management by utilizing his wide range of experience and insight.  |
|  | <b>Hidetoshi Furukawa</b><br>External Director<br>July 16, 1955  | <div>Nominating Committee member</div> <div>Audit Committee member</div> <div>External</div> <div>Independent</div>        | Board of<br>Directors<br>12/12<br><br>Nominating<br>Committee<br>10/10<br><br>Audit<br>Committee<br>17/17       | He has extensive experience in corporate management, having been involved in management at Sumitomo Mitsui Banking Corporation as Head of Investment Banking and Corporate Finance Operations, and in 2015, as President and Chief Executive Officer of SMBC Trust Bank Ltd., where he carried out PMI. In addition, he has in-depth knowledge of matters relating to finance and accounting based on his many years of experience in financial institutions. He contributes to the supervision of the Company's management by utilizing his wide range of experience and insight. |
|  | <b>Fukutaka Hashimoto</b><br>External Director<br>Chairperson of<br>the Board of Directors<br>July 6, 1954 | <div>External</div> <div>Independent</div>   | Board of<br>Directors<br>12/12<br><br>Nominating<br>Committee*<br>7/7<br><br>Compensation<br>Committee<br>17/17 | He has been a leading partner and head of Tokyo Hatchobori Law Office for many years, and has a high level of expertise and experience in corporate legal affairs and in-depth knowledge of auditing based on his experience as an external corporate auditor of leading Japanese listed companies. As Chairperson of the Board of Directors since June 2022, he has contributed to the further enhancement of the Company's governance.   |
|  | <b>Tomoko Ando</b><br>External Director<br>July 18, 1959   | <div>Compensation Committee member</div> <div>Audit Committee member</div> <div>External</div> <div>Independent</div>      | (New appointment)   | She has extensive knowledge and experience in brand marketing, sales planning, and strategic human resources at the world's leading global companies including Coca-Cola (Japan) Co.,Ltd., Mars Japan Ltd., and Nihon L'Oreal K.K., and has a high degree of insight and experience as a corporate manager. Furthermore, she contributes to the development of managerial human resources by leveraging her knowledge of organizational culture and diversity and inclusion, which she has cultivated in global companies.   |

\*After his reappointment as a director at the 13th General Meeting of Shareholders on June 25, 2021, he was newly elected as a member of the Compensation Committee; therefore, his attendance at the Compensation Committee meetings after his election is shown.



Front row, from left:

Fukutaka Hashimoto   Miwako Doi

Back row, from left:

Hidetoshi Furukawa   Tomoko Ando   Takashi Oyamada   Masami Iijima

## Highly objective and transparent governance by external directors

We ensure the diversity of the Board of Directors by inviting external directors from different fields, including corporate executives with ample experience in management and execution. In addition, the majority of the Board of Directors consists of independent external directors to ensure high objectivity and transparency in its supervisory function.



## Meetings led by external directors

We hold regular meetings consisting solely of external directors to exchange information and share recognition from an objective standpoint. In addition, the President and CEO, non-executive directors, and others are regularly invited to these meetings to discuss a wide range of issues, including the Group's management issues and the direction in which the Group should be heading, thereby promoting a better understanding of the Group and improving communication among directors.

## Support system for providing information

When external directors are appointed, they are briefed on the environment surrounding the Group, as well as the Group's business operations, financial conditions, organizational structure, and other matters. During their term of office, they are provided with opportunities to promote mutual understanding by inspecting stores and business sites, providing and exchanging information at external director meetings, and other occasions.

In addition, we have dedicated staff to support the Board of Directors, and have a support system in place to provide appropriate information as needed.





Chairperson of the Board of Directors  
**Fukutaka Hashimoto**

### Dialogue based on trust and tension

Two years have passed since we transitioned to a company with a nominating committee, etc., which separates the executive and supervisory bodies. The purpose of the transition is to improve governance and ensure speedy business execution. To achieve these objectives, it is necessary to build an appropriate sense of tension between the Board of Executive Officers and the Board of Directors, backed by a relationship of trust.

During this period, the Board of Directors has been making its own efforts to dig deeper into issues in order to conduct high-quality deliberations, and has also urged the Board of Executive Officers to engage in thorough internal deliberations on these issues, especially those that transcend sectional boundaries, to promote sharing and understanding of issues within the Company. Through such a process, we aim to move one step further in mutual trust. Fortunately, thanks to the efforts of both sides, we have been able to have many constructive discussions that probe deeply into the issues from wide-ranging perspectives, fostering trusting and tense dialogue between the Board of Executive Officers and the Board of Directors.

I believe that the Medium-Term Plan formulated in FY2021 is one of the key achievements stemming from this process. One of the focal points of the Board of Directors' activities in FY2022 will be to monitor the process of implementation of this plan.

As Chairperson of the Board of Directors, I will make every effort to monitor the plan thoroughly and do my utmost to further enhance the effectiveness of the Board of Directors.

### Times of change call for aggressive governance

Our Group is now undergoing a major transformation to become a special part of our customers' lives. Department stores, which once led the retail industry as a trendsetter, are experiencing a once-in-a-century period of change due to competition from e-commerce businesses and large specialty stores, a departure from old business models, and the COVID-19 pandemic. The Group is taking on the challenge of overcoming the structural challenges it faces by using the crises it has experienced since its founding as leverage to create a unique new business model capable of accurately responding to customers' consumer lifestyles in the age of the new normal.

To this end, we are striving to enhance the effectiveness of our corporate governance by speeding up decision-making and strengthening auditing and supervisory functions, as well as to bolster the management team, including the selection of an outstanding CEO who will boldly aim to enhance corporate value over the medium to long term, with the aim of driving through aggressive governance in this period of change.

As Chairperson of the Nominating Committee, I am committed to ensuring objectivity and transparency by enhancing the CEO reappointment process, expanding the CEO candidate development plan, and sharing information at meetings of external directors.

In particular, in operating the Nominating Committee, which is led by external directors with diverse skills, we encourage the formation of diverse human resources who can take charge of future management through multifaceted perspectives and wide-reaching discussions. Our ultimate goal is to create businesses and develop human resources that will be beneficial to the Group.



Chairperson of the Nominating Committee  
Member of the Compensation Committee  
**Masami Iijima**





Chairperson of the Compensation Committee  
Member of the Nominating Committee  
**Miwako Doi**

## Anticipating PDCA in the Medium-Term Plan

I am delighted that we were able to return to profitability in FY2021, and that domestic sales have recently recovered to a level close to that before the COVID-19 pandemic, which is evidence of the economic revitalization of not just Isetan Mitsukoshi Holdings but Japan as a whole.

In FY2021, I was deeply impressed by the fact that under Ms. Kuboyama, who was previously Chairperson of the Board of Directors, we thoroughly discussed the Medium-Term Plan and other matters at the Board of Directors meetings and directors' meetings until we reached a consensus. In particular, the Medium-Term Plan, which covers the next 10 years in three phases, including the revitalization of department stores through the "High sensitivity, fine quality" strategy, the "Intra-group coordination" strategy through B2B external sales of Group resources, and urban development through redevelopment of real estate, clearly defines KPI. I have high expectations for what is the first PDCA cycle as Isetan Mitsukoshi Holdings.

Although the marketing and information system divisions have been gradually working together to achieve digital transformation as a means of connecting with individual customers, we believe it is essential that the infrastructure through digital transformation be further supported across the divisions for the "Intra-group coordination" strategy and urban development.

While measures to prevent the transmission of COVID-19 are of course essential, I hope to visit our business sites this year and hear many opinions from everyone on the ground.

## Toward the achievement of our vision

The two perspectives that I place importance on when considering governance at the Company are: 1) Have we made sure to put the finishing touches to our endeavors? and 2) Have innovations been thoroughly implemented based on those essentials that must not be changed and the demands of the times?

In June 2020, our Group transitioned to a company with a nominating committee, etc., and in November 2021, we announced the details of our long-term vision and new Medium-Term Plan. After the change in institutional design, Mr. Hosoya took office as president after active deliberations at the Nominating Committee, while the Board of Directors began free and vigorous multifaceted discussions on the Medium-Term Plan and other important topics that are fundamental to the management of our Group. In this sense, I feel that we are indeed putting the finishing touches to what was created after the organizational change. I also commend the Medium-Term Plan as an ambitious plan that takes on the challenge of boldly reforming our business model while maintaining the unchanging value that the Group has consistently provided to its customers.

However, the real test is yet to come. We are now entering a phase in which we will steadily transform ourselves by vigorously advancing our Medium-Term Plan, aiming to sustainably increase corporate value and achieve our social mission. As an external director, I will work to realize this goal, not only by improving governance, but also by maximizing the great potential of the Group's executive operations through deliberations at Board of Directors meetings and Audit Committee meetings, thereby making a solid contribution to the achievement of the Group's long-term vision.



Member of the Nominating Committee  
Member of the Audit Committee  
**Takashi Oyamada**



Member of the Nominating Committee  
Member of the Audit Committee  
**Hidetoshi Furukawa**

### A department store group that develops new ideas by learning from the past

Two years have passed since I became an external director as a member of the Nominating Committee and Audit Committee. This was in June 2020, at the same time that we transitioned to a company with a nominating committee, etc. Recently, the Board of Directors has been fostering an atmosphere that calls for the kinds of discussions in which we "each sleep in different beds but have the same dream," so to speak—i.e., the kinds of discussion where we can all come to the table with disparate ideas, and yet share the same dream. Knowing the controversial process of drawing up the new three-year plan, formulated in FY2021, in which all members clash with each other to create the dream that inspires them, the question of responsibility for execution in the implementation stage and responsibility for management and supervision of non-execution will arise.

In the second year of the transition, a new management structure was put in place. This has had the following results: (1) In addition to the effectiveness and efficiency of operations, the Audit Committee held in-depth discussions on compliance and risk management systems, which were then reflected in the Board of Directors meetings; (2) preliminary meetings were held to sort out the key points of each proposal before the meeting; (3) the Chairperson of the Board of Directors is now an external director, and management from an outsider's perspective has created a good sense of mutual respect; and (4) the atmosphere at the Board of Directors meetings has become more congenial, allowing the directors to put forward their opinions frankly. Of course, there is still room for improvement.

We must all work together as one, keeping in mind those things we must protect as part of our legacy as a leading department store and adapting to changes in the future. I feel that the Isetan Mitsukoshi Group is truly a department store group that develops new ideas by learning from the past.

### Further evolution of brand and human resources

I believe that our Group's assets are its goodwill and the human resources that shape it. Goodwill, in other words, is a brand, and I believe that only a brand that has an essential and unchanging core value while possessing the energy to constantly evolve will be able to advance beyond the times. I feel that our Group has both, that is, the essence of a brand that has been refined over the course of its history and the energy of human resources that continue to evolve.

The environment surrounding our business, including recent social changes, is far from rosy, but I believe that our Group's strength is embodied in the fact that we are steadily moving forward, using adversity as a springboard to change our institutional design and to formulate and promote our long-term vision and new Medium-Term Plan.

Brand marketing, organizational human resources, and diversity and inclusion (D&I) are the areas in which I have extensive experience. Of these, D&I in particular is an essential component of innovation, stakeholder engagement, and governance, not to mention marketing and organizational human resources.

Although still early in my tenure, I look forward to contributing to the further evolution of the Group based on these perspectives.



Member of the Compensation Committee  
Member of the Audit Committee  
**Tomoko Ando**

# Compliance and Risk Management Systems

## Systems for Promoting Compliance and Risk Management

The Isetan Mitsukoshi Group builds and maintains a system for independent risk management by the Group companies, based on the Basic Policy for Internal Control Systems. Through integrated compliance and risk management, the Group prevents risks in all of its business domains and prepares to address risks in a cross-sectoral manner, in its efforts to improve its corporate value.

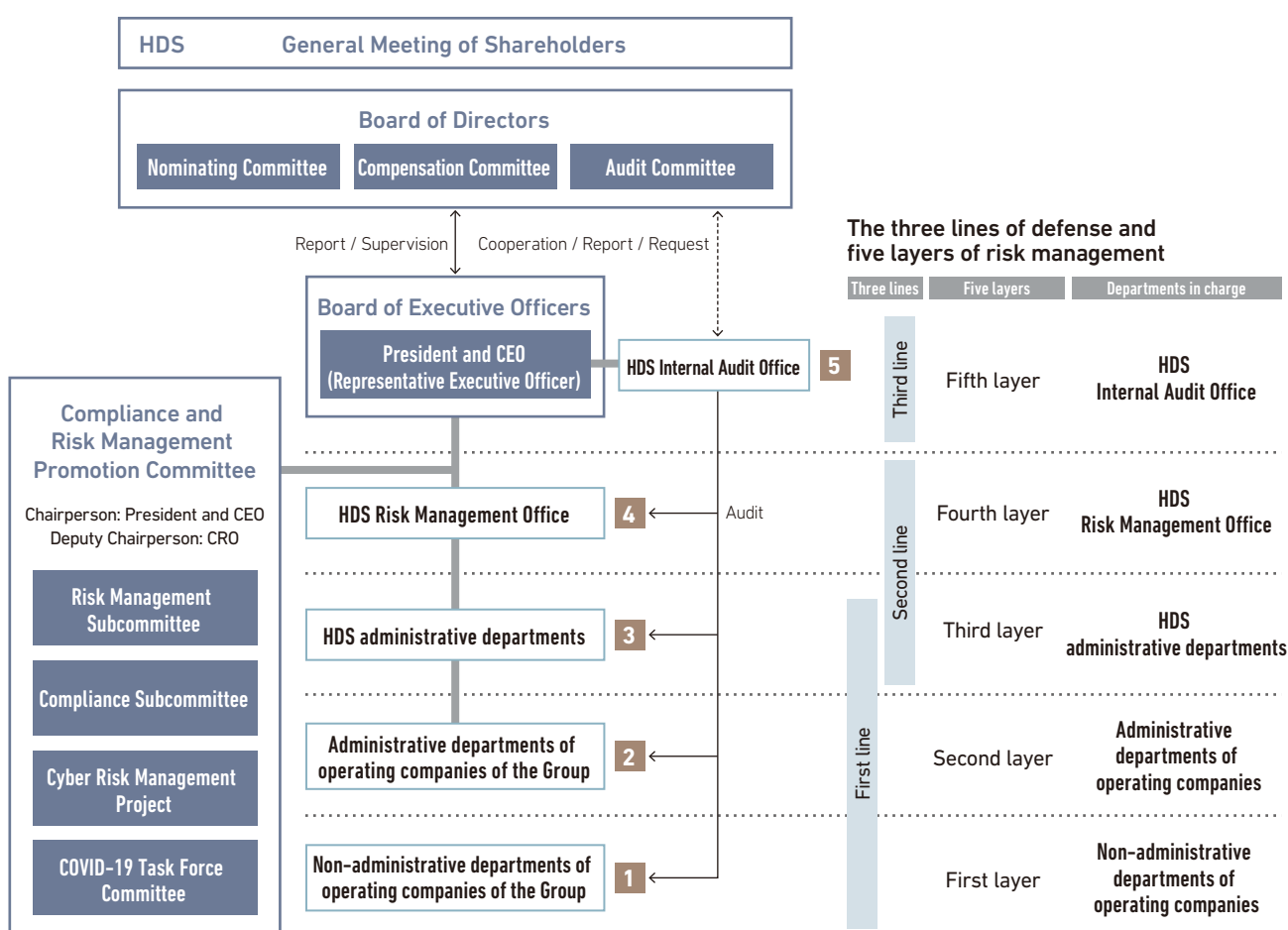
To achieve sustainable growth for the future in a business environment with diversifying risks, the Isetan Mitsukoshi Group clarifies risks and is further enhancing its compliance and risk management systems, with the safety and security of customers, business partners, and employees as its top priority.

## Risk Management Systems

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

Our Group's risk management system comprises of three lines of defense and five layers that assume risk management in the current organization. Each of the Group companies, HDS risk management department, and HDS Internal Audit Office serve as the first, second and third line of defense, respectively. In addition, the roles of the following units have been clarified as the five layers of risk management to ensure a more highly effective risk management system: **1** non-administrative departments of operating companies of the Group, **2** administrative departments of operating companies of the Group, **3** HDS administrative departments, **4** HDS Risk Management Office, and **5** HDS Internal Audit Office.

### Risk Management Systems



\*HDS stands for "holdings company."

### ◆ Compliance and Risk Management Promotion Committee

In our Basic Rules on Risk Management, we have established a risk management system and basic matters concerning risk management under normal circumstances and our response to emergencies.

We established the Compliance and Risk Management Promotion Committee, chaired by the Group CEO as the supreme body to practice those Rules, and we have established a PDCA cycle for risk management based on the meetings of this committee, which are held on a regular basis.

The Compliance and Risk Management Promotion Committee selects and reviews priority risks, confirms policies for preventing the occurrence of risks and responding to them when they do occur, and works to ensure that all Group employees are fully aware of these policies.

### ◆ 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 Committee, through the following four subcommittees, thereby implementing a PDCA cycle of suggesting, promoting, and examining more specific countermeasures.

#### 1. Risk Management Subcommittee

This subcommittee works to improve the effectiveness of risk countermeasures by formulating measures to minimize and prevent various risks, including natural disasters and fires, and by conducting drills and inspections based on the BCP.

#### 2. Compliance 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.

#### 3. 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.

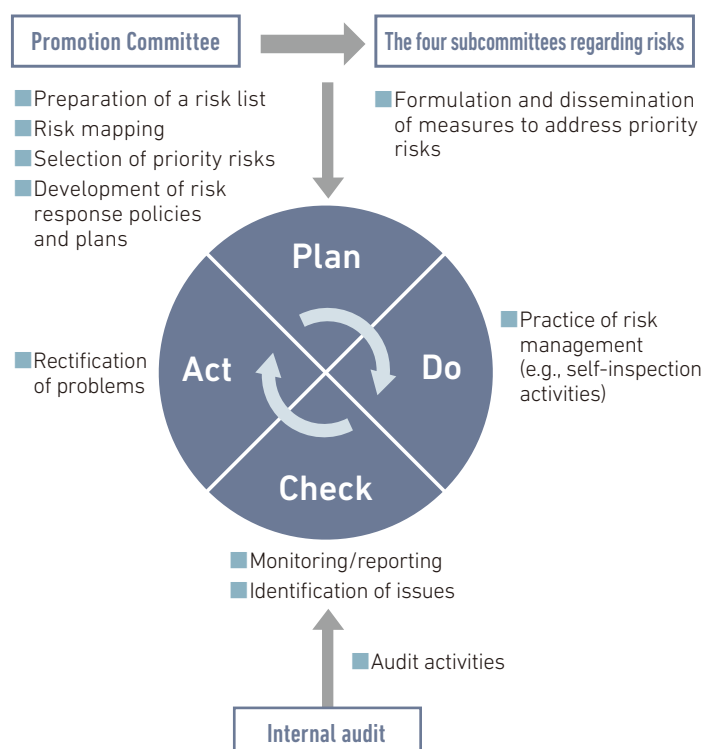
#### 4. COVID-19 Task Force Committee

The committee determines the common policies and countermeasures of the Group, ensuring that the safety and peace of mind of customers and employees is the top priority. It promotes initiatives to ensure both the maintenance of a system for safe operations and new workstyles based on thorough measures for the control of infection.

### ◆ The PDCA cycle of risk management

Based on the risk management policy formulated by the Compliance and Risk Management Promotion Committee, the four subcommittees formulate and thoroughly implement countermeasures, and conduct drills and self-inspections at each Group company to prevent the occurrence of risks and improve the effectiveness of responses in the event of an incident.

In addition, the committee thoroughly reports and shares the details of actual risk incidents, and analyzes issues identified by checking the status of risk countermeasure initiatives at each Group company and new risks arising from daily changes in the external environment, leading to the correction of problems and strengthening of countermeasures.





# Compliance and Risk Management Systems

## ◆ Concept of risk

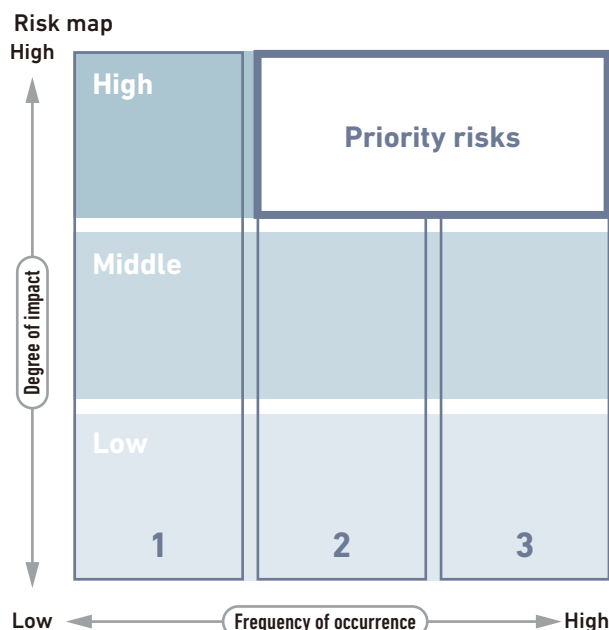
We recognize a wide range of risks surrounding our business, from which we select those risks in particular that require tougher countermeasures.

Taking into consideration the external environment, business characteristics, and business strategy, we comprehensively identify risks and classify them into five categories: **① disasters and other external risks**, **② management strategy risks**, **③ financial risks**, **④ personnel and labor risks**, and **⑤ operational risks**.

In addition, we map risks based on the degree of impact on our business operations and frequency of occurrence, and select priority risks that we will focus on.

## Risk examples

| Category                                    | Risk item   |
|---|---|
| <b>① Disasters and other external risks</b> | <ul style="list-style-type: none"> <li>Natural disasters and fires</li> <li>Infectious diseases</li> <li>Information security</li> </ul>  |
| <b>② Management strategy risks</b>          | <ul style="list-style-type: none"> <li>Strategies to cope with digital society</li> <li>Promotion of sustainability management</li> <li>Responding to changes in business models</li> </ul>           |
| <b>③ Financial risks</b>                    | <ul style="list-style-type: none"> <li>Corporate takeover (including being taken over)</li> <li>Fundraising</li> <li>Foreign exchange fluctuation</li> </ul>  |
| <b>④ Personnel and labor risks</b>          | <ul style="list-style-type: none"> <li>Intensifying competition for securing human resources</li> <li>Human rights violation, discrimination</li> <li>Promotion of diversity and inclusion</li> </ul> |
| <b>⑤ Operational risks</b>                  | <ul style="list-style-type: none"> <li>Commodity transaction risks</li> <li>Leakage of personal information</li> <li>Food sanitation incidents</li> </ul>   |

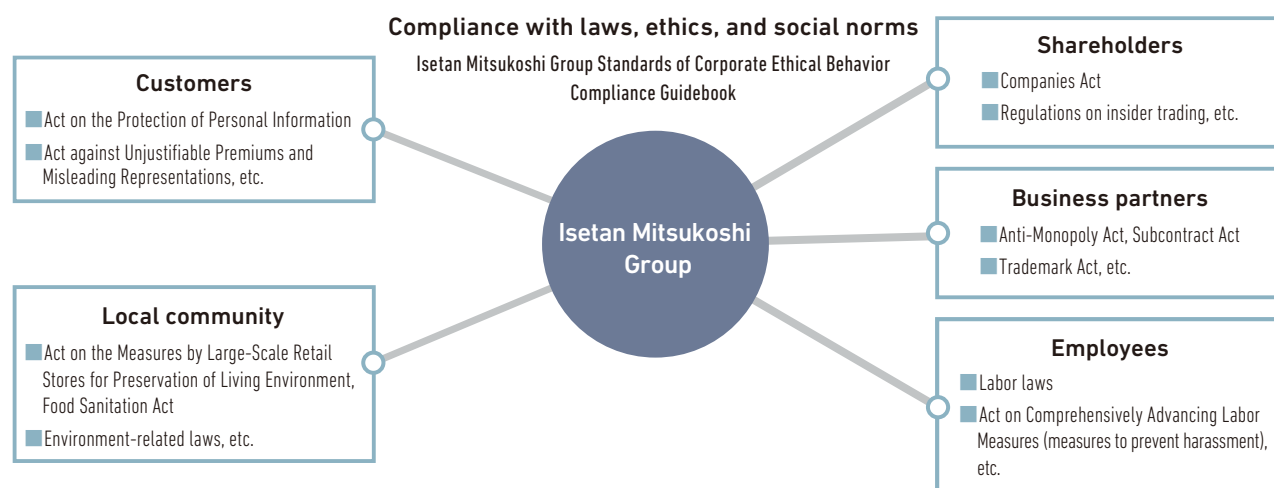


## Compliance Systems

### ◆ 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.

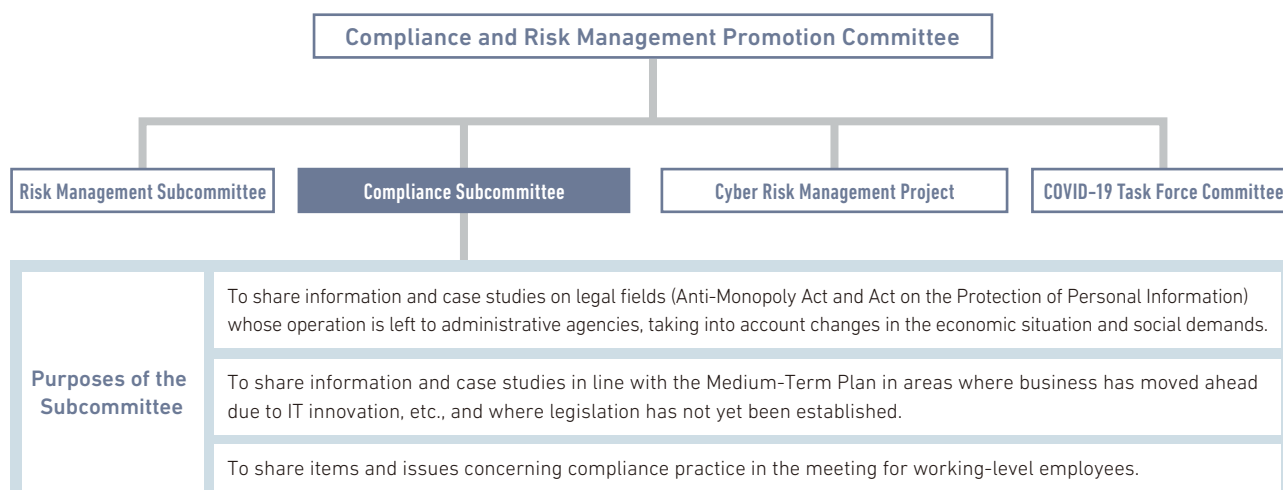
For that purpose, the Group has established the Isetan Mitsukoshi Group Standards of Corporate Ethical Behavior as a code of conduct for officers and employees. The Group seeks to maintain and improve compliance systems to ensure the trust of society, in addition to working to share the Standards throughout 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 Subcommittee

The Compliance 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 Subcommittee.



### ◆ Enhancing compliance in our relationships with stakeholders

|   |  |
|---|--|
| <b>① Customers:<br/>Initiatives for the protection<br/>of personal information</b>                    | The Group has established and released a Privacy 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. |
| <b>② Shareholders:<br/>Establishment of an IR<br/>Policy</b>  | 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.   |
| <b>③ Local community:<br/>Response to antisocial<br/>forces</b>                                       | 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.   |
| <b>④ Business partners:<br/>Establishment and<br/>application of systems<br/>promoting fair trade</b> | 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.  |
| <b>⑤ Employees:<br/>Establishment and<br/>operation of a whistleblowing<br/>hotline</b>               | 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.  |

### CRO's Message

Today, risks surrounding our business are becoming increasingly diversified and complex amid drastic changes in the external environment, such as the prolonged effects of the COVID-19 pandemic, instability in the global situation, and disasters caused by a series of unfavorable weather conditions and earthquakes.

In our long history since our founding, we have faced many difficulties and crises, but we have overcome them while always placing the safety and security of our customers, business partners, and employees as our top priority.

We will continue to analyze and evaluate risks extensively and reduce risks through advance preparation and appropriate management to enhance corporate value.

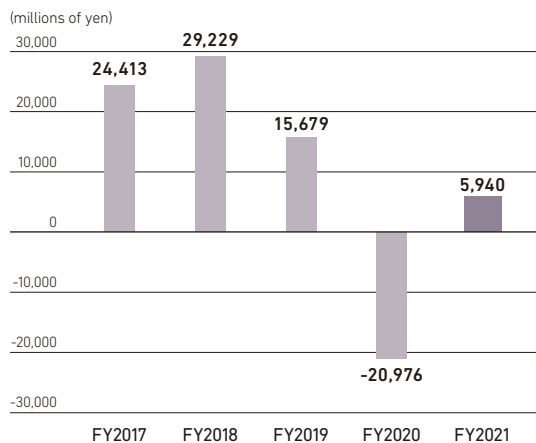
**Hiroki Taguchi**  
Managing Executive Officer  
CAO, CRO and CHRO



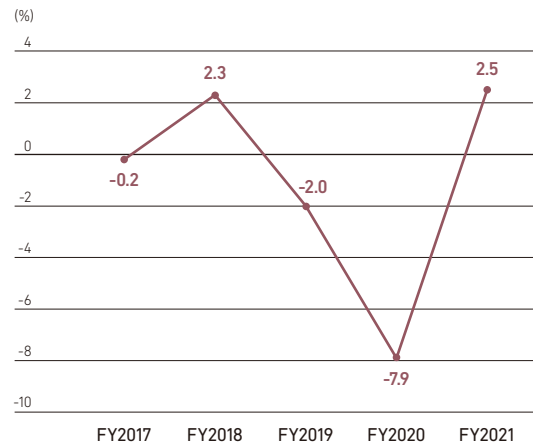
# Financial/Non-Financial Highlights

## Financial Highlights

### Consolidated operating income

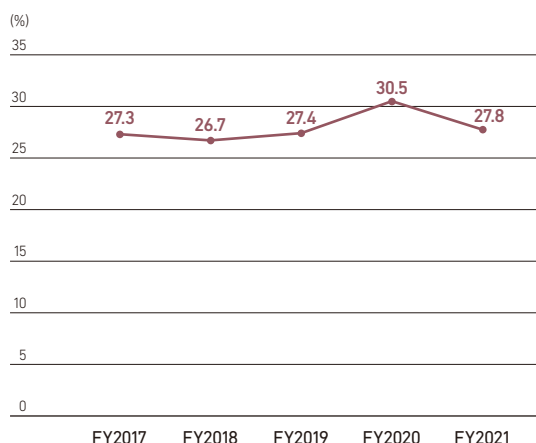


### Consolidated ROE

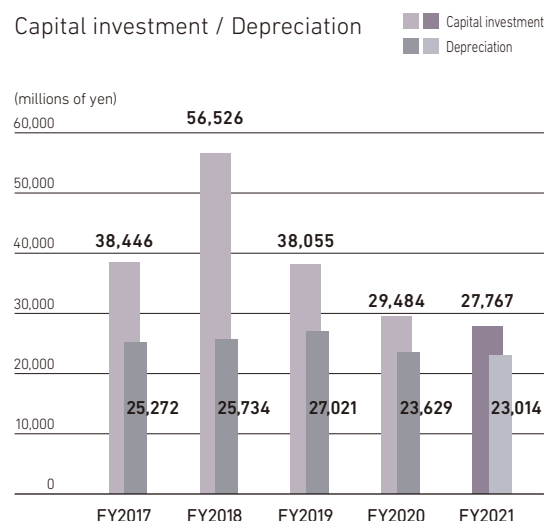


### Consolidated sales to SG&A ratio

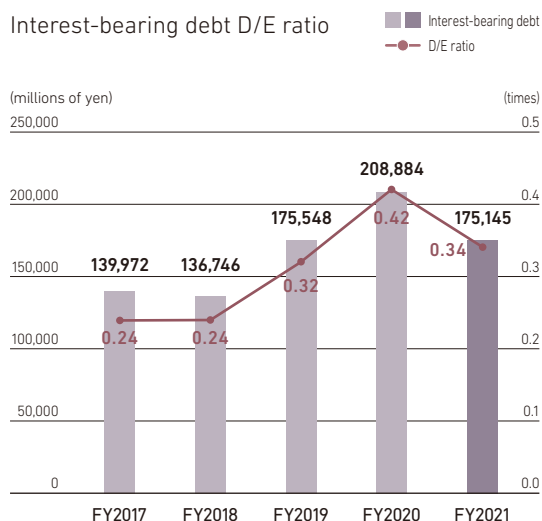
\*Comparison before application of revenue recognition standards



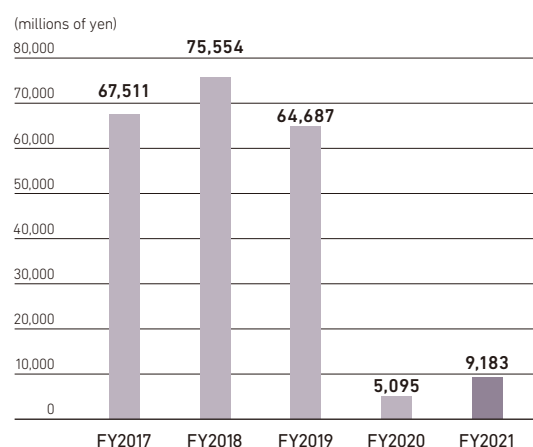
### Capital investment / Depreciation



### Interest-bearing debt D/E ratio

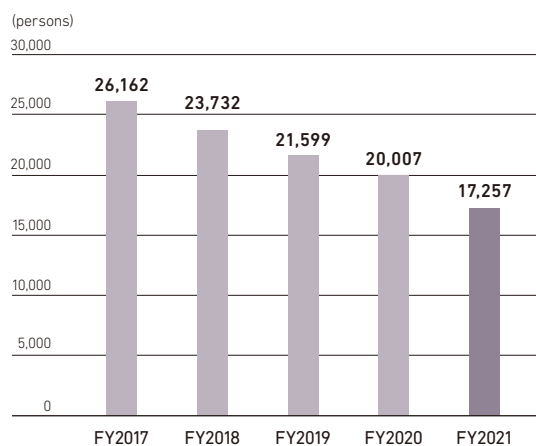


### Group duty-free sales (total for department stores in Japan)



## Non-Financial Highlights

Number of Group employees



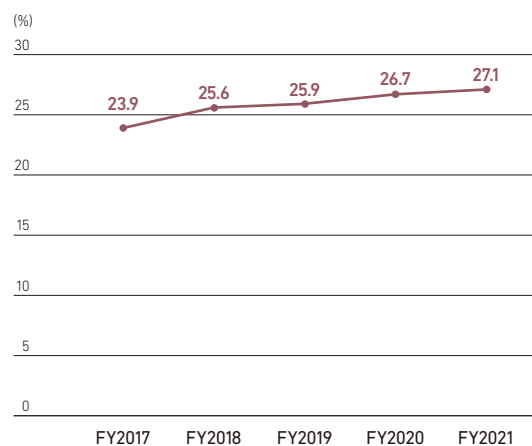
\*As of the end of each fiscal year

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

<https://imhds.disclosure.site/en/themes/138>

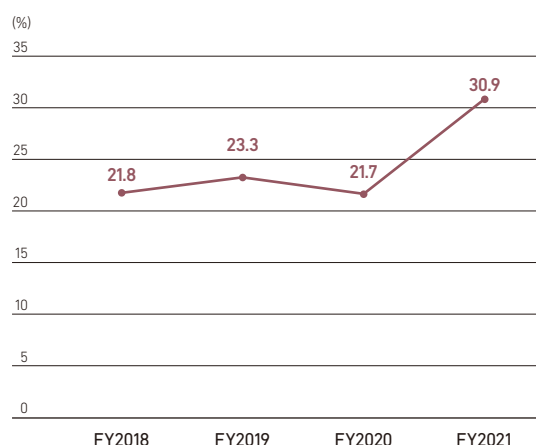


Percentage of females in management positions (Isetan Mitsukoshi Ltd.)

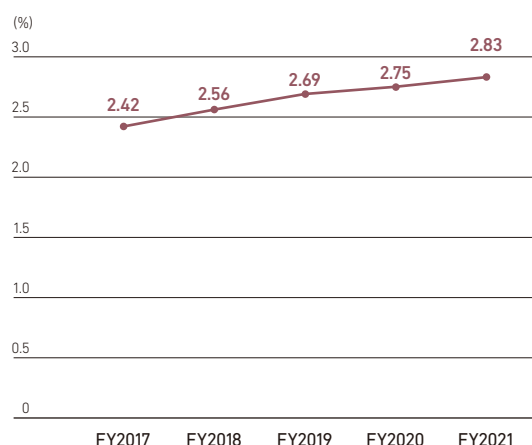


\*Equivalent to section manager or above

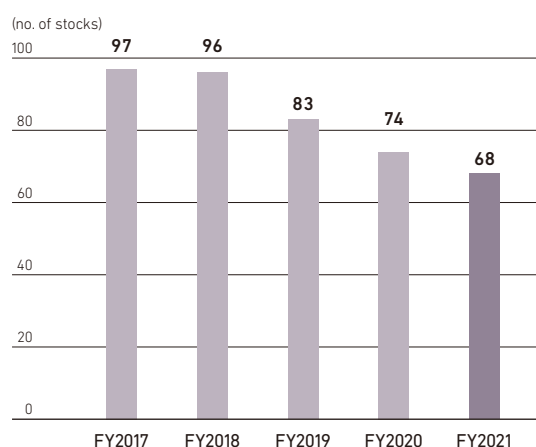
Percentage of male employees taking childcare leave (Isetan Mitsukoshi Ltd.)



Ratio of employees with disabilities (Isetan Mitsukoshi Ltd. and major Group companies in the Tokyo metropolitan area)

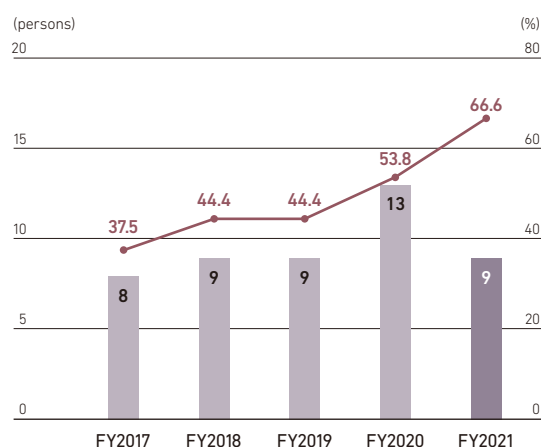


No. of cross-shareholdings (Isetan Mitsukoshi Ltd.)



\*As of the end of each fiscal year

Directors/external directors ratio (Isetan Mitsukoshi Holdings)



# 10-Year Financial Data

## Major Financial Data

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

|   | FY2011    | FY2012    | FY2013    | FY2014    |
|---|-----------|-----------|-----------|-----------|
| <b>Net sales</b>  | 1,239,921 | 1,236,333 | 1,321,512 | 1,272,130 |
| <b>Gross profit</b>   | 347,788   | 347,410   | 370,022   | 355,456   |
| <b>Selling, general and administrative expenses</b>           | 323,954   | 320,771   | 335,376   | 322,372   |
| <b>Operating income</b>                                       | 23,834    | 26,639    | 34,646    | 33,083    |
| <b>Recurring income</b>                                       | 38,452    | 34,217    | 38,440    | 34,563    |
| <b>Net income attributable to parent company shareholders</b> | 58,891    | 25,292    | 21,166    | 29,886    |
| <b>Total assets</b>   | 1,227,947 | 1,223,677 | 1,284,658 | 1,291,560 |
| <b>Shareholders' equity</b>                                   | 456,583   | 491,001   | 524,591   | 560,362   |
| <b>Net assets</b>   | 468,479   | 505,127   | 541,069   | 577,655   |
| <b>Interest-bearing debt</b>                                  | 173,264   | 181,263   | 171,285   | 160,601   |
| <b>Cash flows from operating activities</b>                   | 57,843    | 4,438     | 46,022    | 49,448    |
| <b>Cash flows from investing activities</b>                   | -15,939   | -26,312   | -19,221   | -34,374   |
| <b>Cash flows from financing activities</b>                   | -44,940   | 2,339     | -16,151   | -17,372   |
| <b>Capital investment</b>                                     | 19,243    | 30,499    | 31,569    | 29,279    |
| <b>Depreciation</b>   | 22,406    | 21,559    | 22,228    | 22,818    |
| <b>Net income per share (yen)</b>                             | 149.28    | 64.11     | 53.65     | 75.74     |
| <b>Net assets per share (yen)</b>                             | 1,157.37  | 1,244.54  | 1,329.45  | 1,421.72  |
| <b>Cash dividend per share (yen)</b>                          | 10.00     | 10.00     | 11.00     | 11.00     |
| <b>Gross profit margin</b>                                    | 28.05%    | 28.10%    | 28.00%    | 27.94%    |
| <b>SG&amp;A expense ratio</b>                                 | 26.1%     | 25.9%     | 25.4%     | 25.3%     |
| <b>Operating profit margin</b>                                | 1.9%      | 2.2%      | 2.6%      | 2.6%      |
| <b>Return on equity (ROE)</b>                                 | 13.6%     | 5.3%      | 4.2%      | 5.5%      |
| <b>Return on assets (ROA)</b>                                 | 1.9%      | 2.2%      | 2.8%      | 2.6%      |
| <b>Rate of return on invested capital (ROIC)*<sup>2</sup></b> | 2.3%      | 2.5%      | 3.1%      | 3.0%      |
| <b>Shareholders' equity ratio</b>                             | 37.2%     | 40.1%     | 40.8%     | 43.4%     |
| <b>Payout ratio</b>   | 6.7%      | 15.6%     | 20.5%     | 14.5%     |

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

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



[Millions of yen]

| FY2015    | FY2016    | FY2017    | FY2018    | FY2019    | FY2020    | FY2021                |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------------------|
| 1,287,253 | 1,253,457 | 1,256,386 | 1,196,803 | 1,119,191 | 816,009   | 418,338               |
| 361,768   | 365,609   | 367,282   | 348,282   | 322,702   | 227,565   | 243,685               |
| 328,660   | 341,673   | 342,869   | 319,052   | 307,023   | 248,542   | 237,745               |
| 33,107    | 23,935    | 24,413    | 29,229    | 15,679    | -20,976   | 5,940                 |
| 36,704    | 27,418    | 27,325    | 31,995    | 19,771    | -17,171   | 9,520                 |
| 26,506    | 14,976    | -960      | 13,480    | -11,187   | -41,078   | 12,338                |
| 1,293,043 | 1,312,074 | 1,275,535 | 1,247,427 | 1,223,800 | 1,198,303 | 1,168,574             |
| 563,264   | 568,858   | 576,396   | 575,531   | 542,345   | 501,936   | 511,796               |
| 574,316   | 579,782   | 588,091   | 585,715   | 550,161   | 508,275   | 517,660               |
| 175,871   | 186,751   | 139,972   | 136,746   | 175,548   | 208,884   | 175,145 <sup>*1</sup> |
| 43,099    | 35,373    | 72,972    | 28,286    | 16,281    | 1,197     | 37,914                |
| -24,481   | -40,913   | -26,981   | -22,450   | -9,965    | -4,737    | -17,371               |
| -3,711    | 2,413     | -52,753   | -9,063    | 20,259    | 29,733    | -39,927               |
| 40,043    | 34,200    | 38,446    | 56,526    | 38,055    | 29,484    | 27,767                |
| 23,020    | 23,562    | 25,272    | 25,734    | 27,021    | 23,629    | 23,014                |
| 67.41     | 38.27     | -2.47     | 34.58     | -28.90    | -107.96   | 32.36                 |
| 1,438.17  | 1,460.32  | 1,478.74  | 1,475.74  | 1,426.61  | 1,317.23  | 1,341.41              |
| 12.00     | 12.00     | 12.00     | 12.00     | 12.00     | 9.00      | 10.00                 |
| 28.10%    | 29.17%    | 29.23%    | 29.10%    | 28.83%    | 27.89%    | 58.25%                |
| 25.5%     | 27.3%     | 27.3%     | 26.7%     | 27.4%     | 30.5%     | 56.8%                 |
| 2.6%      | 1.9%      | 1.9%      | 2.4%      | 1.4%      | -2.6%     | 1.4%                  |
| 4.7%      | 2.6%      | -0.2%     | 2.3%      | -2.0%     | -7.9%     | 2.5%                  |
| 2.6%      | 1.8%      | 1.9%      | 2.3%      | 1.3%      | -1.7%     | 0.5%                  |
| 3.0%      | 2.2%      | 2.3%      | 2.8%      | 1.5%      | -2.0%     | 0.6%                  |
| 43.6%     | 43.4%     | 45.2%     | 46.1%     | 44.3%     | 41.9%     | 43.8%                 |
| 17.8%     | 31.4%     | —         | 34.7%     | —         | —         | 30.9%                 |

\*1 Interest-bearing debt, including lease obligations, totaled 180,589 million yen.

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

## Consolidated Balance Sheets

[Millions of yen]

|  | As of March 31,<br>2021 | As of March 31,<br>2022 |
|--|-------------------------|-------------------------|
| <b>ASSETS</b>  |                         |                         |
| <b>Current assets</b>                                    |                         |                         |
| Cash and bank deposits                                   | 100,041                 | 81,194                  |
| Notes and accounts receivable trade                      | 116,415                 | –                       |
| Notes and accounts receivable trade, and contract assets | –                       | 120,924                 |
| Marketable securities                                    | 1,683                   | 768                     |
| Merchandise  | 28,907                  | 24,588                  |
| Finished goods   | 5                       | 7                       |
| Work in process  | 320                     | 345                     |
| Raw materials and supplies                               | 549                     | 464                     |
| Other current assets                                     | 38,730                  | 23,703                  |
| Allowance for doubtful accounts                          | -4,205                  | -4,239                  |
| <b>Total current assets</b>                              | <b>282,448</b>          | <b>247,757</b>          |
| <b>Property and equipment</b>                            |                         |                         |
| <b>Tangible fixed assets</b>                             |                         |                         |
| Buildings and structures, net                            | 161,238                 | 155,908                 |
| Land   | 521,541                 | 527,432                 |
| Construction in progress                                 | 7,649                   | 6,975                   |
| Right-of-use assets, net                                 | 2,273                   | 1,725                   |
| Other tangible fixed assets, net                         | 17,550                  | 15,968                  |
| <b>Total tangible fixed assets</b>                       | <b>710,252</b>          | <b>708,010</b>          |
| <b>Intangible fixed assets</b>                           |                         |                         |
| Software   | 15,410                  | 17,343                  |
| Other intangible fixed assets                            | 23,453                  | 23,422                  |
| <b>Total intangible fixed assets</b>                     | <b>38,863</b>           | <b>40,765</b>           |
| <b>Investments and other assets</b>                      |                         |                         |
| Investment securities                                    | 110,558                 | 120,413                 |
| Long-term loans receivable                               | 177                     | 129                     |
| Guarantee deposits                                       | 44,910                  | 40,615                  |
| Net defined benefit assets                               | 3,570                   | 3,553                   |
| Deferred tax assets                                      | 3,270                   | 3,475                   |
| Other assets   | 4,318                   | 3,956                   |
| Allowance for doubtful accounts                          | -170                    | -179                    |
| <b>Total investments and other assets</b>                | <b>166,635</b>          | <b>171,965</b>          |
| <b>Total property and equipment</b>                      | <b>915,751</b>          | <b>920,741</b>          |
| <b>Deferred assets</b>                                   |                         |                         |
| Bond issue costs   | 102                     | 75                      |
| <b>Total deferred assets</b>                             | <b>102</b>              | <b>75</b>               |
| <b>Total assets</b>                                      | <b>1,198,303</b>        | <b>1,168,574</b>        |

[Millions of yen]

|   | As of March 31,<br>2021 | As of March 31,<br>2022 |
|---|-------------------------|-------------------------|
| <b>LIABILITIES</b>  |                         |                         |
| <b>Current liabilities</b>                                    |                         |                         |
| Notes and accounts payable                                    | 83,140                  | 87,102                  |
| Current portion of bonds payable                              | –                       | 10,000                  |
| Short-term borrowings   | 31,084                  | 13,145                  |
| Commercial paper  | 50,000                  | 40,000                  |
| Income taxes payable  | 1,834                   | 1,637                   |
| Contract liabilities  | –                       | 99,067                  |
| Gift vouchers   | 80,012                  | 24,369                  |
| Reserve for bonuses   | 6,415                   | 7,019                   |
| Allowance for point cards                                     | 8,581                   | 2,131                   |
| Reserve for loss from redemption of gift vouchers             | 36,154                  | 16,064                  |
| Other current liabilities                                     | 80,630                  | 59,298                  |
| <b>Total current liabilities</b>                              | <b>377,853</b>          | <b>359,838</b>          |
| <b>Long-term liabilities</b>                                  |                         |                         |
| Bonds payable   | 40,000                  | 30,000                  |
| Long-term debt  | 87,800                  | 82,000                  |
| Deferred tax liabilities                                      | 128,522                 | 126,921                 |
| Net defined benefit liability                                 | 34,570                  | 32,827                  |
| Provision for loss on business of subsidiaries and affiliates | 29                      | 18                      |
| Liabilities from application of equity method                 | 2,811                   | 3,466                   |
| Other long-term liabilities                                   | 18,440                  | 15,843                  |
| <b>Total long-term liabilities</b>                            | <b>312,173</b>          | <b>291,075</b>          |
| <b>Total liabilities</b>                                      | <b>690,027</b>          | <b>650,914</b>          |
| <b>NET ASSETS</b>   |                         |                         |
| <b>Shareholders' equity</b>                                   |                         |                         |
| Common stock  | 50,995                  | 51,162                  |
| Capital surplus   | 323,755                 | 323,812                 |
| Retained earnings   | 138,865                 | 134,558                 |
| Treasury stock  | -18,654                 | -18,364                 |
| <b>Total shareholders' equity</b>                             | <b>494,962</b>          | <b>491,168</b>          |
| <b>Accumulated other comprehensive income</b>                 |                         |                         |
| Net unrealized gains (losses) on other securities             | 3,240                   | 5,450                   |
| Deferred gains (losses) on hedges                             | 46                      | 43                      |
| Foreign currency translation adjustments                      | 4,923                   | 15,501                  |
| Remeasurements of defined benefit plans                       | -1,236                  | -367                    |
| <b>Total accumulated other comprehensive income</b>           | <b>6,973</b>            | <b>20,627</b>           |
| Stock acquisition rights                                      | 1,447                   | 1,115                   |
| Non-controlling interests                                     | 4,891                   | 4,748                   |
| <b>Total net assets</b>                                       | <b>508,275</b>          | <b>517,660</b>          |
| <b>Total liabilities and net assets</b>                       | <b>1,198,303</b>        | <b>1,168,574</b>        |

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

\*Data for the fiscal year ended March 31, 2022 are financial data disclosed on May 13, 2022

## Consolidated Statements of Income

[Millions of yen]

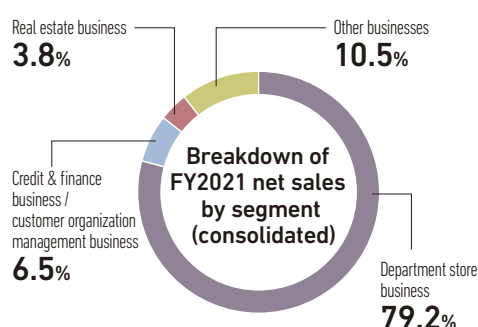
|   | Fiscal 2020 (From April 1,<br>2020 to March 31, 2021) | Fiscal 2021 (From April 1,<br>2021 to March 31, 2022) |
|---|---|---|
| Net sales   | 816,009   | 418,338   |
| Cost of sales   | 588,443   | 174,653   |
| Gross profit  | 227,565   | 243,685   |
| Selling, general and administrative expenses                  | 248,542   | 237,745   |
| Operating income (loss)                                       | -20,976   | 5,940   |
| Non-operating income  | 15,804  | 8,370   |
| Non-operating expenses  | 11,999  | 4,789   |
| Recurring income (loss)                                       | -17,171   | 9,520   |
| Extraordinary gain  | 13,150  | 8,431   |
| Extraordinary loss  | 26,975  | 6,834   |
| Income (loss) before income taxes                             | -30,997   | 11,117  |
| Income taxes-current  | 2,852   | 1,187   |
| Income taxes-deferred   | 8,231   | -2,158  |
| Total income taxes  | 11,083  | -970  |
| Net income (loss)   | -42,080   | 12,088  |
| loss attributable to non-controlling interests                | -1,001  | -250  |
| Net income (loss) attributable to parent company shareholders | -41,078   | 12,338  |

## Consolidated Statements of Cash Flows

[Millions of yen]

|   | Fiscal 2020 (From April 1,<br>2020 to March 31, 2021) | Fiscal 2021 (From April 1,<br>2021 to March 31, 2022) |
|---|---|---|
| Cash flows from operating activities  | 1,197   | 37,914  |
| Cash flows from investing activities  | -4,737  | -17,371   |
| Cash flows from financing activities  | 29,733  | -39,927   |
| Effect of exchange rate changes on cash and cash equivalents                              | 53  | 1,059   |
| Net increase (decrease) in cash and cash equivalents                                      | 26,247  | -18,324   |
| Cash and cash equivalents at beginning of year  | 76,659  | 102,797   |
| Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation | -108  | -   |
| Cash and cash equivalents at end of year  | 102,797   | 84,472  |

## Breakdown of Net Sales (Consolidated) / Gross Sales and Operating Income



## FY2021 Gross sales and operating income

|   |                  |                      |   |
|---|------------------|----------------------|---|
| Department store business   | Gross sales      | ¥861.7 billion       | 114.6% YoY  |
|   | Operating income | Loss of ¥6.3 billion | (Operating loss of ¥30.3 billion in the previous fiscal year) |
| Credit & finance business / customer organization management business | Gross sales      | ¥32.9 billion        | 101.2% YoY  |
|   | Operating income | ¥6.0 billion         | 136.4% YoY  |
| Real estate business  | Gross sales      | ¥18.0 billion        | 63.7% YoY   |
|   | Operating income | ¥5.5 billion         | 102.6% YoY  |
| Other businesses  | Gross sales      | ¥53.1 billion        | 83.4% YoY   |
|   | Operating income | ¥0.4 billion         | (Operating loss of ¥0.6 billion in the previous fiscal year)  |

# Overview of the Isetan Mitsukoshi Group / Stock Information

## Isetan Mitsukoshi Group Department Stores (as of September 2022)

### Marui Imai

Marui Imai Sapporo Main Store  
Hakodate Marui Imai

### Isetan

Isetan Shinjuku Main Store  
Isetan Tachikawa Store  
Isetan Urawa Store  
Shizuoka Isetan  
Niigata Isetan  
JR Kyoto Isetan\*

\*Includes equity method affiliates

### Mitsukoshi

Mitsukoshi Nihombashi Main Store  
Mitsukoshi Ginza Store  
Sapporo Mitsukoshi  
Sendai Mitsukoshi  
Nagoya Mitsukoshi Sakae Store  
Nagoya Mitsukoshi Hoshigaoka Store  
Hiroshima Mitsukoshi  
Takamatsu Mitsukoshi  
Matsuyama Mitsukoshi  
Fukuoka Mitsukoshi

### Iwataya

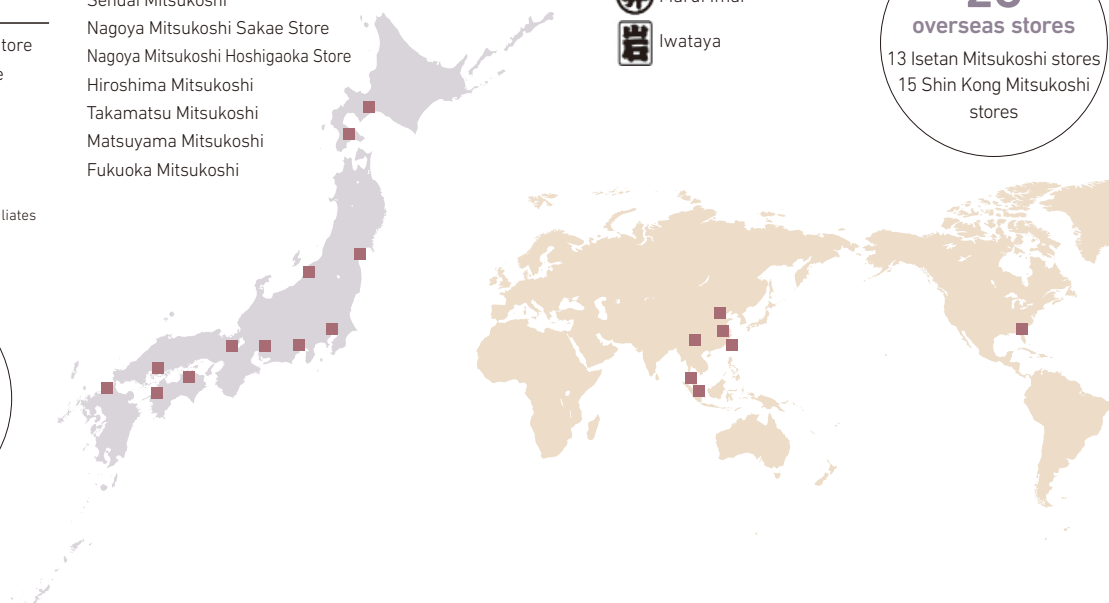
Iwataya Main Store  
Iwataya Kurume Store

### The Four brands



**28**  
overseas stores  
13 Isetan Mitsukoshi stores  
15 Shin Kong Mitsukoshi stores

**20**  
department stores in Japan  
Approximately 100 small and midsize stores



## List of Group Companies (as of September 2022) Consolidated subsidiaries and equity method affiliates

### Department Store Business

#### Japan

Isetan Mitsukoshi Ltd.  
Sapporo Marui Mitsukoshi Ltd.  
Hakodate Marui Imai Ltd.  
Sendai Mitsukoshi Ltd.  
Niigata Isetan Mitsukoshi Ltd.  
Shizuoka Isetan, Ltd.  
Nagoya Mitsukoshi Ltd.  
Hiroshima Mitsukoshi Ltd.  
Takamatsu Mitsukoshi Ltd.  
Matsuyama Mitsukoshi Ltd.  
Iwataya Mitsukoshi Ltd.  
West Japan Railway Isetan Ltd.\*

#### Overseas

ISETAN (CHINA) CO., LTD.  
ISETAN TIANJIN CO., LTD.  
TIANJIN BINHAI NEW DISTRICT  
ISETAN CO., LTD.  
Yanlord Isetan Commercial Co., Ltd.\*  
SHANGHAI MEI LONG ZHEN ISETAN  
DEPARTMENT STORE CO., LTD.  
CHENGDU ISETAN DEPARTMENT  
STORE CO., LTD.  
ISETAN (SINGAPORE) LTD.  
ISETAN OF JAPAN SDN. BHD.  
MITSUKOSHI (U.S.A.), INC.  
SHIN KONG MITSUKOSHI DEPARTMENT  
STORE CO., LTD.\*  
Itm Clover Co., Ltd.\*

### Credit & Finance Business / Customer Organization Management Businesses

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

### Retail & Specialty Store Business

MI Food Style Ltd.

### Manufacturing, Import / Export and Wholesale Businesses

Isetan Mitsukoshi Gift Solutions Ltd.  
Century Trading Co., Ltd.

### Human Resources and Service Business

Isetan Mitsukoshi Human Solutions Ltd.

### Real Estate Management Business

Isetan Mitsukoshi Property Design Ltd.  
Isetan Kaikan Ltd.  
Mitsukoshi Isetan Im Facilities Co., Ltd.\*  
Shinjuku Sabunado Ltd.\*  
NOMURA FUDOSAN MITSUKOSHI  
ISETAN KAIHATSU GODO KAISHA\*

### Logistics Business

Isetan Mitsukoshi Business Support Ltd.

### Information Processing and Media Businesses

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

### Travel Business

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

### Corporate Venture Capital Business

Isetan Mitsukoshi Innovations Ltd.

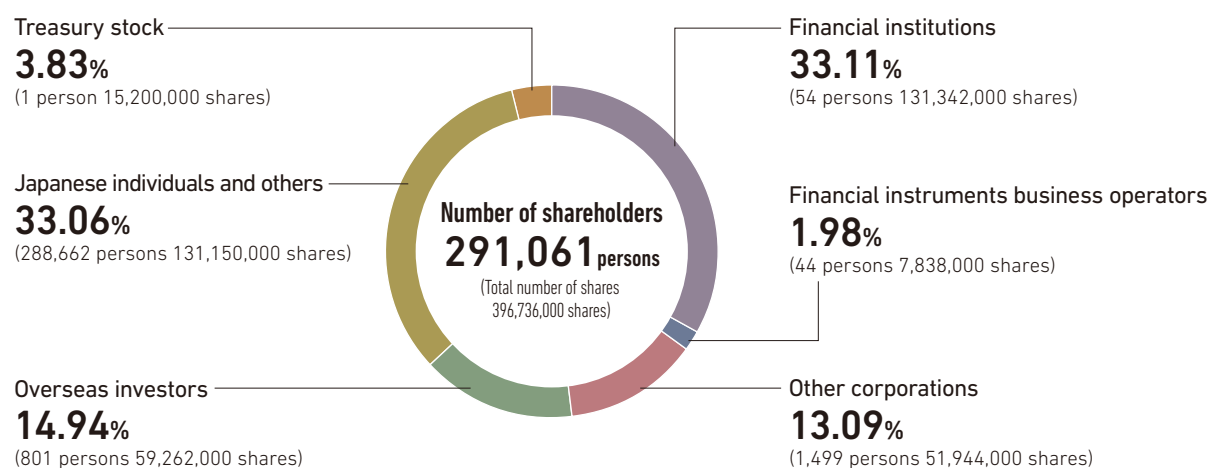
\*Equity method affiliate

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

## Stock Information (as of March 31, 2022)

|                             |               |
|-----------------------------|---------------|
| Number of shares authorized | 1,500,000,000 |
| Number of shares per unit   | 100           |
| Number of shares issued     | 396,736,654   |
| Number of shareholders      | 291,061       |

### ◆ Shareholding ratio



### ◆ Major shareholders

| Name of Shareholders                                       | Number of Shares Held | Voting Rights Percentage (%) |
|--|-----------------------|------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust account)       | 68,034,200            | 17.83                        |
| Custody Bank of Japan, Ltd. (Trust account)                | 24,675,500            | 6.47                         |
| The Mitsukoshi Health and Welfare Foundation               | 13,067,832            | 3.43                         |
| Isetan Mitsukoshi Group's partner holding companies        | 8,521,078             | 2.23                         |
| SHIMIZU CORPORATION  | 6,200,000             | 1.63                         |
| Meiji Yasuda Life Insurance Company                        | 5,697,279             | 1.49                         |
| Isetan Mitsukoshi Group Employees Shareholding Association | 4,756,986             | 1.25                         |
| MUFG Bank, Ltd.  | 4,541,595             | 1.19                         |
| JP Morgan Chase Bank 385781                                | 4,533,416             | 1.19                         |
| Mitsui Sumitomo Insurance Company, Limited                 | 3,975,805             | 1.04                         |

• Treasury shares (15,199,783 shares) is deducted from Voting Rights Percentage.





ISETAN MITSUKOSHI HOLDINGS

Contact for Inquiries:

**Isetan Mitsukoshi Holdings Ltd.**

General Affairs Department  
Corporate Communication and IR Division

<https://www.imhds.co.jp/en/inquiry/index.html>