

May 28, 2020

To Shareholders with Voting Rights

Ken Akamatsu  
Chairman and Representative Director  
**Isetan Mitsukoshi Holdings Ltd.**  
5-16-10, Shinjuku, Shinjuku-ku, Tokyo, Japan

**NOTICE OF THE CONVOCATION  
OF THE 12TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

The 12th Ordinary General Meeting of Shareholders of Isetan Mitsukoshi Holdings Ltd. (the “Company”) will be held as described below.

From the perspective of preventing the infection of COVID-19, we strongly ask all shareholders to exercise voting rights in advance in writing or via the Internet, and refrain from attending the meeting, regardless of your health conditions.

We ask you to review the Reference Documents for the General Meeting of Shareholders in the following pages and exercise your voting rights by 8 p.m., Friday, June 12, 2020.

- 1. Date and Time:** Monday, June 15, 2020, at 10:00 a.m. (Reception starts at 9:00 a.m.)
- 2. Place:** Palais Royal, B1F, Grand Nikko Tokyo Daiba  
2-6-1, Daiba, Minato-ku, Tokyo, Japan
- \* In order to prevent the infection of COVID-19, seating within the venue will be arranged to maintain adequate social distancing. Please be aware in advance that we may have to restrict entry in some cases.
  - \* Starting this year, we will not be offering souvenirs at General Meetings of Shareholders, and we will not be providing drinks. We thank you for your understanding.

**3. Agenda of the Meeting:**

- Matters to be reported:**
1. The Business Report and the Consolidated Financial Statements for the 12th term (from April 1, 2019 to March 31, 2020) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
  2. The Nonconsolidated Financial Statements for the 12th term (from April 1, 2019 to March 31, 2020)

**Proposals to be resolved:**

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Partial Amendments to the Articles of Incorporation
- Proposal No. 3:** Election of Thirteen Directors

<Notice>

- \* In the event of any modification, it will be announced via the Company's website (<https://www.imhds.co.jp>). If there is no modification, nothing will be displayed.

## **Guide to Exercising Voting Rights**

Voting rights at general meetings of shareholders are important rights to be exercised by shareholders.

Please review the Reference Documents for the General Meeting of Shareholders in the following pages and exercise your voting rights.

If you are attending the General Meeting of Shareholders, please submit the Voting Rights Exercise Form at the meeting venue reception desk. (An affixed seal is not required.) Please bear in mind that non-shareholding proxies, persons accompanying you or anyone else who is not a shareholder (except for those accompanying any shareholders with disabilities) will NOT be allowed to enter the venue.

### **Exercising Voting Rights in Writing**

Please indicate your consent/dissent concerning each proposal shown on the Voting Rights Exercise Form, and drop the form into a mailbox (postage not necessary).

**Deadline: To arrive by no later than 8 p.m. Friday, June 12, 2020**

### **Exercising Voting Rights via the Internet**

Please access the website (<https://evote.tr.mufg.jp/>), and enter your consent/dissent concerning each proposal by following the guidance on the screen.

Refer to the next page for details of the “Guide to Exercising Voting Rights via the Internet.”

**Deadline: Exercised by no later than 8 p.m. Friday, June 12, 2020.**

### **For Institutional Investors**

Institutional investors may use “Voting Rights Exercise Platform” (so-called Tokyo Stock Exchange platform), as a means of exercising voting rights.

### **Guide to Exercising Voting Rights via the Internet**

Exercise of voting rights via the Internet is only possible by accessing the website (<https://evote.tr.mufg.jp/>) designated by the Company exclusively for the purpose of exercising voting rights via a personal computer, smartphone or mobile phone.

#### Important Notes:

- Votes may be exercised via the Internet until 8 p.m. Friday, June 12, 2020.
- If we receive votes both by conventional mail and via the Internet, we will consider the Internet vote to be the valid vote.
- When exercising voting rights via the Internet multiple times, we will consider the last vote to be the valid vote.

For inquiries concerning systems, etc., please contact the Help Desk:

Mitsubishi UFJ Trust and Banking Corporation,  
Securities Agent Department  
0120-173-027 (Business hours: 9:00 a.m. - 9:00 p.m. toll free)

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## To Our Shareholders

Isetan Mitsukoshi Holdings Ltd. prepared its twelfth financial statements as of March 31, 2020, which we hereby submit to you in this notice of the convocation for your perusal.

We sincerely apologize for the significant trouble and concern caused by store closures due to the recent spread of COVID-19. Our thoughts are with those who have contracted the disease, and we are praying for their speedy recovery.

The Isetan Mitsukoshi Group is striving for sustainable growth and development by creating new value through its own “change” in order to become a mediator that connects customers with goods and events from around the world as a future platformer that makes use of the power of IT, stores, and human resources.

This fiscal year marked the first year of the Isetan Mitsukoshi Group Medium-Term (Three-year) Plan, in which we began taking steps to establish a new retail business model. We have drastically revised how our stores exist, from product lineups to workflows and sales methods, while striving to develop infrastructure and expand products for “seamless connection” so that in-store experiences can also be had online.

Meanwhile, COVID-19 has spread across the world since the beginning of 2020, greatly impacting the lives of our stakeholders, including our domestic and overseas customers. As we wish for the current situation to improve as quickly as possible, the Isetan Mitsukoshi Group will review its corporate raison d’être once again and strive to set the standard for society.

We would appreciate our valued shareholders’ continued support and encouragement.

Toshihiko Sugie

President, Representative Director, and Executive Officer (CEO)

## Reference Documents for the General Meeting of Shareholders

### Proposal and References

#### Proposal No. 1: Appropriation of Surplus

Comprehensively taking into account the maintenance of a stable dividend to shareholders along with appropriate internal reserves required to invest in existing and new businesses, the Company proposes to pay a year-end dividend of ¥6 per share for the 12th term. Accordingly, with the interim dividend of ¥6, the annual dividend will be ¥12.

Matters related to the year-end dividend:

- (1) Type of dividend property

Cash

- (2) Matters related to distribution of dividend property to shareholders and the total amount

¥6 per common share of the Company

Total amount: ¥2,280,975,756

- (3) Effective date of dividend of surplus

June 16, 2020

## Proposal No. 2: Partial Amendments to the Articles of Incorporation

### 1. Reason for the amendments

- (1) Since its establishment in 2008, the Company has adopted the corporate governance structure of a company with a board of company auditors and created and maintained a highly effective corporate governance structure. Now, the Company has decided to transition to a company with a nominating committee, etc., under the belief that it is important to aim for further enhancement of corporate governance. In line with this transition, the Company will add provisions pertaining to each committee and Executives and delete provisions pertaining to Corporate Auditors and the Board of Corporate Auditors.

Of the proposed amendments to the Articles of Incorporation, the Company has obtained prior approval from each Corporate Auditor for provisions to enable the liability of Executives to be waived to the limit prescribed in the relevant laws and regulations (Article 36 of the proposed amendments to the Articles of Incorporation).

- (2) Words and phrasing will be revised to further clarify the intent of the current Articles of Incorporation (that both the General Meeting of Shareholders and the Board of Directors may make decisions related to the distribution of surplus, etc.). (Article 39 of the proposed amendments to the Articles of Incorporation)
- (3) In addition, the numbering of articles will be adjusted in line with the above amendments and other necessary changes will also be made.

The effectiveness of the amendments to the Articles of Incorporation in this Proposal will become effective at the conclusion of this General Meeting of Shareholders.

### 2. Details of amendments

The details of the amendments are as follows. The underlined portions are amended, deleted, or newly added sections.

Current Articles of Incorporation	Proposed Amendments
<b>CHAPTER I. GENERAL PROVISIONS</b>	<b>CHAPTER I. GENERAL PROVISIONS</b>
Article 1. - Article 3. (Omitted) (Organs)	Article 1. - Article 3. (Unchanged) (Organs)
Article 4. The Company shall have the following organs in addition to the General Meeting of Shareholders and Directors: (1) Board of Directors (2) <u>Corporate Auditors</u> (3) <u>Board of Corporate Auditors</u> (4) Accounting Auditor	Article 4. The Company shall have the following organs in addition to the General Meeting of Shareholders and Directors: (1) Board of Directors (2) <u>Nominating Committee, Audit Committee, and Compensation Committee</u> (3) <u>Executives</u> (4) Accounting Auditor
Article 5. (Omitted)	Article 5. (Unchanged)
<b>CHAPTER II. SHARES</b>	<b>CHAPTER II. SHARES</b>
Article 6. - Article 10. (Omitted)	Article 6. - Article 10. (Unchanged)



Current Articles of Incorporation	Proposed Amendments
(Shareholder Register Administrator)	(Shareholder Register Administrator)
Article 11. (Omitted)	Article 11. (Unchanged)
2. The Shareholder Register Administrator and its business office shall be determined by <u>resolution of the Board of Directors</u> , and public notice thereof shall be issued by the Company.	2. The Shareholder Register Administrator and its business office shall be determined <u>by resolution of the Board of Directors or by an Executive to whom this has been delegated by resolution of the Board of Directors</u> , and public notice thereof shall be issued by the Company.
3. (Omitted)	3. (Unchanged)
Article 12. (Omitted)	Article 12. (Unchanged)
CHAPTER III. GENERAL MEETING OF SHAREHOLDERS	CHAPTER III. GENERAL MEETING OF SHAREHOLDERS
Article 13. - Article 14. (Omitted)	Article 13. - Article 14. (Unchanged)
(Convener of Meetings and Chairman)	(Convener of Meetings and Chairman)
Article 15. A Representative Director shall convene the General Meeting of Shareholders <u>and act as the chairman thereof.</u>	Article 15. <u>A Director previously determined by resolution of the Board of Directors shall convene</u> the General Meeting of Shareholders. <u>In the event that this Director is unable to act, another Director, determined in accordance with an order of priority previously determined by resolution of the Board of Directors, shall convene the General Meeting of Shareholders.</u>
2. <u>In the event that there are multiple Representative Directors, a Representative Director previously selected by resolution of the Board of Directors shall fulfill this role.</u>	2. <u>The chairman of the General Meeting of Shareholders shall be a Director or Executive previously determined by resolution of the Board of Directors. In the event that this Director or Executive is unable to act, another Director or Executive, determined in accordance with an order of priority previously determined by resolution of the Board of Directors, shall fulfill this role in his/her place.</u>
3. <u>In the event that the person selected in the preceding Paragraph 2 is unable to act, another Director, determined in accordance with an order of priority previously determined by resolution of the Board of Directors, shall fulfill this role in his/her place.</u>	(Deleted)
Article 16. - Article 19. (Omitted)	Article 16. - Article 19. (Unchanged)

Current Articles of Incorporation	Proposed Amendments
<p>CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p> <p>(Number of Directors)</p> <p>Article 20. The number of Directors of the Company shall not exceed <u>twelve (12)</u>.</p> <p>Article 21. - Article 22. (Omitted)</p> <p><u>(Representative Directors and Directors with Special Titles)</u></p> <p>Article 23. <u>One or more Representative Directors shall be selected by resolution of the Board of Directors.</u></p> <p>2. <u>The Board of Directors shall determine by resolution one (1) President from among Representative Directors.</u></p> <p>3. <u>Representative Directors shall each represent the Company, and execute the business operations of the Company, pursuant to resolutions by the Board of Directors.</u></p> <p>(Convocation of Meetings of Board of Directors)</p> <p>Article 24. Notice of convocation of a meeting of the Board of Directors shall be sent to each Director <u>and each Corporate Auditor</u> at least three (3) days prior to the meeting. Provided, however, that in the event of urgency, such period may be further shortened.</p> <p>2. When the consent of all Directors <u>and Corporate Auditors</u> is obtained, a meeting of the Board of Directors may be held without following the convocation procedures.</p> <p>Article 25. - Article 27. (Omitted)</p> <p>(Minutes of Meetings of Board of Directors)</p> <p>Article 28. A summary of the process of proceedings, the results thereof, and other matters stipulated in laws and regulations shall be stated or recorded in the minutes of meetings of the Board of Directors, and the Directors <u>and Corporate Auditors</u> who attended shall sign their names and affix their seals thereto.</p> <p>Article 29. (Omitted)</p> <p><u>(Compensation, etc.)</u></p> <p>Article 30. <u>The amount of compensation, bonuses, and any other proprietary benefits to be received by the Directors from the Company in consideration of their execution of duties (hereinafter, "compensation, etc.") shall be determined by resolution of the General Meeting of Shareholders.</u></p> <p>Article 31. - Article 32. (Omitted)</p>	<p>CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS</p> <p>(Number of Directors)</p> <p>Article 20. The number of Directors of the Company shall not exceed <u>fifteen (15)</u>.</p> <p>Article 21. - Article 22. (Unchanged)</p> <p>(Deleted)</p> <p>(Convocation of Meetings of Board of Directors)</p> <p>Article 23. Notice of convocation of a meeting of the Board of Directors shall be sent to each Director at least three (3) days prior to the meeting. Provided, however, that in the event of urgency, such period may be further shortened.</p> <p>2. When the consent of all Directors is obtained, a meeting of the Board of Directors may be held without following the convocation procedures.</p> <p>Article 24. - Article 26. (Unchanged)</p> <p>(Minutes of Meetings of Board of Directors)</p> <p>Article 27. A summary of the process of proceedings, the results thereof, and other matters stipulated in laws and regulations shall be stated or recorded in the minutes of meetings of the Board of Directors, and the Directors who attended shall sign their names and affix their seals thereto.</p> <p>Article 28. (Unchanged)</p> <p>(Deleted)</p> <p>Article 29. - Article 30. (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<u>(Executive Officers)</u>	
<u>Article 33. The Company may elect Executive Officers by resolution of the Board of Directors.</u>	(Deleted)
<u>2. Matters concerning Executive Officers shall be governed by the Board of Directors Regulations and the Executive Officer Regulations set forth by the Board of Directors.</u>	
<u>CHAPTER V. CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS</u>	(Deleted)
<u>(Number of Corporate Auditors)</u>	
<u>Article 34. The number of Corporate Auditors of the Company shall not exceed five (5).</u>	(Deleted)
<u>(Election of Corporate Auditors)</u>	
<u>Article 35. Corporate Auditors shall be elected by resolution of the General Meeting of Shareholders.</u>	(Deleted)
<u>2. Resolutions for the election of Corporate Auditors, as provided for in the preceding paragraph, shall be adopted by a majority vote of attending shareholders who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights.</u>	
<u>(Term of Office)</u>	
<u>Article 36. The term of office of a Corporate Auditor shall expire upon conclusion of the Ordinary General Meeting of Shareholders held with respect to the final fiscal year ending within four (4) years of his/her election to office.</u>	(Deleted)
<u>2. The term of office of a Corporate Auditor elected to fill a vacancy caused by retirement of a Corporate Auditor prior to the expiry of his/her term of office shall be the same as the remaining term of office of the retired Corporate Auditor.</u>	
<u>(Full-time Corporate Auditors)</u>	
<u>Article 37. The Board of Corporate Auditors shall select by resolution one or more Full-time Corporate Auditors.</u>	(Deleted)
<u>(Convocation of Meetings of Board of Corporate Auditors)</u>	
<u>Article 38. Notice of convocation of a meeting of the Board of Corporate Auditors shall be sent to each Corporate Auditor at least three (3) days prior to the meeting. Provided, however, that in the event of urgency, such period may be further shortened.</u>	(Deleted)
<u>2. When the consent of all Corporate Auditors is obtained, a meeting of the Board of Corporate Auditors may be held without following the convocation procedures.</u>	
<u>(Method of Resolution of Board of Corporate Auditors)</u>	
<u>Article 39. Except as otherwise provided by laws and regulations, resolutions of the Board of Corporate Auditors shall be adopted by a majority vote of Corporate Auditors.</u>	(Deleted)

Current Articles of Incorporation	Proposed Amendments
<u>(Minutes of Meetings of Board of Corporate Auditors)</u>	
<u>Article 40. A summary of the process of proceedings, the results thereof, and other matters stipulated in laws and regulations shall be stated or recorded in the minutes of meetings of the Board of Corporate Auditors, and the Corporate Auditors who attended shall sign their names and affix their seals thereto.</u>	(Deleted)
<u>(Board of Corporate Auditors Regulations)</u>	
<u>Article 41. Matters concerning the Board of Corporate Auditors shall be governed by the Board of Corporate Auditors Regulations set forth by the Board of Corporate Auditors, in addition to laws and regulations and these Articles of Incorporation.</u>	(Deleted)
<u>(Compensation, etc.)</u>	
<u>Article 42. The amount of compensation, etc. of Corporate Auditors shall be determined by resolution of the General Meeting of Shareholders.</u>	(Deleted)
<u>(Exemption from Liabilities of Corporate Auditors)</u>	
<u>Article 43. The Company may, by resolution of the Board of Directors, waive the liability for damages of each Corporate Auditor (including former Corporate Auditors) for negligence of his/her duties, to the limit prescribed in the relevant laws and regulations pursuant to Article 426, Paragraph 1 of the Corporation Law.</u>	(Deleted)
<u>(Limited Liability Agreement with Corporate Auditors)</u>	
<u>Article 44. The Company may conclude an agreement to limit the liability for damages for negligence of his/her duties with each Corporate Auditor pursuant to Article 427, Paragraph 1 of the Corporation Law. Provided, however, that the maximum amount of the liability under such agreement shall be the amount prescribed in the relevant laws and regulations.</u>	(Deleted)
(Newly established)	<u>CHAPTER V. NOMINATING COMMITTEE, AUDIT COMMITTEE, AND COMPENSATION COMMITTEE</u>
(Newly established)	<u>(Selection of Committee Members)</u>
	<u>Article 31. Members of the Nominating Committee, Audit Committee, and Compensation Committee shall be selected by resolution of the Board of Directors, from among Directors.</u>
	<u>2. The Chair of each committee shall be selected by resolution of the Board of Directors, from among Directors who are committee members.</u>
(Newly established)	<u>(Regulations of Each Committee)</u>
	<u>Article 32. Matters concerning each committee shall be governed by the regulations of each committee set forth by the Board of Directors, in addition to laws and regulations and these Articles of Incorporation.</u>

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<u>CHAPTER VI. EXECUTIVES</u>
	<u>(Election of Executives)</u>
(Newly established)	<u>Article 33. Executives of the Company shall be elected by resolution of the Board of Directors.</u>
	<u>(Term of Office)</u>
(Newly established)	<u>Article 34. The term of office of an Executive shall expire upon the final day of the fiscal year ending within one (1) year of his/her election to office.</u>
	<u>(Representative Executive and Executives with Special Titles)</u>
(Newly established)	<u>Article 35. The Board of Directors shall select by resolution one or more Representative Executives.</u> <u>2. The Board of Directors may also select by resolution one or more Executives with Special Titles, in addition to those provided for in the preceding paragraph.</u>
	<u>(Exemption from Liabilities of Executives)</u>
(Newly established)	<u>Article 36. The Company may, by resolution of the Board of Directors, waive the liability for damages of each Executive (including former Executives) for negligence of his/her duties, to the limit prescribed in the relevant laws and regulations pursuant to Article 426, Paragraph 1 of the Corporation Law.</u>
	<u>(Executive Officers)</u>
(Newly established)	<u>Article 37. In addition to Executives, the Company may also appoint Executive Officers as persons who will take responsibility for the execution of business operations.</u>
<u>VI. ACCOUNTS</u>	<u>VII. ACCOUNTS</u>
Article <u>45</u> . (Omitted)	Article <u>38</u> . (Unchanged)
(Decision-making Organ with Respect to Distribution of Surplus, etc.)	(Decision-making Organ with Respect to Distribution of Surplus, etc.)
Article <u>46</u> . Except as otherwise provided by laws and regulations, the matters specified in each item of Article 459, Paragraph 1 of the Corporation Law, including the distribution of surplus, <u>shall be determined</u> by resolution of the Board of Directors.	Article <u>39</u> . Except as otherwise provided by laws and regulations, the matters specified in each item of Article 459, Paragraph 1 of the Corporation Law, including the distribution of surplus, <u>may be determined</u> by resolution of the Board of Directors.
Article 47. - Article 48. (Omitted)	Article <u>40</u> . - Article <u>41</u> . (Unchanged)

Current Articles of Incorporation	Proposed Amendments
(Newly established)	<u>SUPPLEMENTARY PROVISIONS</u> <u>(Transitional Measures Related to Exemption from</u> <u>Liabilities of Corporate Auditors)</u>
(Newly established)	<u>Article 1. The Company may, by resolution of the Board of</u> <u>Directors, waive the liability for damages of each</u> <u>Corporate Auditor as specified in Article 423,</u> <u>Paragraph 1 of the Corporation Law (including</u> <u>former Corporate Auditors) in regard to actions</u> <u>prior to the conclusion of the 12th Ordinary</u> <u>General Meeting of Shareholders, to the limit</u> <u>prescribed in the relevant laws and regulations.</u>

<Background and purpose of transition to company with a nominating committee, etc.>

Since its establishment in 2008, Isetan Mitsukoshi Holdings Ltd. has adopted the corporate governance structure of a company with a board of company auditors and created and maintained a highly effective corporate governance structure, as exemplified by holding at least 10 meetings annually of the Nomination and Remuneration Committee, which is chaired by an Outside Director. Now, the Company has decided to transition to a company with a nominating committee, etc., in order to further enhance corporate governance.

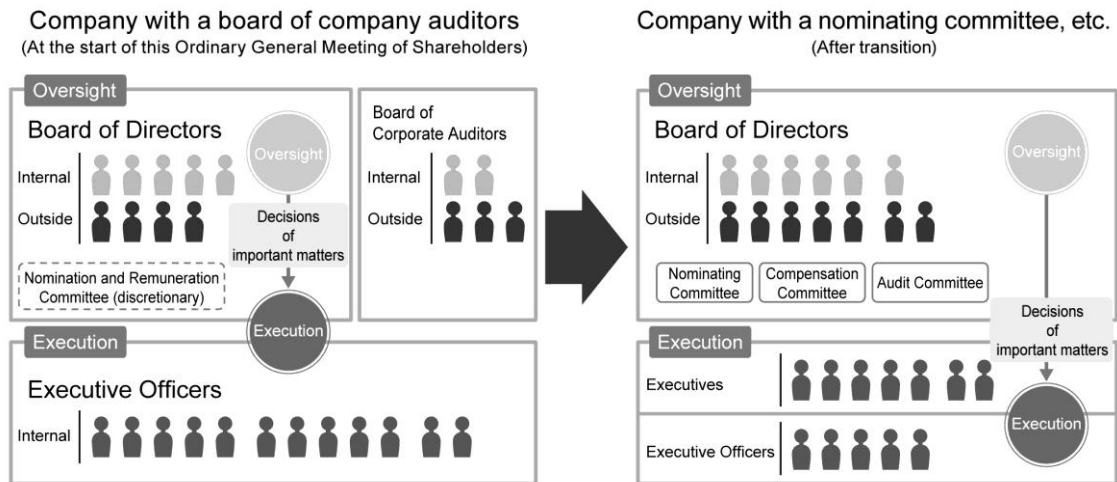
The goals the Company hopes to achieve in future are as follows.

- Clear delineation of the roles of execution and oversight, establishing a general direction for the Group by the Board of Directors, and specialization of oversight and monitoring of business execution. We believe that this will enhance the oversight function of the Board of Directors, while enabling swift execution of business.
- Establishment of a statutory Nominating Committee, Compensation Committee, and Audit Committee, and implementing such important governance measures as appointment and dismissal of top management, in a highly objective and transparent manner, led by Outside Directors.

<Post-transition governance framework>

We are creating a framework suited to management oversight and executive monitoring, such as by having Outside Directors comprise the majority of the Board of Directors, promoting transfer of authority to Executives, and ensuring that meetings of the Board of Directors are open to general debate about issues such as management policies of the Group.

Furthermore, the statutory Nominating Committee, Compensation Committee, and Audit Committee will be primarily led by Outside Directors, a range of ideas and reforms will be implemented to enable Outside Directors to independently determine nominations and compensation, etc., and we will work to achieve systems and management that ensure the Audit Committee will be both effective and independent in order to fully perform its auditing function.



<Main roles of Board of Directors, each committee, Executives, and Executive Officers>  
(post-transition)

[Board of Directors]

The Board of Directors will make decisions concerning the basic policies of Group management and matters to be decided solely by the Board of Directors, while also overseeing the execution of duties by Executives, etc.

[Nominating Committee]

The Nominating Committee will determine proposals concerning the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, discuss proposals concerning members of the three statutory committees and proposals concerning changes to Executives and other officers to be resolved by the Board of Directors, and discuss CEO succession planning, standards for the appointment and dismissal of officers, and other matters.

[Compensation Committee]

The Compensation Committee will determine policies concerning compensation plans for Directors, Executives, and other officers and determine the amounts of individual compensation for officers of the Company, etc.

[Audit Committee]

The Audit Committee will conduct audits of the execution of duties by Executives and Directors, prepare audit reports, and determine the content of proposals related to the selection, dismissal, and non-reappointment of independent auditors.

[Executives]

Executives will make decisions concerning the execution of business operations as delegated by the Board of Directors and execute business operations, in accordance with the allocation of duties and relationships of direction and order determined by the Board of Directors.

[Executive Officers]

Executive Officers will execute their allocated business operations, in accordance with the allocation of duties and relationships of direction and order determined by the Board of Directors or Executives.

**Proposal No. 3: Election of Thirteen Directors**

Subject to the approval of Proposal No. 2 “Partial Amendments to the Articles of Incorporation,” the Company will transition from a company with a board of company auditors to a company with a nominating committee, etc., at the conclusion of this Ordinary General Meeting of Shareholders. Following the transition, the terms of office of all nine (9) Directors and five (5) Corporate Auditors will expire. Accordingly, the Company proposes the election of thirteen (13) Directors, in comprehensive consideration of the ratio of Outside Directors to Internal Directors after the transition into a company with a nominating committee, etc., the composition of the Nominating Committee, Compensation Committee, and Audit Committee and the number of persons who concurrently serve as Executives. The Company nominates the following candidates:

Candidate No.	Name	Positions and responsibilities concurrently held at the Company	Years in office as Director	Attendance status Rate of attendance at meetings of Board of Directors
1	[Renominated] Ken Akamatsu	Chairman and Representative Director	3 years	15 out of 15 100%
2	[Renominated] Toshihiko Sugie	President, Representative Director and Executive Officer (CEO)	8 years	15 out of 15 100%
3	[Renominated] Toru Takeuchi	Executive Vice President, Representative Director and Chief Merchandising & Marketing Officer (CMO)	3 years	15 out of 15 100%
4	[Renominated] Hidehiko Igura	Director, Managing Executive Officer and Chief Financial Officer (CFO)	1 year	12 out of 12 100%
5	[Newly nominated] Shigeru Nishiyama	Managing Executive Officer, General Manager of General Affairs Department and Chief Risk Officer (CRO)	—	—
6	[Newly nominated] Toshinori Shirai	Full-time Corporate Auditor	1 year in office as Corporate Auditor	15 out of 15 as Director or Corporate Auditor 100%
7	[Renominated] [Outside] [Independent] Michiko Kuboyama	Outside Director	2 years	15 out of 15 100%
8	[Renominated] [Outside] [Independent] Masami Iijima	Outside Director	1 year	10 out of 12 83.3%
9	[Renominated] [Outside] [Independent] Miwako Doi	Outside Director	1 year	12 out of 12 100%
10	[Renominated] [Outside] [Independent] Takashi Oyamada	Outside Director	1 year	12 out of 12 100%
11	[Newly nominated] [Outside] [Independent] Takeo Hirata	Outside Corporate Auditor	3 years in office as Corporate Auditor	12 out of 15 as Corporate Auditor 80%



Candidate No.	Name	Positions and responsibilities concurrently held at the Company	Years in office as Director	Attendance status Rate of attendance at meetings of Board of Directors
12	[Newly nominated] [Outside] Hidetoshi Furukawa [Independent]	—	—	—
13	[Newly nominated] [Outside] Fukutaka Hashimoto [Independent]	—	—	—

\* Attendance status at meetings of Board of Directors for candidates in office as Director for one year refers only to the period after assumption of a directorship.

\*\*Regarding the number of years in office, candidate attendance at Board of Directors meetings over one year refers only to the period after assumption of a directorship.

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
1	Ken Akamatsu (Sep 5, 1952) [Renominated]	<p>Jun 1975 Joined Mitsukoshi, Ltd.</p> <p>Feb 2006 Executive Officer, General Manager, Operations Department</p> <p>Feb 2007 Executive Officer, General Manager, Group Operations Department</p> <p>May 2007 Director, Senior Executive Officer, General Manager, Group Operations Department</p> <p>Apr 2008 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Mitsukoshi, Ltd.</p> <p>Apr 2009 Director, Isetan Co., Ltd.</p> <p>Apr 2013 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Jun 2016 Vice Chairman, Shin Kong Mitsukoshi Department Store Co., Ltd.</p> <p>May 2017 Consultant, Isetan Mitsukoshi Holdings Ltd. Chairman, Japan Department Stores Association</p> <p>Jun 2017 Chairman and Representative Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Chairman and Representative Director, Isetan Mitsukoshi Ltd.</p> <p>Apr 2019 Chairman (to the present)</p> <p>Significant posts concurrently held Chairman, Isetan Mitsukoshi Ltd.</p>	38,140
<p>Reasons for selecting the candidate for Director</p> <p>Mr. Ken Akamatsu assumed the office of Director, Managing Executive Officer at the Company's founding in 2008. Since then, he has promoted the building of an operating platform for the Group, cutting costs and establishing a governance framework as General Manager of Operations (Administration) Headquarters, who is the manager overseeing general affairs, accounting, financial management, logistics and other operations. He subsequently became Vice Chairman of Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), an equity-method affiliate of the Company, before serving as Chairman and Representative Director of the Company since 2017. While serving as the Chairman of the Board of Directors, he also strived to develop the overall department store industry as the Chairman of the Japan Department Stores Association until May of this year. Mr. Akamatsu is renominated as a candidate for Director because we believe that through his deep knowledge and leadership, he can contribute to further advancement of the Group's corporate governance.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
2	Toshihiko Sugie (Feb 15, 1961) [Renominated]	<p>Apr 1983 Joined Isetan Co., Ltd.</p> <p>Apr 2009 Executive Officer, General Manager in charge of foods in general and food sales, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters</p> <p>Apr 2011 Executive Officer, General Manager in charge of foods in general, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2012 Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jun 2012 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters</p> <p>Apr 2013 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2016 Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2017 President, Representative Director, Executive Officer, Isetan Mitsukoshi Holdings Ltd. President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Apr 2018 President, Representative Director, Executive Officer (CEO) and CDTO, Isetan Mitsukoshi Holdings Ltd. *CEO (Chief Executive Officer) CDTO (Chief Digital Transformation Officer)</p> <p>Apr 2019 President, Representative Director and Executive Officer (CEO) (to the present)</p> <p>Significant posts concurrently held President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd.</p>	39,200
<p>Reasons for selecting the candidate for Director</p> <p>Mr. Toshihiko Sugie gained experience in household goods, ladies' fashion and accessories, foods, and other sales departments and sales support departments after joining the Company. After being appointed as Director and Managing Executive Officer of the Company, he has led the Group to achieve management plans as General Manager of the Strategic Planning Headquarters while managing departments for overseas, system, real estate, and related businesses. In April 2017, he became President, Representative Director, and Executive Officer of the Company and Isetan Mitsukoshi Ltd. In light of his ability in widely managing the Department Store Business and the overall business of the Group based on his rich experience in both sales departments and planning departments as well as his leadership skills, we believe that Mr. Sugie is able to make significant contributions to further improvement of the Group's overall corporate value, and thus we renominate him as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
3	Toru Takeuchi (May 21, 1960) [Renominated]	<p>Apr 1983 Joined Isetan Co., Ltd.</p> <p>Apr 2009 Executive Officer, General Manager in charge of ladies fashion, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters</p> <p>Mar 2010 Director, Managing Executive Officer, General Manager, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, General Manager in charge of ladies</p> <p>Apr 2011 Managing Executive Officer, General Manager, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2013 Managing Executive Officer, Isetan Mitsukoshi Holdings Ltd. President, Representative Director, Executive Officer, Sapporo Marui Mitsukoshi Ltd.</p> <p>Apr 2016 Managing Executive Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Holdings Ltd. Managing Executive Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2017 Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, General Manager, Merchandising Headquarters</p> <p>Jun 2017 Director, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2018 Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2019 Executive Vice President, Representative Director and CMO, Isetan Mitsukoshi Holdings Ltd. *CMO (Chief Merchandising Officer) Director, Isetan Mitsukoshi Ltd. (to the present) Director, Nagoya Mitsukoshi Ltd. (to the present) Director, Iwataya Mitsukoshi Ltd. (to the present)</p> <p>Apr 2020 Executive Vice President, Representative Director and CMO, Isetan Mitsukoshi Holdings Ltd. (to the present) *CMO (Chief Merchandising &amp; Marketing Officer)</p> <p>Significant posts concurrently held Director, Isetan Mitsukoshi Ltd. Director, Nagoya Mitsukoshi Ltd. Director, Iwataya Mitsukoshi Ltd.</p>	24,500
<p>Reasons for selecting the candidate for Director</p> <p>Mr. Toru Takeuchi has primarily handled menswear and ladies' fashion since joining the Company, and led sales departments for many years, including postings at operating subsidiaries overseas. Since then, he has served as President, Representative Director and Executive Officer of Sapporo Marui Mitsukoshi Ltd., General Manager of the Group Human Resources Headquarters of the Company, and General Manager of the Department Store Business Headquarters of Isetan Mitsukoshi Ltd. In April 2019, he was appointed Executive Vice President, Representative Director and CMO of the Company, demonstrating excellent leadership skills in the Group's business activities including merchandising policies for the overall Group. We believe that he is able to significantly contribute to further enhancement of the Group's corporate value based on his wide-ranging and abundant experience, and thus we renominate him as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
4	Hidehiko Igura (Jul 5, 1964) [Renominated]	<p>Apr 1987 Joined Isetan Co., Ltd.</p> <p>Apr 2014 Director, Senior Managing Executive Officer, MICARD Co. Ltd. President and Representative Director, MI TOMONOKAI Co., Ltd.</p> <p>Apr 2017 President and Representative Director, Isetan Mitsukoshi Innovations Ltd.</p> <p>Apr 2018 Executive Officer, General Manager, Corporate Planning Department, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2019 Managing Executive Officer and CFO * CFO (Chief Financial Officer) Director, Isetan Mitsukoshi Ltd. (to the present) Director, MICARD Co. Ltd. (to the present)</p> <p>Jun 2019 Director, Managing Executive Officer and CFO, Isetan Mitsukoshi Holdings Ltd. (to the present) Director, West Japan Railway Isetan Ltd. (to the present)</p> <p>Significant posts concurrently held Director, Isetan Mitsukoshi Ltd. Director, MICARD Co. Ltd. Director, West Japan Railway Isetan Ltd.</p>	8,300
		<p>Reasons for selecting the candidate for Director</p> <p>Early on in his career at the Company, Mr. Hidehiko Igura was posted overseas in the US and Thailand, engaging in the finance &amp; accounting department as well as business restructuring. After returning to Japan, he was involved in the Company's corporate planning department as well as the management of MICARD Co. Ltd. to take charge of a wide range of duties including M&amp;A operations, collaboration with external entities, and restructuring projects. In 2018, he was appointed General Manager, Corporate Planning Department of the Company. In April 2019, he took office as CFO, and as Director in June, to preside over budgeting, investment, etc., of the overall Group. Mr. Igura is renominated as a candidate for Director because we believe that he is capable of further contributing to improving corporate value of the Group based on his broad experience and skills in finance and accounting.</p>	

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
5	Shigeru Nishiyama (Feb 9, 1960) [Newly nominated]	<p>Apr 1982 Joined Isetan Co., Ltd.</p> <p>Apr 2011 Director, Executive Officer, General Manager, Administration Headquarters and General Manager, Corporate Planning Office, Isetan Mitsukoshi Food Service Ltd.</p> <p>Apr 2012 Full-time Corporate Auditor, Isetan Mitsukoshi Ltd.</p> <p>Apr 2016 Senior Executive, General Manager, Domestic Related Business Department, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2017 Executive Officer, General Manager, Related Business Planning Department, Related Business Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2018 Executive Officer, General Manager, General Affairs Department, Isetan Mitsukoshi Holdings Ltd. Executive Officer, General Manager, General Affairs Department, Isetan Mitsukoshi Ltd.</p> <p>Apr 2019 Executive Officer, General Manager, Group General Affairs Department, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2020 Managing Executive Officer, General Manager, General Affairs Department, CRO (to the present) *CRO (Chief Risk Officer) Director, Isetan Mitsukoshi Ltd. (to the present) Director, NIKKO TRAVEL CO., LTD. (to the present)</p> <p>Significant posts concurrently held Director, Isetan Mitsukoshi Ltd. Director, Mitsukoshi Isetan Nikko Travel, Ltd.</p>	16,479
<p>Reasons for selecting the candidate for Director</p> <p>After joining the Company, Mr. Shigeru Nishiyama has accumulated a wide range of experience, having worked in the accounting department for years before being engaged in the administration department and corporate planning department in addition to accounting when he was seconded to domestic and overseas subsidiaries. Since then, he has served as Full-time Corporate Auditor of Isetan Mitsukoshi Ltd. and the supervising manager of domestic related businesses, after which he was appointed General Manager of the General Affairs Department of the Company in 2018. Since April 2020, he has been in charge of supervision and direction in the event of risk incidents while supervising the general affairs, accounting, human resources, risk management and compliance functions of the overall Group as General Manager of General Affairs Department and CRO. Mr. Nishiyama is nominated as a candidate for Director because we believe that he is capable of contributing to further improvement of corporate value of the Group based on his expertise accumulated through his abundant experience mainly in administrative departments.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
6	Toshinori Shirai (Jan 28, 1959) [Newly nominated]	<p>Apr 1982 Joined Isetan Co., Ltd.</p> <p>Mar 2008 Executive Officer</p> <p>Apr 2008 Executive Officer, General Manager, Planning &amp; Promotion Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2011 Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters</p> <p>Apr 2012 Director, Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters</p> <p>Jun 2013 Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters</p> <p>Apr 2014 Executive Officer, General Manager, Planning &amp; Promotion Division, Strategic Planning Headquarters</p> <p>Jan 2016 President and Representative Director, Isetan Mitsukoshi Innovations Ltd.</p> <p>Apr 2016 Managing Executive Officer, General Manager, Planning, Development &amp; Promotion Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2017 Managing Executive Officer, General Manager, Strategic Planning Headquarters Director, Isetan Mitsukoshi Ltd.</p> <p>Jun 2017 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2018 Director, Managing Executive Officer, CSRO *CSRO (Chief Strategy and Restructuring Officer)</p> <p>Apr 2019 Director, Managing Executive Officer and Assistant to the President</p> <p>Jun 2019 Full-time Corporate Auditor (to the present) Corporate Auditor, MICARD Co. Ltd. (to the present) Corporate Auditor, Mitsukoshi Isetan Nikko Travel, Ltd (to the present)</p> <p>Significant posts concurrently held Corporate Auditor, MICARD Co. Ltd. Corporate Auditor, Mitsukoshi Isetan Nikko Travel, Ltd.</p>	24,875
<p>Reasons for selecting the candidate for Director</p> <p>After joining the Company, Mr. Toshinori Shirai has been engaged mainly in the accounting department before being seconded to operating subsidiaries in Japan and overseas, where he was in charge of general affairs, accounting, and a wide range of responsibilities in overall management. Subsequently, his career focused on the strategic planning department, and after appointment as the Company's Director and Managing Executive Officer, he took office as General Manager of the Strategic Planning Headquarters in 2017, and as CSRO (Chief Strategy and Restructuring Officer) in 2018, working on business structure reforms. In June 2019, he took office as Full-time Corporate Auditor of the Company, conducting audits by utilizing his deep insight into the Group's business. Mr. Shirai is nominated as a candidate for Director because we believe that he is capable of significantly contributing to the advancement of the Company's governance, which will transition into a company with a nominating committee, etc., based on his broad experience and highly specialized skills.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
7	Michiko Kuboyama (Apr 16, 1956) [Renominated] [Outside Director] [Independent Director]	Apr 1980 Joined Kao Sekken (currently Kao Corporation) Apr 2006 General Manager, Products Public Relations Department Apr 2011 General Manager, Products Public Relations Center Sep 2011 Visiting Professor, TAMA GRADUATE SCHOOL OF BUSINESS (to the present) May 2016 Communication Fellow, Ordinary Citizens Research Center, Kao Corporation (to the present) Jun 2017 Outside Director, JACCS CO., LTD. Jun 2018 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Jun 2019 Outside Director, Sumitomo Mitsui Banking Corporation (to the present)  Significant posts concurrently held Communication Fellow, Ordinary Citizens Research Department, Kao Corporation Outside Director, Sumitomo Mitsui Banking Corporation	1,000
		Reasons for selecting the candidate for Outside Director Ms. Michiko Kuboyama has served as General Manager of the Products Public Relations Center and other positions at Kao Corporation, engaging mainly in product development and marketing departments. Currently, her activities span diverse fields including serving as Communication Fellow of the Ordinary Citizens Research Department at Kao Corporation and sharing her abundant experience in marketing as Visiting Professor at the TAMA GRADUATE SCHOOL OF BUSINESS. Although she has not been involved in corporate management other than as Outside Director, Ms. Kuboyama took office as the Company’s Outside Director in 2018 and has provided valuable advice from a wide range of perspectives including that of the consumer based on her abundant experience. As we believe her continuing to give appropriate advice and oversight over business execution from an independent standpoint will significantly contribute to the improvement of the Company’s governance, she is renominated as a candidate for Director.	



Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
8	Masami Iijima (Sep 23, 1950) [Renominated] [Outside Director] [Independent Director]	<p>Apr 1974 Joined MITSUI &amp; CO., LTD.</p> <p>Apr 2008 Executive Managing Officer</p> <p>Jun 2008 Representative Director, Executive Managing Officer</p> <p>Oct 2008 Representative Director, Senior Executive Managing Officer</p> <p>Apr 2009 Representative Director, President and Chief Executive Officer</p> <p>Apr 2015 Representative Director, Chairman of the Board of Directors (to the present)</p> <p>Jun 2016 Outside Director, Ricoh Company, Ltd. (to the present)</p> <p>Jul 2018 External Board Director, SoftBank Group Corp. (to the present)</p> <p>Jun 2019 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Counsellor, the Bank of Japan (to the present)</p> <p>Significant posts concurrently held</p> <p>Representative Director, Chairman of the Board of Directors, MITSUI &amp; CO., LTD.</p> <p>Outside Director, Ricoh Company, Ltd.</p> <p>External Board Director, SoftBank Group Corp.</p> <p>Counsellor, the Bank of Japan</p>	0
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Masami Iijima has served in management at MITSUI &amp; CO., LTD., one of the largest general trading companies in Japan, with superior achievements in achieving growth. Currently he serves as Chairman of the Board of Directors of MITSUI &amp; CO. as Representative Director and Chairman of the Board of Directors, promoting corporate governance as the supervisor for management. At the Company's Board of Directors, Mr. Iijima has provided valuable advice based on his abundant experience in corporate management. As we believe his continuing to give appropriate advice and oversight over business execution from an independent standpoint will significantly contribute to the improvement of the Company's governance, he is renominated as a candidate for Director.</p>			

\*Mr. Masami Iijima's role at MITSUI & CO., LTD. is to oversee its management as Representative Director, Chairman of the Board of Directors and he is not involved in daily business execution as he does not concurrently serve as an Executive Officer.

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
9	Miwako Doi (Jun 2, 1954) [Renominated] [Outside Director] [Independent Director]	<p>Apr 1979 Joined Tokyo Shibaura Electric Co., Ltd. (currently TOSHIBA CORPORATION)</p> <p>Jul 2005 Chief Fellow, Humancentric Laboratory, Corporate Research &amp; Development Center, TOSHIBA CORPORATION</p> <p>Jul 2006 Chief Fellow, Corporate Research &amp; Development Center</p> <p>Jul 2008 Senior Fellow</p> <p>Apr 2014 Auditor, National Institute of Information and Communications Technology (to the present)</p> <p>Jun 2015 Outside Director, Nomura Research Institute, Ltd. (to the present)</p> <p>Apr 2017 Executive Director (Part-time), Nara Institute of Science and Technology (to the present)</p> <p>Jun 2019 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Apr 2020 Vice President, TOHOKU UNIVERSITY (to the present)</p> <p>Significant posts concurrently held</p> <p>Auditor, National Institute of Information and Communications Technology</p> <p>Outside Director, Nomura Research Institute, Ltd.</p> <p>Executive Director (Part-time), Nara Institute of Science and Technology</p> <p>Vice President, TOHOKU UNIVERSITY</p>	0
		<p>Reasons for selecting the candidate for Outside Director</p> <p>Ms. Miwako Doi has worked as a researcher and manager in the information technology field at TOSHIBA CORPORATION with significant expert achievements in the field. Currently, she serves as Auditor of the National Institute of Information and Communications Technology in addition to Executive Director of the Nara Institute of Science and Technology and Vice President of TOHOKU UNIVERSITY. Although she has not been involved in corporate management other than as Outside Director, based on her abundant experience in the information technology field, Ms. Doi has provided valuable advice to the Board of Directors of the Company, which aims to become a platformer for a new era. As we believe her continuing to give appropriate advice and oversight over business execution from an independent standpoint will significantly contribute to the improvement of the Company's governance, she is renominated as a candidate for Director.</p>	

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
10	Takashi Oyamada (Nov 2, 1955) [Renominated] [Outside Director] [Independent Director]	<p>Apr 1979 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>Jan 2009 Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)</p> <p>Jun 2009 Managing Director Director, Mitsubishi UFJ Financial Group, Inc.</p> <p>May 2012 Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2013 Senior Managing Executive Director</p> <p>Jun 2014 Deputy President</p> <p>May 2015 Deputy President, Mitsubishi UFJ Financial Group, Inc.</p> <p>Jun 2015 Director, Deputy President, Group COO</p> <p>Apr 2016 President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Director, Mitsubishi UFJ Financial Group, Inc.</p> <p>Jun 2017 Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Jun 2017 Special Advisor</p> <p>Apr 2018 Special Advisor, MUFG Bank, Ltd. (to the present)</p> <p>Jun 2018 Representative Director &amp; Vice Chair, The Japan Institute of International Affairs (to the present)</p> <p>Dec 2018 Outside Director, Mitsubishi Research Institute DCS Co., Ltd. (to the present)</p> <p>Jun 2019 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Outside Director, Mitsubishi Electric Corporation (to the present)</p> <p>Significant posts concurrently held Special Advisor, MUFG Bank, Ltd. Representative Director &amp; Vice Chair, The Japan Institute of International Affairs Outside Director, Mitsubishi Research Institute DCS Co., Ltd. Outside Director, Mitsubishi Electric Corporation</p>	2,000
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Takashi Oyamada has served in management of the former The Bank of Tokyo-Mitsubishi UFJ, Ltd., a leading mega bank in Japan with superior achievements. He possesses deep knowledge in finance gained over years of experience at a financial institution. Since taking office as Outside Director of the Company, Mr. Oyamada has provided valuable advice at the Board of Directors based on his specialized knowledge in finance and high expertise in management. As we believe his continuing to give appropriate advice and oversight over business execution from an independent standpoint will significantly contribute to the improvement of the Company's governance, he is renominated as a candidate for Director.</p>			

\*Mr. Takashi Oyamada's role at MUFG Bank, Ltd. as Special Advisor is mainly activities to contribute to the financial industry and society and he is not involved in management.

\*Three years has passed since Mr. Takashi Oyamada's retirement from the position of President of MUFG Bank, Ltd. (then The Bank of Tokyo-Mitsubishi UFJ, Ltd.)

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
11	Takeo Hirata (Jan 16, 1960) [Newly nominated] [Outside Director] [Independent Director]	<p>Apr 1982 Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry)</p> <p>Jan 2001 Director of Petroleum and Natural Gas Division, Natural Resources and Fuel Department, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry</p> <p>Jul 2002 General Secretary and CEO, Japan Football Association</p> <p>Apr 2006 Professor, Graduate School of Sport Sciences, Waseda University (to the present)</p> <p>Mar 2007 Outside Audit &amp; Supervisory Board Member, Rakuten, Inc. (to the present)</p> <p>Aug 2013 Special Advisor to the Cabinet (to the present)</p> <p>Jul 2016 Chairman, Japan Society of Sports Industry (to the present)</p> <p>Jun 2017 Outside Corporate Auditor, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Significant posts concurrently held</p> <p>Professor, Graduate School of Sport Sciences, Waseda University</p> <p>Outside Audit &amp; Supervisory Board Member, Rakuten, Inc.</p> <p>Special Advisor to the Cabinet</p> <p>Chairman, Japan Society of Sports Industry</p>	0
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Takeo Hirata has significantly contributed to the promotion of sports business in Japan, having been involved in the initiation of J.League and the invitation of the 2002 FIFA World Cup to Japan. Currently, he teaches as a Professor at the Graduate School of Sport Sciences at Waseda University in addition to playing an active part as Special Advisor to the Cabinet. Although he has not been involved in corporate management other than as Outside Corporate Auditor, Mr. Hirata has provided appropriate advice and recommendations as Outside Corporate Auditor of the Company based on his abundant insight on diverse subjects. As we believe his giving appropriate advice and oversight from an independent standpoint at the Company's Board of Directors after its transition into a company with a nominating committee, etc., will significantly contribute to the improvement of the Company's governance, he is nominated as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
12	Hidetoshi Furukawa (Jul 16, 1955) [Newly nominated] [Outside Director] [Independent Director]	<p>Apr 1979 Joined The Mitsui Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)</p> <p>Jun 2005 Executive Officer, General Manager, Bangkok Branch, Sumitomo Mitsui Banking Corporation</p> <p>Apr 2008 Executive Officer, Deputy Head of Corporate Unit and International Unit</p> <p>Apr 2009 Managing Executive Officer, Head of Nagoya Corporate Sales Department, General Manager, Nagoya Corporate Sales Headquarters</p> <p>Apr 2011 Managing Executive Officer, Head of Investment Banking Unit</p> <p>Apr 2012 Director and Senior Managing Executive Officer, Head of Investment Banking Unit</p> <p>Apr 2013 Director and Senior Managing Executive Officer, Head of Corporate Finance Unit</p> <p>Apr 2014 Representative Director and Deputy President Executive Officer, Head of Global Corporate Banking Division</p> <p>Jun 2015 Representative Director, President and Chief Executive Officer, SMBC Trust Bank Ltd.</p> <p>Jun 2018 Chairperson (to the present)</p> <p>Significant posts concurrently held</p> <p>Chairperson, SMBC Trust Bank Ltd.</p>	0
		<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Hidetoshi Furukawa has accumulated years of experience at Sumitomo Mitsui Banking Corporation, one of the largest mega banks in Japan. After serving as Deputy President, etc., at Sumitomo Mitsui Banking Corporation, he took office as Representative Director, President and Chief Executive Officer of SMBC Trust Bank Ltd. in 2015. In this capacity, he significantly contributed to providing revolutionary and high quality services, such as by launching a new brand through the integration of domestic individual-oriented businesses of foreign-owned financial institutions. He was appointed Chairperson of SMBC Trust Bank Ltd. in 2018. As we believe his giving appropriate advice and oversight based on his abundant experience in management of financial institutions as well as his specialized knowledge in finance from an independent standpoint at the Company's Board of Directors will significantly contribute to the improvement of the Company's governance, he is nominated as a candidate for Director.</p>	

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
13	Fukutaka Hashimoto (Jul 6, 1954) [Newly nominated] [Outside Director] [Independent Director]	<p>Apr 1979 Registered as an attorney-at-law and joined Shinya Takeru Law Office (currently Tokyo Hatchobori Law Office)</p> <p>Apr 2000 Vice President, Daini Tokyo Bar Association</p> <p>Apr 2006 Executive Governor, Japan Federation of Bar Associations</p> <p>Jan 2008 Representative Partner Attorney and Director, Tokyo Hatchobori Law Office (to the present)</p> <p>Apr 2012 President, Daini Tokyo Bar Association Vice-President, Japan Federation of Bar Associations</p> <p>Mar 2014 Outside Audit &amp; Supervisory Board Member, Kirin Holdings Company, Limited</p> <p>Jun 2015 Outside Audit &amp; Supervisory Board Member, Sompo Japan Nipponkoa Insurance Inc. (currently Sompo Japan Insurance Inc.) (to the present)</p> <p>Significant posts concurrently held Representative Partner Attorney and Director, Tokyo Hatchobori Law Office Outside Audit &amp; Supervisory Board Member, Sompo Japan Insurance Inc.</p>	0
<p>Reasons for selecting the candidate for Outside Director</p> <p>Mr. Fukutaka Hashimoto has played a leading role as an attorney-at-law for many years and was appointed Representative Partner Attorney and Director of Tokyo Hatchobori Law Office in 2008. In addition to serving as Outside Corporate Auditor of several companies while working as an attorney, he has strived to solve national issues such as by serving as a committee member for a third-party committee on the pension records issue and a special committee member for the Deliberation Committee on Disputes for Compensation of Damages on Nuclear Power. Although he has not been involved in corporate management other than as Outside Corporate Auditor, we believe his giving appropriate advice and oversight based on his wide range of advanced specialized knowledge primarily in corporate legal affairs from an independent standpoint at the Company's Board of Directors will significantly contribute to the improvement of the Company's governance. Accordingly, he is nominated as a candidate for Director.</p>			

- (Notes)
- Ms. Miwako Doi is scheduled to retire from the position of Outside Director of Nomura Research Institute, Ltd. as of June 18, 2020.
  - Mr. Takashi Oyamada is a Special Advisor of MUFG Bank, Ltd., which is the main bank of the Group. However, there are no particular relationships of interest between him and the Company, because he is not involved in the management of MUFG Bank, Ltd. There are no particular relationships of interest with any of the other candidates and the Company.
  - MICARD Co. Ltd., the Company's subsidiary, was handed an Order for Action on July 8, 2019 and Order for Payment of Surcharge on March 24, 2020 from the Consumer Affairs Agency, on the grounds of improper representation that falls under Article 5, Item 1 or Item 2 of the Act against Unjustifiable Premiums and Misleading Representations regarding service transactions in relation to MI Card Plus Gold, a credit card supplied by the company. Ms. Michiko Kuboyama, Mr. Masami Iijima, Ms. Miwako Doi, and Mr. Takashi Oyamada made various recommendations on legal and regulatory compliance at meetings of the Board of Directors, and Mr. Takeo Hirata did the same at meetings of the Board of Corporate Auditors and the Board of Directors. Through deliberations at meetings of the Board of Directors, even after this was discovered, commitments were made to compile measures for prevention of recurrence of such an event at the Company

or the Group including the subsidiary in question, and to broaden awareness and strengthen training among all employees with regard to this matter.

4. Ms. Michiko Kuboyama, Mr. Masami Iijima, Ms. Miwako Doi, and Mr. Takashi Oyamada have concluded limited liability agreements with the Company based on the provisions of the Articles of Incorporation, which shall limit the maximum amount of liability they may bear to the Company to the amount stipulated by laws and regulations. If their reappointments are approved, the Company plans to continue to hold the agreements stipulating liability limits. Moreover, if the appointments of Mr. Ken Akamatsu and Mr. Toshinori Shirai, who are candidates for Non-executive Directors, and Mr. Takeo Hirata, Mr. Hidetoshi Furukawa, and Mr. Fukutaka Hashimoto, who are candidates for Outside Directors, are approved, the Company plans to newly conclude similar limited liability agreements as those mentioned above with them.
5. The Company designates Ms. Michiko Kuboyama, Mr. Masami Iijima, Ms. Miwako Doi, and Mr. Takeo Hirata as Independent Directors according to the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has registered them with the two exchanges. Assuming approval of the reelection of Directors Ms. Michiko Kuboyama, Mr. Masami Iijima, Ms. Miwako Doi, and Mr. Takeo Hirata, the Company also plans to continuously designate them as Independent Directors and to notify both stock exchanges thereof. Moreover, if the appointments of Mr. Takashi Oyamada, Mr. Hidetoshi Furukawa, and Mr. Fukutaka Hashimoto are approved, the Company plans to newly designate them as Independent Directors and to notify both stock exchanges thereof.
6. Ms. Michiko Kuboyama's name on her family register is Michiko Iwasaki.

**[Reference]****Committees of which Each Director is Scheduled to be a Member**

If this proposal is approved, the composition of each committee shall be as follows. (◎ indicates chair)

Candidate No.	Name	Nominating Committee	Compensation Committee	Audit Committee	Remarks
1	Ken Akamatsu				Chairman of the Board of Directors
2	Toshihiko Sugie	○			Representative Executive
3	Toru Takeuchi				Representative Executive
4	Hidehiko Igura				Executive
5	Shigeru Nishiyama		○		Executive
6	Toshinori Shirai			◎	
7	Michiko Kuboyama (Outside)			○	
8	Masami Iijima (Outside)	◎	○		
9	Miwako Doi (Outside)	○	◎		
10	Takashi Oyamada (Outside)	○		○	
11	Takeo Hirata (Outside)		○		
12	Hidetoshi Furukawa (Outside)	○		○	
13	Fukutaka Hashimoto (Outside)			○	

**[Reference]****Independence Standards for Independent Outside Directors and Independent Outside Auditors**

In designating Outside Directors as independent officers, the Company has compiled its proprietary “Independence Standards for Independent Directors and Independent Auditors of Isetan Mitsukoshi Holdings Ltd.,” for assessing their independence and outside officers who do not come under any of the following categories are nominated as independent officers.

- 1) Business executives of the Group
- 2) A person for whom the Group is a major business partner, or an executive director, executive or manager thereof
- 3) A major business partner of the Group, or an executive director, executive, manager or other employee thereof
- 4) An executive officer of a principal lender of the Group
- 5) A consultant or accounting or legal expert who has received financial or other economic benefits from the Group exceeding a certain sum, other than remuneration of Directors or Corporate Auditors
- 6) A shareholder or an executive officer thereof who holds at least 5% of the total issued shares of the Company



- 7) Any person who has come under categories 1) to 5) above in the last three years
- 8) Spouses or relatives within the second degree of kinship of anybody coming under categories 1) to 5) above

A “major business partner” in 2) and 3) above means “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 4) above means “any lender from whom the Group’s balance of borrowings exceeds 2% of the consolidated total assets of the Company as of the end of the fiscal year,” and a “certain sum” in 5) above means “a sum of at least 10 million yen in any of the preceding three fiscal years.”

## **Business Report**

(From April 1, 2019 to March 31, 2020)

### **1. Matters related to the Group's status**

#### **(1) Business developments and results**

During fiscal 2019 (April 1, 2019 to March 31, 2020), the Japanese economy trended amid the risk of slowdowns in the U.S. and Chinese economies spreading to a slowdown in the global economy, owing to the conflict between the two countries arising from partial increases in tariffs. The domestic economy was under a harsh environment despite the surge in individual consumption demand prior to the consumption tax hike in October 2019, as the subsequent rebound decrease in demand continued. In addition, the retail industry saw the negative impact of unseasonal weather and natural disasters, as long spells of rain and low temperatures continued owing to the long rainy season in the summer, while hitting record high temperatures in the winter. Even though employment and income conditions were on a relatively stable trend, the number of visitors from overseas sharply declined from late January owing to the worldwide spread of COVID-19. In addition, there was increased motivation to refrain from consumption activities to prevent the spread of COVID-19 domestically in Japan, and uncertainties rose as both domestic and overseas demand declined rapidly.

Under these circumstances, the Group strove to transform its business model during fiscal 2019, in order to achieve the vision of “online and offline matching platformer” envisioned in the Isetan Mitsukoshi Group Three-Year Plan, which the Group announced in November 2018. As we strive to become the Isetan Mitsukoshi Group that “connects people and bridges times,” which is the origin of the Group, we will create new value by drawing on our strengths to connect customers with goods, events, and information, both offline (brick-and-mortar stores) and online (digital).

Furthermore, during fiscal 2019, we closed large stores with profitability issues, including Isetan Sagamiyama store, Isetan Fuchu store, and Niigata Mitsukoshi, and decided to close Mitsukoshi Ebisu store. As a result, a certain level of progress on major structural reforms is within reach. The Group will focus on creating the business foundations for a transformation of the business model, as well as drastic cost structure reforms.

As a result of these efforts, consolidated net sales for the fiscal year amounted to ¥1,119.1 billion, a decrease of 6.5% from the previous fiscal year, operating income amounted to ¥15.6 billion, a decrease of 46.4%, recurring income was ¥19.7 billion, a decrease of 38.2%, and net loss attributable to parent company shareholders was ¥11.1 billion (The previous fiscal year was net income attributable to parent company shareholders of ¥13.4 billion.).

### Department store

Percentage of net sales: 86.9%

Net sales: ¥1,035.5 billion (93.2% of the previous fiscal year's net sales)

Operating income: ¥2.2 billion (14.4% of the previous fiscal year's operating income)

In the department store business, sales of premium goods such as jewelry were robust, thanks to the surge in demand prior to the consumption tax hike and remodeling of flagship stores. In addition, cost structure reforms were begun in earnest, reducing selling and administrative expenses. However, operating income fell significantly short of the results of the previous year on a comparable-store basis, owing significantly to the impact of temporary closures and shortening of business hours at stores implemented as measures against typhoons and for prevention of COVID-19, as well as more decline than expected from the pullback following the consumption tax hike.

In these circumstances, amid major changes in customers' values and the market environment, the Group is aiming to leverage digital technologies for providing the highest level of service to customers. During fiscal 2019, the Group began the following specific initiatives at flagship stores by drastically revising its store business model, including workflows and sales methods.

At the Isetan Shinjuku store, we conducted a remodeling to create new values, differentiate, and nurture heartfelt richness. With regard to the cosmetics floors, a floor centered around skincare was completed on the second floor of the main building in September 2019, and a makeup and fragrance floor was completed on the first floor of the main building in November, to enhance the experiential value of real locations. On the women's shoes floor, we introduced a new service utilizing digital technologies, in addition to enhancing products and events. We also worked on the enhancement of experiential values for jewelries and watches.

At the Mitsukoshi Nihombashi store, we have refined our environment, services, and products through remodeling since fiscal 2018. Following the first phase of remodeling completed in October 2018, the Nihombashi Garden opened on the rooftop of the main building in May 2019, as well as the men's floor and Watch Gallery in August, the Jewelry Gallery in November, and the MITSUKOSHI CONTEMPORARY GALLERY in March 2020. The second phase of remodeling was completed after the remodeling of the Special Selection Boutique. In the Annex building, BicCamera Nihombashi Mitsukoshi as well as a hair salon and a photo studio opened in February. In addition, Mitsukoshi Archives Nihombashi, an exhibition space for cultural properties and historical materials owned by Mitsukoshi, opened in March.

We are also focusing on new online businesses as we aim to expand into products that cannot be offered at our stores and diversify purchase methods. In October 2019, we launched “Hi TAILOR,” an online customized ordering service for dress shirts, “MOO:D MARK by ISETAN,” an online gift boutique through which gifts can be sent via social media and emails, and “Isetan Mitsukoshi Furusato Nozei,” in which a selection of Isetan Mitsukoshi quality products are offered. In addition, we launched “DROBE,” a service in which a stylist conducts counseling over online chat and periodically delivers garments, in March 2020.

Furthermore, in order to redistribute limited management resources to new growth sectors, we closed stores with profitability issues, namely, Isetan Sagamihara store, Isetan Fuchu store, and Niigata Mitsukoshi, and decided to close the Mitsukoshi Ebisu store. We apologize for any inconveniences caused by the store closures and sincerely thank customers for their patronage.

#### Credit & finance / customer organization management

Percentage of net sales: 3.2%

Net sales: ¥38.5 billion (98.7% of the previous fiscal year’s net sales)

Operating income: ¥5.6 billion (88.3% of the previous fiscal year’s operating income)

In the credit & finance business/customer organization management business, MICARD Co. Ltd. focused on acquiring new memberships for department store credit cards and credit cards in collaboration with companies outside the Group, as well as expanding the handling volume through promotion of credit card usage.

As a result, the total shopping handling volume amounted to ¥1,068.1 billion (97.5% of the previous fiscal year’s handling volume). The aforementioned results were due to a significant growth in handling volume from usage promotion measures in the mail order domain as well as at convenience stores and supermarkets, offset by a decrease in handling volume within the Group department stores from closing of Group department stores (Isetan Sagamihara store and Isetan Fuchu store) during the fiscal year, a decline in sales after the consumption tax hike, and a decline in sales due to the impact of COVID-19 from February onward.

In addition, the Group is focusing on issuing credit cards in collaboration with companies outside the Group, as part of its efforts to expand sales. During fiscal 2019, we issued cards in collaboration with 14 new companies, which will lead to future expansion in handling volume and revenue.

### Real estate

Percentage of net sales: 3.0%

Net sales: ¥35.3 billion (73.3% of the previous fiscal year's net sales)

Operating income: ¥5.9 billion (76.7% of the previous fiscal year's operating income)

In the real estate business, we have strived to further enhance the business so that it can play a part in the Group's growth.

While Isetan Mitsukoshi Real Estate Co., Ltd. achieved results in sales of apartments during the previous fiscal year, both net sales and operating income in the fiscal year under review fell short of the previous fiscal year's results primarily due to a pullback from the above.

In the residences business, we have secured stable revenue by continuing to maintain high occupancy mainly at the 12 properties we hold.

In addition, the business results for the construction and design business remained strong, owing to an increase in the number of orders received.

Overseas, we are preparing for the opening of the commercial facility building scheduled for 2021, in addition to selling residences, for the multipurpose property development project in the Philippines, an ongoing joint project with Nomura Real Estate Development Co., Ltd. and Federal Land Incorporated, a major Filipino real estate company.

### Other businesses

Percentage of net sales: 6.9%

Net sales: ¥82.4 billion (92.6% of the previous fiscal year's net sales)

Operating income: ¥1.6 billion (In the previous fiscal year, operating loss totaled ¥0.3 billion)

In the other businesses, operating income significantly improved primarily due to the effects of reducing outsourcing expenses, etc. through internalization of work at Isetan Mitsukoshi System Solutions Ltd., revision of business structures at IMGS CO., LTD., and improvements in revenue at STUDIO ALTA CO., LTD.

With regard to other individual businesses, at Mitsukoshi Isetan Nikko Travel, Ltd. (NIKKO TRAVEL CO., LTD. and Isetan Mitsukoshi Travel Co., Ltd. were integrated in April 2019) in the travel business, mainstay cruise ship tours trended strongly in the overseas business in the first half, partly due to the extra demand during long holidays. However, owing to the global impact of COVID-19 toward the end of the fiscal year, revenues, mainly in overseas travel, decreased significantly.

At SOCIE WORLD CO., LTD. in the beauty business, net sales fell short of the results for the previous fiscal year due to the impact of COVID-19, in addition to an intensifying competitive environment in the mainstay esthetics business and sluggishness in acquisition of new customers. We will work on closing unprofitable stores and further reducing costs with the aim of recovering business results in the future.

We will continue aiming to provide new value with a view to achieving our goal of “helping our customers’ lives in a variety of scenes.”

## (2) Capital expenditures

Our capital expenditures during the consolidated fiscal year under review totaled some ¥38.0 billion, which consisted principally of some ¥28.5 billion for capital expenditures at Isetan Mitsukoshi Ltd.

## (3) Issues that need to be addressed

The business environment surrounding the Group is rapidly changing, amid many social issues in Japan such as the declining and aging population, globalization, deflation, taxes, and social security. In addition, the global spread of COVID-19 has dealt a severe blow to the Japanese economy, and we must expect prolonged unfavorable economic conditions. Going forward, the state of society and the economy is expected to change significantly, and this experience may provide opportunities for accelerating the utilization of digital technologies in people’s lives. The creation of new businesses is also possible, if the global shift to digitalization progresses swiftly and brings about significant changes in consumer behavior.

If old business structures remain despite remarkable increases in social activities that utilize digitalization, they may be overwhelmed as they are unable to respond to future changes in economic and social structures. In light of these risks, the Company must shift from the conventional department store business model to a new retail model by voluntarily and proactively responding to the changes in the state of business and lifestyles.

In response to these changes, the Group will continue moving forward with its various measures including digitalization, aiming to transform into an “online and offline matching platformer,” the vision announced in its Three-Year Plan. In addition, while continuing drastic cost structure reforms and infrastructure development, we will steadily accelerate priority strategies to prepare for initiatives targeting business model reforms and changes that will arrive after COVID-19.

#### Priority effort 1 – “Promoting revenue and expense structure reforms”

The Company has continued with thorough cost structure reforms along with priority growth strategies. In light of the recent significant impact of COVID-19, we will work on our efforts, including implementation of cost reduction measures and revision of investments from scratch, with a sense of crisis, while ensuring initiatives for the health and safety of our customers and employees.

We will continue striving to reduce selling and administrative expenses, including advertising costs, lease payments, and personnel expenses, by fundamentally reforming the cost structure in coordination with business model reforms. To this end, we are reviewing all items, including common sense, know-how, systems, and work that had been taken for granted, leaving no stone unturned.

Although major store restructuring projects have settled in to a certain extent, we will continue redefining the direction, role, and position of each business within the Group to shuffle and rebuild our business portfolio.

#### Priority effort 2 – “Business model reforms in the retail (department store) business”

In order to respond to changes in the environment and customer needs, the Company is aiming to establish a new business model for the retail business. To that end, we have promoted “reforming of the store models,” “seamless connection between online and offline,” and “promotion of the Group customer relationship management (CRM) and enhancement of marketing.”

In response to further diversifying needs and consumers’ shift to digitalization caused by significant changes in society and consumption activities following the spread of COVID-19, we will accelerate promotion of “seamless connection between online and offline,” so that our customers can freely traverse between online and offline in addition to our stores and we can offer the latest and best customer experience wherever customers are located. We will launch a new seamless website and app in June 2020. In the future, we will offer a wide variety of products, including a lineup of products that cannot be displayed at our stores, by utilizing the new app.

In addition, we will promote digital memberships to strengthen relationships with our customers and achieve one-to-one communication. By establishing an environment in which desired information can be offered at the desirable time, we will aim to improve customer satisfaction. In the future, this will lead to the creation of new businesses, through the further enhancement of marketing using various accumulated information such as purchase information.

As we look to reform the store models, we will aim to create commercial facilities with a high level of support from customers, by accurately understanding customer needs, optimizing product lineup and merchandising balance, and offering “value” and “experience” that can only be obtained at real stores. To this end, we will revise our work flows and advance remodeling of our stores.

Priority effort 3 – “Strengthening initiatives in the real estate and finance businesses”

We will aim to enhance the real estate business by considering businesses for expanding medium- to long-term revenue through effective utilization of the real estate held in Japan. In order to leverage real estate value to the maximum extent possible, we will contribute to urban development by participating in community redevelopment projects, while developing new businesses by achieving increases in value through multipurpose facilities with the Company’s unique concepts centered around commerce.

We will further enhance the operation of commercial facilities, and in Japan, we will expand commercial facility operation projects following those in Yokohama and Kokubunji. Overseas, we will promote the collaboration project between retail and real estate that is currently underway in the Philippines.

With regard to the finance business, we are considering our direction for expanding a new financial services menu centered around MICARD Co. Ltd., the Group’s credit card company, with the aim of responding to diversification in payment methods and expanding wallet share among customers. We will strive to increase the number of memberships for existing department store credit cards and cards in collaboration with companies outside the Group, while working to improve the quality of attached services.



#### Priority effort 4 – “Enhancing corporate governance structure”

As steps to quickly and steadily achieve the targets in the Medium-Term Management Plan, we have delegated rights and responsibilities to Group operating companies for swift management decision-making and a flexible business execution structure. Now, the Company will transition its corporate governance structure from a company with a board of company auditors to a company with a nominating committee, etc., in order to further enhance our corporate governance structure. By further clarifying the separation of oversight and execution in management, we will strive to enhance the oversight function of the Board of Directors, while enabling the swift execution of business.

We will fundamentally review conventional systems and procedures, and achieve corporate structure reforms and enhance competitiveness as soon as possible. Meanwhile, we shall also strengthen compliance, risk management, information management systems, and other internal control systems, in order to enhance corporate value and gain sustainable growth.

#### ◇The impact of and response to COVID-19

Due to the impact of COVID-19 that is spreading worldwide, the department store industry is trending negatively on a significant scale in 2020. Amid this unprecedented crisis, the Company is quickly implementing various measures required by the entire Group through an emergency task force based on the business continuity plan. In response to the stay at home requests under the declaration of emergency, we have implemented temporary closures (partial closures and shortened opening hours at some stores) in April for prioritizing the health and safety of our customers and employees. In addition, we have procured funds to ensure sufficient liquidity on hand in expectation of a certain risk scenarios, as recent business results remain on a worsening trend.

In the future, we can expect significant changes in the way of life and consumption activities, including “health and safety-oriented,” “work style reform,” and “shift to digitalization.” Under these circumstances, we will reestablish the values we offer in response to customers’ needs and new ways to communicate, in addition to thoroughly implementing measures to ensure health and safety.

We will also take flexible measures, such as revision of the business plans, in light of the significant negative impacts on our business expected in the future, including staying at home and refraining from consumption activities, and foreign visitors continuing to refrain from visiting Japan.

We sincerely apologize again for the great trouble and concern caused by closures of stores, etc. due to the spread of COVID-19. As we wish for speedy improvements in the situation, we take this opportunity to express our appreciation for your continued support and patronage going forward.

## Segment information

(Millions of yen)

	Reporting segment				Other businesses (Note 1)	Total	Adjustments (Note 2)	Amount posted in Consolidated Financial Statements (Note 3)
	Department store	Credit & finance / customer organization management	Real estate	Total				
Net sales								
Outside customers	1,032,785	23,015	32,237	1,088,038	31,153	1,119,191	—	1,119,191
Inter-segment sales	2,803	15,579	3,161	21,545	51,264	72,809	(72,809)	—
Total	1,035,589	38,595	35,399	1,109,583	82,418	1,192,001	(72,809)	1,119,191
Segment profit	2,203	5,669	5,970	13,843	1,618	15,462	217	15,679
Segment assets	996,345	208,068	150,310	1,354,725	45,137	1,399,862	(176,062)	1,223,800
Others								
Depreciation	19,581	2,935	990	23,507	6,339	29,846	(211)	29,635
Impairment loss (Note 4)	11,015	—	894	11,910	2,960	14,870	—	14,870
Investment in equity method affiliates	77,618	—	—	77,618	—	77,618	—	77,618
Increase in tangible/intangible fixed assets	31,006	1,251	532	32,791	5,524	38,315	(260)	38,055

- Notes: 1. The other businesses segment includes the services of other manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service, travel business and beauty business that are not included in other reporting segments.
2. Adjustments are as follows:
- (1) The segment profit adjustment of ¥217 million is intersegment eliminations, etc.
  - (2) The segment assets adjustment of negative ¥176,062 million is the intersegment elimination of receivables and payables, etc.
  - (3) The adjustment of depreciation of negative ¥211 million is intersegment unrealized income.
  - (4) The increase in tangible and intangible fixed assets adjustment of negative ¥260 million is intersegment elimination and intersegment unrealized income, etc.
3. Segment profit is adjusted to operating income.
4. In the Consolidated Statement of Income, of the above impairment loss, ¥4,026 million is included in “loss on closing of stores.”

Net sales by domestic department store

(By company and store)

Company & Store Name		Amount (Millions of yen)	Percentage of Total (%)	Year-on-year Comparison (%)
Isetan Mitsukoshi Ltd.	Mitsukoshi Nihombashi store	133,013	22.8	91.9
	Mitsukoshi Ginza store	82,818	14.2	90.8
	Isetan Shinjuku store	274,066	47.0	94.9
	Isetan Tachikawa store	34,915	6.0	96.4
	Isetan Urawa store	38,284	6.6	94.5
	Isetan Sagamihara store (Note 1)	11,555	2.0	61.5
	Isetan Fuchu store (Note 1)	8,549	1.4	61.5
	<b>Total</b>	<b>583,203</b>	<b>100.0</b>	<b>91.9</b>
Sapporo Marui Mitsukoshi Ltd.		61,116	—	93.5
Hakodate Marui Imai Ltd.		7,438	—	102.1
Sendai Mitsukoshi Ltd.		30,184	—	93.2
Niigata Isetan Mitsukoshi Ltd.		42,922	—	97.5
Shizuoka Isetan Co., Ltd.		17,718	—	93.1
Nagoya Mitsukoshi Ltd.		64,332	—	95.5
Hiroshima Mitsukoshi Ltd.		13,732	—	98.1
Takamatsu Mitsukoshi Ltd.		21,532	—	94.7
Matsuyama Mitsukoshi Ltd.		11,731	—	89.6
Iwataya Mitsukoshi Ltd.		107,163	—	91.4
West Japan Railway Isetan Ltd. (Note 2)		64,463	—	95.0

(Notes) 1. Isetan Sagamihara store and Isetan Fuchu store closed in September 2019.

2. An equity-method affiliate of the Company

Net sales by product of Isetan Mitsukoshi Ltd.

Product	Amount (Millions of yen)	Percentage of Total (%)	Year-on-year Comparison (%)
Apparel	201,871	34.6	89.0
Accessories	72,439	12.4	91.4
Sundry goods	133,209	22.8	94.9
Household goods	20,405	3.5	86.0
Foods	126,377	21.7	96.6
Others	28,899	5.0	86.6
<b>Total</b>	<b>583,203</b>	<b>100.0</b>	<b>91.9</b>

(4) Change in assets and earnings

1) Change in assets and earnings of the Company and its subsidiaries (consolidated)

Item \ Fiscal term	9th Term Fiscal 2016 (From April 1, 2016 to March 31, 2017)	10th Term Fiscal 2017 (From April 1, 2017 to March 31, 2018)	11th Term Fiscal 2018 (From April 1, 2018 to March 31, 2019)	12th Term Fiscal 2019 (From April 1, 2019 to March 31, 2020) Consolidated fiscal year under review
Net sales (Million yen)	1,253,457	1,256,386	1,196,803	1,119,191
Operating income (Million yen)	23,935	24,413	29,229	15,679
Recurring income (Million yen)	27,418	27,325	31,995	19,771
Net income (loss) attributable to parent company shareholders (Million yen)	14,976	(960)	13,480	(11,187)
Net income (loss) per share (Yen)	38.27	(2.47)	34.58	(28.90)
Total assets (Million yen)	1,312,074	1,275,535	1,247,427	1,223,800
Net assets (Million yen)	579,782	588,091	585,715	550,161
Net assets per share (Yen)	1,460.32	1,478.74	1,475.74	1,426.61
Capital-to-asset ratio (%)	43.36	45.19	46.14	44.32

- Notes: 1. Net income (loss) per share has been calculated based on the average number of outstanding shares during the period (excluding treasury stock).
2. From the 11th term, with respect to the buying sales transactions of overseas consolidated subsidiaries whose financial statements comply with the International Financial Reporting Standards, the amount that corresponds to gross profit is reflected in net sales and thus presented on a net basis, while net sales for the 10th term show the amount after retrospective application.
3. During the 10th term, provisional accounting treatment for business combinations conducted during the 9th term was finalized, and total assets for the 9th term reflect the finalization of the provisional accounting treatment.
4. “Partial Amendments to Accounting Standard for Tax Effect Accounting” have been applied from the 11th term, and total assets for the 10th term show the amount after retrospective application.
5. From the 12th term, overseas consolidated subsidiaries, etc. whose financial statements comply with the International Financial Reporting Standards have applied International Financial Reporting Standards 16 “Leases.”

2) Change in assets and earnings of the Company (nonconsolidated)

Item \ Fiscal term	9th Term Fiscal 2016 (From April 1, 2016 to March 31, 2017)	10th Term Fiscal 2017 (From April 1, 2017 to March 31, 2018)	11th Term Fiscal 2018 (From April 1, 2018 to March 31, 2019)	12th Term Fiscal 2019 (From April 1, 2019 to March 31, 2020) Consolidated fiscal year under review
Operating revenues (Million yen)	35,970	15,572	14,542	18,624
Operating income (Million yen)	24,641	8,345	5,195	10,846
Recurring income (Million yen)	23,479	7,054	4,559	8,894
Net income (loss) (Million yen)	22,381	2,539	(8,697)	5,723
Net income (loss) per share (Yen)	57.19	6.52	(22.31)	14.78
Total assets (Million yen)	784,322	741,614	718,654	742,872
Net assets (Million yen)	467,488	465,692	452,583	443,836
Net assets per share (Yen)	1,195.09	1,189.52	1,155.16	1,162.61
Capital-to-asset ratio (%)	59.36	62.52	62.69	59.50

Note: Net income (loss) per share has been calculated based on the average number of outstanding shares during the period (excluding treasury stock).

(5) Status of significant subsidiaries (As of March 31, 2020)

1) Status of subsidiaries

Company Name	Paid-in Capital	Ownership Percentage by the Company (%)	Location of Main Store	Line of Business
Isetan Mitsukoshi Ltd.	¥10,000 mln.	100.0	Shinjuku-ku, Tokyo	Department store
Sapporo Marui Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Sapporo-shi, Hokkaido	Department store
Hakodate Marui Imai Ltd.	¥50 mln.	100.0	Hakodate-shi, Hokkaido	Department store
Sendai Mitsukoshi Ltd.	¥50 mln.	100.0	Aoba-ku, Sendai-shi, Miyagi	Department store
Niigata Isetan Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Niigata-shi, Niigata	Department store
Shizuoka Isetan Co., Ltd.	¥100 mln.	100.0	Aoi-ku Shizuoka-shi, Shizuoka	Department store
Nagoya Mitsukoshi Ltd.	¥50 mln.	100.0	Naka-ku, Nagoya-shi, Aichi	Department store
Hiroshima Mitsukoshi Ltd.	¥50 mln.	100.0	Naka-ku, Hiroshima-shi, Hiroshima	Department store
Takamatsu Mitsukoshi Ltd.	¥50 mln.	100.0	Takamatsu-shi, Kagawa	Department store
Matsuyama Mitsukoshi Ltd.	¥50 mln.	100.0	Matsuyama-shi, Ehime	Department store
Iwataya Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Fukuoka-shi, Fukuoka	Department store
Isetan (China) Investment Co., Ltd.	US\$60,371 thou	100.0	Shanghai, China	Department store
Shanghai Mei Long Zhen Isetan Department Store Co., Ltd.	US\$5,000 thou	80.0	Shanghai, China	Department store
Tianjin Isetan Co., Ltd.	US\$2,100 thou	100.0	Tianjin, China	Department store
Tianjin Binhai New Area Isetan Co., Ltd.	US\$12,000 thou	100.0	Tianjin, China	Department store
Chengdu Isetan Co., Ltd.	US\$18,019 thou	100.0	Chengdu, Sichuan Prov., China	Department store
Isetan (Singapore) Ltd.	S\$20,625 thou	52.7	Singapore	Department store
Isetan (Thailand) Co., Ltd.	290,000 thou bahts	49.0	Bangkok, Thailand	Department store
Isetan of Japan Sdn. Bhd.	20,000 thou ringgit	100.0	Kuala Lumpur, Malaysia	Department store
Mitsukoshi (U.S.A.) Inc.	US\$25,000 thou	100.0	Florida, U.S.A.	Department store
Mitsukoshi Italia S.r.l.	5,118 thou euro	100.0	Rome, Italy	Department store
MICARD Co. Ltd.	¥1,100 mln.	100.0	Chuo-ku, Tokyo	Credit & finance

Note: The Company has a direct ownership in Isetan Mitsukoshi Ltd., Sapporo Marui Mitsukoshi Ltd., Hakodate Marui Imai Ltd., Sendai Mitsukoshi Ltd., Niigata Isetan Mitsukoshi Ltd., Shizuoka Isetan Co., Ltd., Nagoya Mitsukoshi Ltd., Hiroshima Mitsukoshi Ltd., Takamatsu Mitsukoshi Ltd., Matsuyama Mitsukoshi Ltd., Iwataya

Mitsukoshi Ltd., and MICARD Co. Ltd., and an indirect ownership in all other companies.

2) Status of affiliates accounted for by the equity method

Company Name	Paid-in Capital	Ownership Percentage by the Company (%)	Location of Main Store	Line of Business
West Japan Railway Isetan Ltd.	¥100 mln.	40.0	Shimogyo-ku, Kyoto-shi, Kyoto	Department store
Mitsukoshi Isetan Im Facilities Co., Ltd.	¥50 mln.	33.4	Chuo-ku, Tokyo	Real estate
MI Food Style Co. Ltd.	¥100 mln.	34.0	Shinjuku-ku, Tokyo	Other retail
Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)	12,459 mln. Taiwan dollars	43.4	Taipei, Taiwan	Department store

Note: The Company has a direct ownership in West Japan Railway Isetan Ltd., an indirect ownership in Mitsukoshi Isetan Im Facilities Co., Ltd. and MI Food Style Co. Ltd., and both direct and indirect ownership in Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan).

3) Status of specific wholly-owned subsidiaries

Name	Address	Total amount of book value	Total assets of the Company
Isetan Mitsukoshi Ltd.	3-14-1, Shinjuku, Shinjuku-ku, Tokyo,	¥431,287 mln.	¥742,872 mln.

(6) Principal lines of business (As of March 31, 2020)

The Isetan Mitsukoshi Group engages in four businesses—Department Store Business; Credit & finance / customer organization management; Real estate businesses; and Other businesses.



(7) Principal sales and business establishments (As of March 31, 2020)

1) Department store

<Domestic>

Company & Store Name		Location
Isetan Mitsukoshi Ltd.	Mitsukoshi Nihombashi store	1-4-1, Nihombashi Muromachi, Chuo-ku, Tokyo
	Mitsukoshi Ginza store	4-6-16, Ginza, Chuo-ku, Tokyo
	Isetan Shinjuku store	3-14-1, Shinjuku, Shinjuku-ku, Tokyo
	Isetan Tachikawa store	2-5-1, Akebono-cho, Tachikawa-shi, Tokyo
	Isetan Urawa store	1-15-1, Takasago, Urawa-ku, Saitama-shi, Saitama
Sapporo Marui Mitsukoshi Ltd.	Sapporo Marui Imai main store	2-11, Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido
	Sapporo Mitsukoshi store	3-8, Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido
Hakodate Marui Imai Ltd.		32-15, Hon-cho, Hakodate-shi, Hokkaido
Sendai Mitsukoshi Ltd.		4-8-15, Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi
Niigata Isetan Mitsukoshi Ltd.		1-6-1, Yachiyo, Chuo-ku, Niigata-shi, Niigata
Shizuoka Isetan Co., Ltd.		1-7, Gofukucho, Aoi-ku, Shizuoka-shi, Shizuoka
Nagoya Mitsukoshi Ltd.	Sakae store	3-5-1, Sakae, Naka-ku, Nagoya-shi, Aichi
	Hoshigaoka store	14-14, Hoshigaokamotomachi, Chikusa-ku, Nagoya-shi, Aichi
Hiroshima Mitsukoshi Ltd.		5-1, Ebisu-cho, Naka-ku, Hiroshima-shi, Hiroshima
Takamatsu Mitsukoshi Ltd.		7-1, Uchimachi, Takamatsu-shi, Kagawa
Matsuyama Mitsukoshi Ltd.		3-1-1, Ichiban-cho, Matsuyama-shi, Ehime
Iwataya Mitsukoshi Ltd.	Iwataya main store	2-5-35, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
	Iwataya Kurume store	1-1, Tenjinmachi, Kurume, Fukuoka
	Fukuoka Mitsukoshi store	2-1-1, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
West Japan Railway Isetan Ltd.	JR Kyoto Isetan	901, Higashishiokojimachi, Karasumadorishiokouji-kudaru, Shimogyo-ku, Kyoto-shi, Kyoto

<Overseas>

Company Name	Location
Shanghai Mei Long Zhen Isetan Department Store Co., Ltd.	Shanghai, China
Tianjin Isetan Co., Ltd.	Tianjin, China
Chengdu Isetan Co., Ltd.	Chengdu, Sichuan Prov., China
Tianjin Binhai New Area Isetan Co., Ltd.	Tianjin, China
Isetan (Singapore) Ltd.	Singapore
Isetan (Thailand) Co., Ltd.	Bangkok, Thailand
Isetan of Japan Sdn. Bhd.	Kuala Lumpur, Malaysia
Mitsukoshi (U.S.A.) Inc.	Florida, U.S.A.
Mitsukoshi Italia S.r.l.	Rome, Italy
Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)	Taipei, Taiwan

2) Credit & finance / customer organization management

Company Name	Location
MICARD Co. Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo
MI TOMONOKAI Co., Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo

3) Real estate

Company Name	Location
Isetan Mitsukoshi Real Estate Co., Ltd.	2-44-1, Kabukicho, Shinjuku-ku, Tokyo

(8) Employees (As of March 31, 2020)

Employees of the Company and its subsidiaries

	Number of employees	Change from the end of previous fiscal year
Department store	8,739	416 decrease
Credit & finance / customer organization management	653	20 decrease
Real estate	353	99 decrease
Other businesses	2,708	223 decrease
<b>Total</b>	<b>12,453</b>	<b>758 decrease</b>

Note: The figures do not include temporary or part-time staff.

(9) Principal lenders and borrowings (As of March 31, 2020)

Borrowing made by the Company and its subsidiaries

Lenders	Amounts borrowed (¥ million)
MUFG Bank, Ltd.	10,750
Sumitomo Mitsui Banking Corporation	10,849
Sumitomo Mitsui Trust Bank, Limited	5,000
Syndicated loan	45,000

## 2. Matters related to the Company shares (As of March 31, 2020)

(1) Number of shares authorized: 1,500,000,000 shares

(2) Number of shares issued and outstanding

	Number of shares issued and outstanding
At the end of the fiscal year ended March 31, 2020	396,100,954
Change from the end of previous fiscal year	+ 406,200

Note: The above figures include 15,938,328 treasury shares.

(3) Number of shareholders

	Number of Shareholders
At the end of the fiscal year ended March 31, 2020	252,890
Change from the end of previous fiscal year	+ 23,124

(4) Major shareholders

Name of Shareholders	Number of Shares Held	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	37,642,200	9.90
Japan Trustee Services Bank, Ltd. (Trust account)	24,242,400	6.38
The Mitsukoshi Health and Welfare Foundation	13,667,832	3.60
Isetan Mitsukoshi Group's partner holding companies	8,169,378	2.15
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,022,900	1.85
SHIMIZU CORPORATION	6,200,000	1.63
JP MORGAN CHASE BANK 385151	6,141,025	1.62
Meiji Yasuda Life Insurance Company	5,697,279	1.50
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,383,600	1.42
STATE STREET BANK WEST CLIENT-TREATY 505234	4,797,868	1.26

Note: Treasury stock (15,938,328 shares) is deducted from Voting Rights Percentage.

(5) Other significant matters relating to shares

At the Board of Directors' meeting held on November 7, 2019, the Company made a resolution for the acquisition of treasury shares, and executed it as follows.

1) Reason for acquisition of treasury shares

To aim for improvements in medium- to long-term capital efficiency, while enabling the achievement of capital policies according to the future management environment

2) Details of matters relating to the acquisition

i.	Type of shares acquired	Common shares
ii.	Share acquisition period	From November 8, 2019 to January 27, 2020
iii.	Total number of shares acquired	10,234,400 shares
iv.	Total amount of acquisition	¥9,999,982,400
v.	Acquisition method	Market purchase on the Tokyo Stock Exchange

### 3. Matters related to the stock acquisition rights issued by the Company

(1) Stock acquisition rights issued and outstanding held by the Company's Directors and Corporate

Auditors as of the end of the fiscal year under review

	Name of stock acquisition rights	No. of stock acquisition rights issued	No. of holders
Directors (not including Outside Directors)	18th Stock Acquisition Rights	117	1
	19th Stock Acquisition Rights	95	1
	20th Stock Acquisition Rights	108	1
	21st Stock Acquisition Rights	206	3
	23rd Stock Acquisition Rights	171	3
	25th Stock Acquisition Rights	198	4
	27th Stock Acquisition Rights	212	3
	29th Stock Acquisition Rights	529	4
	31st Stock Acquisition Rights	480	4
	33rd Stock Acquisition Rights	773	5
Directors (Outside Directors)	N/A		

	Name of stock acquisition rights	No. of stock acquisition rights issued	No. of holders
Corporate Auditors (not including Outside Auditors)	13th Stock Acquisition Rights	88	1
	15th Stock Acquisition Rights	60	1
	16th Stock Acquisition Rights	60	1
	17th Stock Acquisition Rights	89	1
	18th Stock Acquisition Rights	89	1
	19th Stock Acquisition Rights	89	1
	20th Stock Acquisition Rights	82	1
	21st Stock Acquisition Rights	58	1
	22nd Stock Acquisition Rights	66	1
	23rd Stock Acquisition Rights	103	2
	25th Stock Acquisition Rights	98	2
	27th Stock Acquisition Rights	68	1
	29th Stock Acquisition Rights	85	1
	31st Stock Acquisition Rights	77	1
Corporate Auditors (Outside Auditors)	N/A		

The outline of particulars of the stock acquisition rights issued by the Company is described below.

13th Stock Acquisition Rights (issued on February 26, 2010)

Number of the stock acquisition rights issued (as of the date issued)	975
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	97,500 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥88,200 per unit (¥882 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	April 1, 2011 through February 26, 2026
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

15th Stock Acquisition Rights (Issued on February 15, 2011)

Number of the stock acquisition rights issued (as of the date issued)	930
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	93,000 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥97,000 per unit (¥970 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2012 through February 15, 2027
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."



16th Stock Acquisition Rights (Issued on February 15, 2011)

Number of the stock acquisition rights issued (as of the date issued)	1,966
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	196,600 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥97,000 per unit (¥970 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2012 through February 15, 2027
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

17th Stock Acquisition Rights (Issued on February 17, 2012)

Number of the stock acquisition rights issued (as of the date issued)	2,450
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	245,000 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥84,500 per unit (¥845 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2013 through February 17, 2028
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

18th Stock Acquisition Rights (Issued on February 17, 2012)

Number of the stock acquisition rights issued (as of the date issued)	1,496
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	149,600 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥84,500 per unit (¥845 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2013 through February 17, 2028
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

19th Stock Acquisition Rights (Issued on February 15, 2013)

Number of the stock acquisition rights issued (as of the date issued)	2,053
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	205,300 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥88,500 per unit (¥885 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2014 through February 15, 2029
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

20th Stock Acquisition Rights (Issued on February 15, 2013)

Number of the stock acquisition rights issued (as of the date issued)	1,540
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	154,000 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥88,500 per unit (¥885 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2014 through February 15, 2029
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

21st Stock Acquisition Rights (Issued on February 14, 2014)

Number of the stock acquisition rights issued (as of the date issued)	1,800
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	180,000 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥114,600 per unit (¥1,146 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2015 through February 14, 2030
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

22nd Stock Acquisition Rights (Issued on February 14, 2014)

Number of the stock acquisition rights issued (as of the date issued)	611
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	61,100 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥114,600 per unit (¥1,146 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2015 through February 14, 2030
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

23rd Stock Acquisition Rights (Issued on February 17, 2015)

Number of the stock acquisition rights issued (as of the date issued)	1,514
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	151,400 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥169,000 per unit (¥1,690 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2016 through February 17, 2031
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

25th Stock Acquisition Rights (Issued on February 16, 2016)

Number of the stock acquisition rights issued (as of the date issued)	1,307
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	130,700 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥126,600 per unit (¥1,266 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2017 through February 16, 2032
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

27th Stock Acquisition Rights (Issued on February 14, 2017)

Number of the stock acquisition rights issued (as of the date issued)	1,962
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	196,200 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥133,600 per unit (¥1,336 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2018 through February 14, 2033
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

29th Stock Acquisition Rights (Issued on October 13, 2017)

Number of the stock acquisition rights issued (as of the date issued)	1,683
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	168,300 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥121,400 per unit (¥1,214 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	November 1, 2018 through October 13, 2033
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

31st Stock Acquisition Rights (Issued on July 3, 2018)

Number of the stock acquisition rights issued (as of the date issued)	1,045
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	104,500 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥130,200 per unit (¥1,302 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	August 1, 2019 through July 3, 2034
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

### 33rd Stock Acquisition Rights (Issued on July 2, 2019)

Number of the stock acquisition rights issued (as of the date issued)	1,233
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	123,300 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥85,400 per unit (¥854 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	August 1, 2019 through July 2, 2034
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the “period for exercising the stock acquisition rights.”

(2) Stock acquisition right issued and delivered to executive officers of the Company and executive officers of subsidiaries during the fiscal year under review

The Company issued and delivered the stock acquisition rights whose details are outlined in (1) 33rd Stock Acquisition Rights to executive officers of the Company during the fiscal year under review. In addition, the Company issued and delivered the stock acquisition rights (34th Stock Acquisition Rights), whose details are outlined below, to executive officers of the Company's subsidiaries during the fiscal year under review.

The status regarding the issue and delivery of these stock acquisition rights is outlined below.

	Date of delivery	Exercise price	Exercise period	No. of rights	No. of recipients
Executive officers and general managers of the Company (excluding persons serving concurrently as Directors of the Company)	July 2, 2019	¥1	From August 1, 2020 to July 2, 2035	460	6
Executive officers and general managers of subsidiaries (excluding persons serving concurrently as Directors of subsidiaries and executive officers of the Company)	July 2, 2019	¥1	From August 1, 2020 to July 2, 2035	892	12

34th Stock Acquisition Rights (Issued on July 2, 2019)

Number of the stock acquisition rights issued (as of the date issued)	1,284
Type and number of shares issuable upon exercise of the stock acquisition rights	128,400 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥85,400 per unit (¥854 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	August 1, 2020 through July 2, 2035
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the “period for exercising the stock acquisition rights.”



#### 4. Matters concerning Directors and Auditors (As of March 31, 2020)

(1) Name, position at the Company and areas of responsibility or representation at other companies, etc.

Position	Name	Areas of responsibility, representation at other companies, etc.
Chairman and Representative Director	Ken Akamatsu	Chairman and Director, Isetan Mitsukoshi Ltd. Chairman, Japan Department Stores Association
President, Representative Director, Executive Officer (CEO)	Toshihiko Sugie	President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd.
Executive Vice President, Representative Director and CMO	Toru Takeuchi	Director, Isetan Mitsukoshi Ltd. Director, Nagoya Mitsukoshi Ltd. Director, Iwataya Mitsukoshi Ltd.
Director, Managing Executive Officer and CAO	Takaaki Muto	Director, Isetan Mitsukoshi Ltd. Director, Sendai Mitsukoshi Ltd. Director, Niigata Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer and CFO	Hidehiko Igura	Director, Isetan Mitsukoshi Ltd. Director, West Japan Railway Isetan Ltd. Director, MICARD Co. Ltd.
Outside Director	Michiko Kuboyama	Communication Fellow, Ordinary Citizens Research Department, Kao Corporation Outside Director, Sumitomo Mitsui Banking Corporation
Outside Director	Masami Iijima	Representative Director, Chairman of the Board of Directors, MITSUI & CO., LTD. Outside Director, Ricoh Company, Ltd. External Board Director, SoftBank Group Corp. Counsellor, the Bank of Japan
Outside Director	Miwako Doi	Auditor, National Institute of Information and Communications Technology Outside Director, Nomura Research Institute, Ltd. Executive Director, Nara Institute of Science and Technology
Outside Director	Takashi Oyamada	Special Advisor, MUFG Bank, Ltd. Representative Director & Vice Chair, The Japan Institute of International Affairs Outside Director, Mitsubishi Research Institute DCS Co., Ltd. Outside Director, Mitsubishi Electric Corporation
Full-time Corporate Auditor	Yoshio Takino	Corporate Auditor, West Japan Railway Isetan Ltd. Corporate Auditor, SOCIE WORLD CO., LTD.
Full-time Corporate Auditor	Toshinori Shirai	Corporate Auditor, MICARD Co. Ltd. Corporate Auditor, Mitsukoshi Isetan Nikko Travel, Ltd.

Position	Name	Areas of responsibility, representation at other companies, etc.
Outside Corporate Auditor	Koichi Miyata	Chairman of the Board, Sumitomo Mitsui Banking Corporation Outside Director, Sony Corporation Outside Director, TAIJU LIFE INSURANCE COMPANY LIMITED
Outside Corporate Auditor	Hiroataka Fujiwara	Representative Attorney, Legal Professional Corporation Hikari Sogoh Law Offices
Outside Corporate Auditor	Takeo Hirata	Professor, Graduate School of Sport Sciences, Waseda University Outside Audit & Supervisory Board Member, Rakuten, Inc. Special Advisor to the Cabinet Chairman, Japan Society of Sports Industry

Notes:

1. As of May 8, 2020, Ken Akamatsu has retired from the position of Chairman of Japan Department Stores Association.
2. As of April 1, 2020, the position, areas of responsibility, and important roles of Takaaki Muto has changed from Director, Managing Executive Officer and CAO of Isetan Mitsukoshi Holdings Ltd. (“IMH”), Director of Isetan Mitsukoshi Ltd. (“IM”), Director of Sendai Mitsukoshi Ltd., and Director of Niigata Isetan Mitsukoshi Ltd. to Director of IMH.
3. Toshinori Shirai has years of experience in the strategic planning department after engaging in the accounting department, and has considerable knowledge of finance and accounting.
4. The Company has designated Outside Directors Michiko Kuboyama, Masami Iijima and Miwako Doi and Outside Corporate Auditors Hiroataka Fujiwara and Takeo Hirata, each as an independent officer based on the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has notified both stock exchanges thereof.
5. MICARD Co. Ltd., the Company’s subsidiary, was handed an Order for Action on July 8, 2019 and Order for Payment of Surcharge on March 24, 2020 from the Consumer Affairs Agency, on the grounds of improper representation that falls under Article 5, Item 1 or Item 2 of the Act against Unjustifiable Premiums and Misleading Representations regarding service transactions in relation to MI Card Plus Gold, a credit card supplied by the company. Michiko Kuboyama, Masami Iijima, Miwako Doi, and Takashi Oyamada made various recommendations on legal and regulatory compliance at meetings of the Board of Directors, and Koichi Miyata, Hiroataka Fujiwara, and Takeo Hirata did the same at meetings of the Board of Corporate Auditors and the Board of Directors. Through deliberations at meetings of the Board of Directors, even after this was discovered, commitments were made to compile measures for prevention of recurrence of such an event at the Company or the Group including the subsidiary in question, and to broaden awareness and strengthen training among all employees with regard to this matter.

(2) Changes in Directors and Corporate Auditors during the fiscal year

1) New appointments

As of June 17, 2019

Director, Managing Executive Officer	Hidehiko Igura
Outside Director	Masami Iijima
Outside Director	Miwako Doi
Outside Director	Takashi Oyamada
Full-time Corporate Auditor	Toshinori Shirai

2) Resignation

As of June 17, 2019

Director, Managing Executive Officer	Toshinori Shirai
Outside Director	Shouei Utsuda
Outside Director	Yoshinori Ida
Outside Director	Katsunori Nagayasu
Full-time Corporate Auditor	Hidenori Takeda

(3) Outline of limited liability agreements

The Company has concluded agreements with Outside Directors Michiko Kuboyama, Masami Iijima, Miwako Doi and Takashi Oyamada; Full-time Corporate Auditors Yoshio Takino and Toshinori Shirai; Outside Corporate Auditors Koichi Miyata, Hirotaka Fujiwara and Takeo Hirata to limit their liabilities as provided in Article 423, Paragraph 1 of the Corporation Law of Japan, and the maximum amount of the liabilities in the agreements is set at the amount prescribed in the laws and regulations.

(4) Total payments to Directors and Corporate Auditors

Classification	Fixed Compensation		Directors' Bonuses		Stock Option	
	Number of Payees	Amount of Payment (Millions of yen)	Number of Payees	Amount of Payment (Millions of yen)	Number of Payees	Amount of Payment (Millions of yen)
Directors (Outside Directors out of total)	13 (7)	227 (48)	– (–)	– (–)	5 (–)	66 (–)
Corporate Auditors (Outside Corporate Auditors out of total)	6 (3)	80 (30)	– (–)	– (–)	– (–)	– (–)
Total	19 (10)	307 (78)	– (–)	– (–)	5 (–)	66 (–)

Notes:

1. For Directors who also assume executive role, the amount of payment above does not include the salaries for the executive portion.
2. The table above includes four (4) Directors (including three (3) Outside Directors) and one (1) Corporate Auditor who resigned at the conclusion of the 11th Ordinary General Meeting of Shareholders held on June 17, 2019.
3. For Directors' bonuses, the Company has adopted a performance-linked calculation method, as described in "(5) Policies concerning compensation for Directors and Corporate Auditors or its determination" below. However, with regard to the fiscal year under review, Directors' bonuses will not be granted in view of the significant deterioration in business performance in fiscal 2019, regardless of the results of the calculation.
4. With regard to stock options, this is the aggregate fair value of stock acquisition rights for which rights were established and which were granted on July 2, 2019 by resolution of a meeting of the Board of Directors held on June 17, 2019, based on a resolution at the 1st Ordinary General Meeting of Shareholders held on June 29, 2009.

(5) Policies concerning compensation for Directors and Corporate Auditors or its determination

1) Basic policy of compensation for Directors

The Company has the following four basic policies.

1. Promotion of mutual sharing of interests of shareholders and executives
2. Expansion of incentive effects to improve financial results and shareholder value (does not include Outside Directors)
3. When targets are met, ensuring there is no shortfall in compensation level compared with competitor companies (does not include Outside Directors)
4. Ensuring objectivity and transparency in methods of evaluation and determining compensation

The compensation system comprises three specific elements:

- Monthly fixed basic compensation  
For the Board of Directors as a whole, the monthly compensation total is capped at ¥23 million).
- As a near-term incentive, payment of an annual performance-linked bonus  
The baseline is six months' pay, and the payout total varies within a range of 0% to 200% depending on the progress of individual Directors (excluding the Chairman and Outside Directors) in meeting their targets.

- Stock options, which are linked to corporate value as a medium- to long-term incentive  
Stock acquisition rights equivalent to 50% of the annual basic compensation shall be granted to Directors (excluding Outside Directors).

Furthermore, compensation for Corporate Auditors consists only of “basic compensation” that is provided on a monthly basis.

2) Procedures regarding the above

In order to ensure objectivity and transparency, the specific level of compensation for officers and targets for bonuses are determined by the Board of Directors after deliberation by the Nomination and Remuneration Committee based on the Company’s Guidelines for Executive Remuneration.

The Nomination and Remuneration Committee considers fundamental matters such as the ratio of the portion linked to the medium- and long-term performance against total compensation and an ideal share-based compensation system, so that the executive compensation system functions better as a healthy incentive towards the sustainable growth of the Company.

(6) Matters concerning Outside Directors and Outside Corporate Auditors

1) The Company's relationships with corporations where Directors hold significant concurrent posts

	The Company's relationships with corporations where directors hold significant concurrent posts
Michiko Kuboyama, Director	The Group has no special relationship with Kao Corporation. The Company and the Group have a business relationship such as borrowing, etc., with Sumitomo Mitsui Banking Corporation. The amount of these borrowings is less than 2% of the most recent consolidated total assets of the Company.
Masami Iijima, Director	One subsidiary of the Company has a business relationship regarding commodities etc., with MITSUI & CO., LTD., but transaction volumes in the previous business year were less than 1% of the Company's sales on a consolidated basis. The Group has no special relationship with Ricoh Company, Ltd., SoftBank Group Corp. or the Bank of Japan.
Miwako Doi, Director	The Group has no special relationship with National Institute of Information and Communications Technology, Nomura Research Institute, Ltd. or Nara Institute of Science and Technology.
Takashi Oyamada, Director	MUFG Bank, Ltd. is a shareholder, holding 1.1% of the Company's issued shares. The Company and the Group have transactional relationships such as borrowings with MUFG Bank, Ltd. The amount of these borrowings is less than 2% of the most recent consolidated total assets of the Company. The Group has no special relationship with The Japan Institute of International Affairs, Mitsubishi Research Institute DCS Co., Ltd. or Mitsubishi Electric Corporation.
Koichi Miyata, Corporate Auditor	The Company and the Group have a business relationship such as borrowing, etc., with Sumitomo Mitsui Banking Corporation. The amount of these borrowings is less than 2% of the most recent consolidated total assets of the Company. The Company also has transaction relationships with TAIJU LIFE INSURANCE COMPANY LIMITED, but as they consist mainly of ordinary insurance contracts, no particular conflict of interest exists with general shareholders. The Group has no special relationship with Sony Corporation.
Hiroataka Fujiwara, Corporate Auditor	The Group has no special relationship with Legal Professional Corporation Hikari Sogoh Law Offices.
Takeo Hirata, Corporate Auditor	The Group has no special relationship with Waseda University, Rakuten, Inc. or Japan Society of Sports Industry.

2) Major activities in the fiscal year

Position	Name	Major Activities
Director	Michiko Kuboyama	She attended all of the 15 meetings of the Board of Directors held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate based on her insight gained through her diverse career-path to date. Kuboyama is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Director	Masami Iijima	Since assuming the post on June 17, 2019, he attended 10 meetings of the Board of Directors out of the 12 meetings held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate from his objective standpoint on overall corporate management. Iijima is also serving as chair of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Director	Miwako Doi	Since assuming the post on June 17, 2019, she attended all of the 12 meetings of the Board of Directors held during the fiscal year, and made necessary comments on discussion items and deliberation items based on her high level of expertise including the field of information technology. Doi is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Director	Takashi Oyamada	Since assuming the post on June 17, 2019, he attended all of the 12 meetings of the Board of Directors held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate based on his broad experience as executive officers in business. Oyamada is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.

Position	Name	Major Activities
Corporate Auditor	Koichi Miyata	He attended all of the 16 meetings of the Board of Corporate Auditors and all of the 15 meetings of the Board of Directors held during the fiscal year, and made necessary comments as a Corporate Auditor, including offering opinions on discussion items and deliberation items based on his broad experience in the finance industry.
Corporate Auditor	Hiroataka Fujiwara	He attended all of the 16 meetings of the Board of Corporate Auditors and all of the 15 meetings of the Board of Directors held during the fiscal year, and made necessary comments as a Corporate Auditor, including offering opinions on discussion items and deliberation items mainly from the standpoint of professional lawyer.
Corporate Auditor	Takeo Hirata	He attended 13 meetings of the Board of Corporate Auditors out of the 16 meetings and 12 meetings of the Board of Directors out of the 15 meetings held during the fiscal year, and has duly expressed himself as required of a Corporate Auditor, giving opinions regarding resolutions and deliberations, etc. based on his wealth of service experience to date.

As part of measures to improve the effectiveness of the Board of Directors, exchanges of opinion with Outside Directors and the Board of Corporate Auditors (Full-time Corporate Auditors and Outside Corporate Auditors) are arranged, as well as with Independent Directors (Outside Directors and Outside Corporate Auditors) and Representative Directors, in both cases annually. Wide-ranging exchanges of opinion were carried out regarding the recognition of management issues and the future orientation of the Group, and this opportunity was beneficially used for fostering an understanding of the Company among Independent Directors and improving dialogue among Directors and Corporate Auditors.



## 5. Matters concerning independent auditors

(1) Name of the independent auditor

Ernst & Young ShinNihon LLC

(2) The amount of compensation to the independent auditor and other fees

Classification	Amount
1) Amount of fees, etc., relating to services stipulated in Paragraph 1 of Article 2 of the Certified Public Accountants Act	¥104 Million
2) Amount of fees, etc., relating to services other than those stipulated in Paragraph 1 of Article 2 of the Certified Public Accountants Act.	¥— Million
Total	¥104 Million
3) Total monetary and other financial benefits payable by the Company and its subsidiaries	¥232 Million

Notes:

1. Upon making required evaluation regarding matters such as whether or not the basis for the content of the audit plans of the independent auditor, status of progress in duties of the independent auditor, and the basis for calculating compensation estimates are appropriate, the Board of Corporate Auditors has agreed upon the compensation for the independent auditor as stated in Article 399, Paragraph 1 of the Corporation Law.
2. The audit engagement agreements between the Company and the independent auditor does not distinguish between compensation and other fees for audits performed pursuant to the Corporation Law of Japan and compensation and other fees for audits performed pursuant to the Financial Instruments and Exchange Law, and since it is virtually impossible to make such a distinction, the above amount stated under classification 1) is the total figure for both audits.
3. Of the Company's principal subsidiaries, Isetan (Singapore) Ltd., Isetan (Thailand) Ltd. and Isetan of Japan Sdn. Bhd. are audited by another auditor (PricewaterhouseCoopers) with regard to the statutory audit of Accounting Documents.

(3) Policies on determination of dismissal or non-reappointment of independent auditors

The Board of Corporate Auditors shall determine the content of a proposal to be submitted to the General Meeting of Shareholders concerning dismissal or non-reappointment of the independent auditor if it judges that necessary due to any problems that would affect the execution of duties of the independent auditor or other reasons.

In the event that the independent auditor falls under any of the items of Article 340, Paragraph 1, of the Corporation Law of Japan, the Board of Corporate Auditors shall discharge the independent auditor upon a unanimous resolution by the Board of Corporate Auditors.

## **6. Policies on determination of surplus dividend**

The Company aims to return profits to shareholders while endeavoring to increase corporate value in the long term.

With regard to dividends, the Company's basic stance is to maintain a stable level of dividends while comprehensively considering the management environment, business performance, and the soundness of the Group's financial position. Over the medium- to long-term, the Company shall aim to stably increase dividends in line with profit growth.

Dividends for the next fiscal year remain undetermined at this time, as the Company would like to make a comprehensive judgement, taking into consideration factors such as the impact of the recent COVID-19 on the Company's business.

## **7. Measures Regarding Corporate Governance**

### **Basic Views**

In combination with measures to build excellent relationships with customers, employees, shareholders, business partners and local communities—our stakeholders—the Group is overhauling its corporate governance structure along with management reform. This entails the establishment and strengthening of legal frameworks for the general meeting of shareholders, the Board of Directors and the independent auditor, etc. As part of these efforts, the Company decided to transition to a company with a nominating committee, etc., subject to the approval of Proposal No. 2 at this General Meeting of Shareholders, as a result of continued discussions on the ideal organizational design for the Company, for the purpose of further advancing corporate governance.

With the transition to a company with a nominating committee, etc., as a turning point, we are also working to further increase the transparency of our corporate activities and ensure thorough compliance in our management, while taking measures to create and deliver value in various forms for all stakeholders associated with the Group. Aiming to become a corporate Group that is even more deeply trusted by all, the Group will continue taking a range of ongoing measures including speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems.

### **The Board of Directors, three statutory committees, and executive systems**

The responsibilities of the Board of Directors and three statutory committees after the transition to a company with a nominating committee, etc., as well as the executive systems and organs are as follows.

## **Responsibilities of the Board of Directors**

Execution and oversight roles will be clearly delineated, and matters requiring a resolution by the Board of Directors will be limited to those set forth in laws and regulations, in principle. The Board of Directors will primarily discuss management from a wide perspective and it will specialize in overseeing and monitoring the execution of business operations. From a perspective of strengthening corporate governance, Outside Directors will comprise a majority of Directors, and a non-executive Director from within the Company will serve as Chair of the Board of Directors.

## **Responsibilities of the three statutory committees**

### **1) Nominating Committee**

After clarifying Officer Selection Standards, the Nominating Committee will engage in discussion and make decisions related to the “nomination” of officers with a high degree of objectivity and transparency, under the leadership of an Outside Director. In order to do so, the Nominating Committee will focus on enabling independent judgments by Outside Directors, by measures including the utilization of objective indicators for personnel evaluation, etc. and increased contact with subjects.

### **2) Compensation Committee**

Like the Nominating Committee, the Compensation Committee will engage in discussion and make decisions related to “compensation” of officers and take steps to further enhance corporate governance, under the leadership of an Outside Director. The committee will discuss issues and policy related to officer compensation plans, including the Company’s approach to incentives for officers to enhance corporate value, and it will utilize various objective indicators for personnel evaluation, etc., to enable independent judgments by Outside Directors concerning the appropriateness of individual compensation proposals.

### **3) Audit Committee**

The Audit Committee will monitor the legality and appropriateness of the execution of duties by Executives and Directors, and strengthen oversight functions through audits. In addition, the Audit Committee will work to enhance the audits of the Group as a whole by coordinating with internal audit departments and Corporate Auditors at each Group company.

## **◆ Executive systems and organs**

After appointing Chief Officers and persons responsible for the execution of business operations at key divisions as “Executives,” a “Board of Executives” will be established as an organ for executive

decision-making and discussion, and it will discuss and make decisions concerning important Group issues, including matters over which authority has been delegated by the Board of Directors.

### **Policies for the nomination of officers**

As a prerequisite regarding the “nomination” of officers, the Company stipulates the maximum age and maximum number of reelections for each position in the “Regulations of Age Limits of Executives in Office” to promote appropriate rotation. Given this, with regard to the “nomination” of officers including the selection and reappointment of the CEO, the Company has taken the following actions under the structure prior to the transition into a company with a nominating committee, etc. to ensure transparency and fairness.

#### **◆ Decision on selection and reappointment of the CEO**

##### **(i) Decision on reappointment of the current CEO**

At the time of appointing a CEO, the Nomination and Remuneration Committee deliberates the advisability of the candidate’s appointment, following the proposal of commitments (goals that must be reached) for the expected period of tenure by the CEO himself/herself. In the following years, the CEO explains the status of progress, future outlook, etc., after which the CEO leaves the room, and four (4) Outside Directors who are the committee members deliberate the acceptance or non-acceptance of the reappointment of the CEO.

##### **(ii) Succession plan of the CEO**

The Company has actively created opportunities where Outside Directors can monitor candidates, with the Nomination and Remuneration Committee making a list of candidates for the next CEO, clarifying the requirements for the CEO, and periodically reporting and sharing information on development plans for each candidate, proposals for transfers to fields in which they should gain experience in future, and other matters.

Even after the transition into a company with a nominating committee, etc., decisions on the selection and reappointment of the CEO shall be positioned as the most important task of the Nominating Committee, and its approach to these decisions shall be proactively deliberated at the committee in order to further enhance existing initiatives.

#### **◆ Policy on nomination of candidates for Director**

With regard to Directors, the policy of the Company is to appoint a diverse range of Directors with broad and highly specialized knowledge and skills, as well as high ethical standards. Recruitment for Outside Directors in particular focuses mainly on candidates from different fields and industries with

sufficient practical business-world experience, to ensure account is taken of a wide range of opinions from objective and specialist perspectives and ensure well-balanced management.

After the inauguration of the Nominating Committee, the Company will strive to further clarify the Officer Selection Standards, including for candidates for Directors.

### **Policies for the compensation of officers**

The Company's current basic policies for and composition of the compensation of officers are as described on pages 63 and 64.

After the structural transition, the Compensation Committee will proactively deliberate matters such as methods to link to performance and the ideal state of share-based compensation, so that the officer compensation system functions better as a healthy incentive towards the sustainable growth of the Company.

### **Effectiveness evaluation of the Board of Directors**

The Company has evaluated the effectiveness of the Board of Directors through individual questionnaires to all Directors and Corporate Auditors inside and outside the Company. In the questionnaire, both quantitative and qualitative aspects of issues, including the composition of the Board of Directors, the details of its deliberation, operations such as support from the secretariat, and processes for determining the "nomination" and "compensation" of officers, are evaluated.

The evaluation results for fiscal 2019 have shown that the average score of all quantitative questions has exceeded a "standard level" to a certain degree, confirming that the overall effectiveness of the Company's Board of Directors is thoroughly ensured. On the other hand, room for improvement was revealed in individual questions, including the setting of an agenda, proceedings of meetings, and the provision of information to outside officers in advance. Accordingly, these improvements were reflected in the consideration of the transition into a company with a nominating committee, etc., which was undertaken simultaneously, and the Company will strive for fundamental improvements with the structural transition as a turning point.

### **Policy on cross-shareholdings**

#### **◆Policy regarding cross-shareholdings by the Company**

The basic policy of the Group is not to acquire or hold cross-shareholdings in principle, except when it is deemed to contribute to sustainable growth and enhancement of corporate value of the Group over the medium- to long-term. With regard to the cross-shareholdings the Company currently holds, every year at the Board of Directors, the Company comprehensively verifies the rationality of continued holding from quantitative and qualitative aspects including the purpose of holding,

transaction status, and dividend earnings. Regardless, the Company will proceed with phased sales in consideration of factors such as the market environment and status of shares held with the aim of reducing cross-shareholdings.

◆Standards for exercising voting rights in relation to cross-shareholdings

Regarding the exercise of voting rights for cross-shareholdings, an overall judgment is made as to whether or not exercise of such rights would spur sustainable corporate value of said company or contribute to sustainable growth and enhancement of corporate value of the Group over the mid- to long-term. Such voting rights are duly exercised for each agenda item.

◆Policy in the case that cross-shareholders indicate their intention to sell shares

When shareholders who hold the Company's shares for the purpose of cross-shareholding (cross-shareholders) indicate their intention to sell their shares, the Company will not hinder the sale of the shares by, for instance, implying a possible reduction of business transactions.

## **8. Matters concerning the system to ensure appropriate conduct of business**

Basic policies for internal control systems

Isetan Mitsukoshi Holdings Ltd. (the “Company”) shall establish a system to ensure appropriate conduct of business (the “internal control”) to aim for healthy and highly transparent Group management as well as maximizing corporate value.

### **1. Compliance System**

“Systems to ensure that the performance of duties by the Directors and employees of the Company conform with laws and regulations, and the Company’s Articles of Incorporation” (Article 362, Paragraph 4, Item 6 of the Corporation Law and Article 100, Paragraph 1, Item 4 of the Ordinance for Enforcement of the Corporation Law)

- (1) The Board of Directors shall hold regular meetings once a month in accordance with the “Regulation of the Board of Directors” to promote communication between Directors, as well as to prevent violation against laws, regulations and the Company’s articles of incorporation through mutual oversight over performance of duties.
- (2) The Company shall establish a section and designate a person in charge of compliance oversight in the General Affairs Department to maintain and improve internal control systems and legal compliance.
- (3) Two or more Directors shall be Outside Directors to enhance legality, efficiency and adequacy of decision making in the Board of Directors.
- (4) The Company shall establish the Internal Audit Office as the independent section that specializes in internal audit. The internal audit should be in accordance with the “Regulations of Internal Audits” and performed by the Internal Audit Office in corporation with each division, to audit the legality and adequacy of the conduct of the business.
- (5) In the case that the Company or the Group commits an illegal act, the Company shall promptly confirm the nature of the situation and establish the “Isetan Mitsukoshi Group Hotline” as a point of contact for internal reports from employees for self-betterment.

### **2. Risk Management System**

“Regulations and other systems concerning risk management of risks of loss to the Company” (Article 100, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Corporation Law)

- (1) The Company shall identify, assess, and analyze risks involved in the business, determine the risks that need to be addressed with high priority based on the analyses and assessment, and prevent the risk events before they materialize.

- (2) The Company shall establish cross departmental, enterprise risk management system that enables swift response in the event that the risks should materialize, to prevent the spread of damages and secondary damages, as well as to prevent the recurrence of the risk events.
- (3) The Company shall establish relevant regulations from the standpoint of recognition, assessment, and response to risks, and ensure acknowledgment and observance among employees.
- (4) Through inspections by the Internal Audit Division, the Company shall detect risks of the Company in the early stages and address these risks.
- (5) The Company shall not tolerate any relationship with antisocial groups, shall not accept any unlawful request and shall prevent damages from them.

### 3. Internal Control system for financial reporting

“System to ensure appropriateness of the financial reporting” (Article 24-4-4 of the Financial Instruments and Exchange Act)

- (1) The Company shall specify company-wide policies and procedures to ensure adequate financial reporting, as well as maintain and implement them appropriately.
- (2) The Company shall appropriately evaluate and address the risks of misrepresentation of material items in financial reporting and shall appropriately maintain and implement the structures to mitigate these risks.
- (3) The Company shall maintain and implement mechanism to ensure identification, capturing and processing of true and fair information, and to ensure timely communication of the information to appropriate person.
- (4) The Company shall maintain and implement monitoring system regarding financial reporting.
- (5) The Company shall maintain system to ensure timely and appropriate reporting of weaknesses (deficiencies) of the internal control identified through the monitoring.
- (6) The Company shall handle IT (information infrastructure) concerning internal control over financial reporting appropriately, including preventing information leaks and unauthorized access.



#### 4. Data Retention and Management System

“System for retention and management of information relating to performance of duties by Directors at the Company” (Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Corporation Law)

(1) The following documents related to performance of duties by Directors shall be recorded, retained, and managed with related materials for prescribed periods in accordance with “Document Retention Policies”:

- 1) Minutes of the General Meeting of Shareholders
- 2) Minutes of the Meetings of the Board of Directors
- 3) Minutes of the Meetings of the Chief Officer Committee
- 4) Accounting Documents
- 5) Copies of documents submitted to government offices and other public organizations, and stock exchanges
- 6) Other Documents as determined by the Board of Directors

(2) The Company shall establish regulations and rules such as “Information Retention Policies” regarding protection and management of such information as management information, trade secrets and personal information of customers and others that need to be managed as confidential information in accordance with laws and regulations such as the Corporation Law of Japan, the Financial Instruments and Exchange Act, etc., and the related Directors and employees shall observe these rules and regulations to protect securities of these information.

#### 5. Framework for efficient execution of duties

“System to ensure that Directors perform their duties efficiently at the Company” (Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Corporation Law)

- (1) The segregation of duties among Directors shall be determined and reviewed as appropriate.
- (2) The Board of Directors shall hold regular meetings once a month and extraordinary meetings as necessary to ensure that resolutions on important matters take place without delay. With regard to important items equivalent to items to be submitted to the Board of Directors, the Chief Officer Committee shall deliberate on the items, after which the President and Representative Director shall make a decision.
- (3) The Company shall adopt an executive officer system to streamline the business execution through clarification of the executive duties of executive officers.
- (4) The Company shall adopt a Chief Officer system, and the Chief Officers, who have been delegated important responsible fields from the President and Representative Director, shall promote control of the entire Group.

- (5) The Company shall define details of duties, responsibilities and procedures in “Regulations of Decision Making Process for the Group”, “Regulations of Duties and Authority”, and “Regulations of the Conduct of the Business” for execution of duties that are based on the decisions by the Board of Directors.

#### 6. Framework of group corporate principles

“System to ensure the proper conduct of the business of the Company and the Corporate Group that comprises of the parent company and its subsidiaries” (Article 100, Paragraph 1, Item 5 of the Ordinance for Enforcement of the Corporation Law)

The Company shall develop a system to ensure the compliance of the business conducted by each company in the Group, as described below.

1. “Systems relating to reports by the Company on items relating to the execution of business duties by the Directors of the Company’s subsidiaries” (Article 100, Paragraph 1, Item 5-i of the Ordinance for Enforcement of the Corporation Law)

The Company shall seek to centralize management of operations through implementation of integrated accounting systems and expansion of its coverage, manage Group companies through the internal system that requires each Group company to obtain approval from the Company in its decision-making and to report to the Company, and perform monitoring of Group companies as necessary. The Company shall also pursue group-wide risk management and efficiencies by establishing rules under which Group companies shall report important matters to, or consult with the Company in accordance with the “Regulations on Corporate Group Control.”

2. “Regulations regarding the management or risk of loss to subsidiaries of the Company and other systems” (Article 100, Paragraph 1, Item 5-ii of the Ordinance for Enforcement of the Corporation Law)

- (1) Regarding risk management for the Group, requisite items shall be established in the “Basic Regulations on Risk Management” and a specialized division shall be created within the General Affairs Department as the division responsible for risk management.

Said division shall work with companies in the Group as it conducts risk management.

- (2) In order to realize comprehensive risk management across the entire Group, a Compliance and Risk Management Promotion Committee shall be created consisting of the Company’s Representative Director and President as the chairman as well as members selected by said chairman.

3. “Systems to ensure the efficient execution of business duties by Directors, etc. of subsidiaries of the Company” (Article 100, Paragraph 1, Item 5-iii of the Ordinance for Enforcement of the Corporation Law)
  - (1) The Company shall optimize its business operations by respecting the independence of the Group companies while also managing their managerial affairs and providing advice and guidance, as well as by dispatching Directors and Corporate Auditors as necessary to understand the state of their management.
  - (2) Based on the “Regulations of Decision Making Process for the Group,” Group companies shall receive decisions of the President and Representative Director at the Company’s Chief Officer Committee or resolutions of approval of its Board of Directors for important items that management deems to have significant effects.
4. “Systems to ensure the compliance of the execution of duties of Directors and employees of subsidiaries of the Company with laws, regulations, and Articles of Incorporation” (Article 100, Paragraph 1, Item 5-iv of the Ordinance for Enforcement of the Corporation Law)
  - (1) The Internal Audit Division shall conduct internal audits of Company Group companies, auditing the legal compliance, appropriateness, etc. of executed business duties.
  - (2) A compliance guidebook and other documents shall be created and thoroughly disseminated throughout the Group while training regarding appropriateness and legal compliances is held to foster an awareness of compliance.
  - (3) An “Isetan Mitsukoshi Group Hotline” shall be established as a point of contact for internal reports regarding the Group as a whole, and corrective measures and future prevention measures shall be undertaken from a compliance standpoint with regards to these reports from employees, etc.

#### 7. Matters concerning audit staff

“Matters relating to employees who assist Corporate Auditors of a company with Corporate Auditors in the performance of their duties, the independence of those employees from the Directors, and the ensured efficacy of Corporate Auditors’ instructions to these employees” (Article 100, Paragraph 3, Items 1-3 of the Ordinance for Enforcement of the Corporation Law)

- (1) The Company may appoint audit staff to assist Corporate Auditors with their duties upon discussions therewith. Corporate Auditors may give instructions to audit staff regarding items necessary for auditing duties.
- (2) Audit staff shall be independent from executive operational systems and carry out their duties as instructed by Corporate Auditors. Personnel changes, evaluation, discipline, and other such treatment pertaining to audit staff shall require the consent of Corporate Auditors.

8. Framework for reporting to the Corporate Auditor

1. “System for reporting to Corporate Auditors of a company with Corporate Auditors by Directors and employees of a company with Corporate Auditors as well as systems relating to other reports to those Corporate Auditors” (Article 100, Paragraph 3, Item 4-i of the Ordinance for Enforcement of the Corporation Law)

“Systems for reporting to Corporate Auditors of a company with Corporate Auditors when individuals at subsidiaries of a company with Corporate Auditors receive reports from Directors, Corporate Auditors, and/or employees” (Article 100, Paragraph 3, Item 4-ii of the Ordinance for Enforcement of the Corporation Law)

- (1) The Company shall establish “Corporate Audit Standards” regarding items that should be reported by Directors and employees to Corporate Auditors, and important items relating to the Company’s business or those that will affect the Company’s performance shall be reported by Directors and employees to Corporate Auditors without delay. Additionally, Corporate Auditors may request reports from Directors and employees as necessary even when the previous conditions do not apply.
  - (2) Directors, Corporate Auditors, and employees of a subsidiary company or persons who receive reports from them may report important items relating to the subsidiary’s business or those that will affect the subsidiary’s performance to the Corporate Auditors of the Company.
  - (3) The Internal Audit Division shall report Group-wide internal auditing plans and audit findings to Corporate Auditors and work to cooperate through means such as exchanging information.
  - (4) The Company shall work in cooperation with the Board of Corporate Auditors to ensure that adequate reporting system is in place (including periodic reporting to Corporate Auditors of the contents reported through the system) for matters concerning violations of laws and regulations and other compliance related issues through implementation of internal hotline system, the Isetan Mitsukoshi Group Hotline, and maintenance of appropriate operations of the system.
2. “Systems to ensure that individuals who give applicable reports under item 1) are not subject to unfavorable treatment because of such reporting” (Article 100, Paragraph 3, Item 5 of the Ordinance for Enforcement of the Corporation Law)

It shall be forbidden to treat those who give reports to Corporate Auditors in an unfavorable manner because of the applicable reports.

#### 9. Policy for Processing Auditing Fees

“Items relating to the advance payment of fees resulting from the execution of duties of Corporate Auditors in a company with Corporate Auditors, fees resulting from the execution of applicable duties including repayment procedures, and policies involved in the processing of obligations” (Article 100, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Corporation Law)

When Corporate Auditors bill for prepayment of fees, etc. for the execution of their duties based on Article 388 of the Corporation Law, fees and obligations related to those billings must be processed unless it is deemed that they are not necessary for the execution of those Corporate Auditors’ duties.

#### 10. Framework for ensuring the effectiveness of the audit by the Corporate Auditors

“Other system for ensuring the effective performance of audits by Corporate Auditors” (Article 100, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Corporation Law)

- (1) The Corporate Auditors shall hold meetings to exchange opinions with the Representative Directors and the Independent Auditor respectively on a regular basis in accordance with the “Corporate Audit Standards.”
- (2) In addition to the Board of Directors, Corporate Auditors may attend important meetings after discussion with Directors in order to understand the decision-making process for important matters as well as the state of executed duties.

## **Operational status of the system to ensure appropriate conduct of business**

The operational status of this system during the fiscal year under review was as follows.

### **◆ Status of measures regarding compliance**

- During the fiscal year under review, 15 meetings of the Board of Directors were held, and reports were made regarding deliberation, resolution, and business execution of significant matters.
- In order to maintain and improve the system of legal compliance, the Company revised the Compliance Guidebook, and also implemented new employee training, training for managers, etc. upon promotion, new position training, compliance training according to duties and management level, training via e-learning, etc.
- The Internal Audit Office, implemented internal control evaluations based on the Financial Instruments and Exchange Act targeting Group companies that were selected based on financial and qualitative significance in an aim to secure appropriateness of financial reporting, and conducted audits on the effectiveness and adequacy of business, followed by evaluation and proposals on improvements.
- By establishing the “Isetan Mitsukoshi Group Hotline” based on the Whistleblower Protection Act, the Company has constructed a system for a dedicated internal department and an outside attorney office to receive reports.
- MICARD Co. Ltd., the Company’s subsidiary, was handed an Order for Action on July 8, 2019 and Order for Payment of Surcharge on March 24, 2020 from the Consumer Affairs Agency, on the grounds of improper representation in violation of the Act against Unjustifiable Premiums and Misleading Representations on its website. MICARD Co. Ltd. has reinforced its system to ensure compliance with laws and regulations, and has implemented initiatives to prevent recurrence such as by thoroughly conducting employee training.
- In addition, the Group is endeavoring to strengthen and ensure thorough awareness of fair trade, including stipulating the prohibition of undue restriction of business related to fair trade, as it makes a renewed effort to promote fair trade.

### **◆ Status of measures regarding risk management**

- In order to enhance the effectiveness of the “Compliance and Risk Management Committee,” which served until fiscal 2017, the “Compliance and Risk Management Promotion Committee” met twice per year from fiscal 2018, with the President and Representative

Director serving as chair, and shared information and exchanged views regarding significant risks facing the Group.

- The Company has formulated a “Business Continuity Plan” that supposes a large-scale natural disaster or pandemic. Drills and other measures to increase the effectiveness of the plan are implemented, and efforts are made to realize continuous improvement.

◆ Status of measures regarding the management of Group companies

- Based on reports and deliberations rules of the Company as defined in the “Regulations on Group Company Management,” the Company secures appropriateness of operations across all Group companies.
- While respecting the independence of management of Group companies, Directors and Corporate Auditors are dispatched to Group companies as required to promote the appropriateness of operations, and the Company works to grasp the status of management.
- For newly appointed executives at Group companies, compliance training is periodically implemented to deepen understanding of the Corporation Law.

◆ Status regarding business execution of Corporate Auditors

- Corporate Auditors attend significant meetings such as the meetings of the Board of Directors, Chief Officer Committee, and the Compliance and Risk Management Promotion Committee, in addition to periodically receiving reports from Directors and employees in order to confirm the state of executed duties and the development and operational status of internal controls.
- In addition, Corporate Auditors receive reports regarding the audit results of the fiscal year under review from the independent auditor, and confirm the status of audits. In measures to improve the effectiveness of auditing, information and opinions are exchanged as necessary in cooperation with the Internal Audit Office.

Note: Insignificant amounts with regard to figures and numbers of shares, etc., shown in this Business Report have been omitted. Ratios have been rounded off.

## Consolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>	<b>1,223,800</b>	<b>Liabilities</b>	<b>673,639</b>
<b>Current assets</b>	<b>272,313</b>	<b>Current liabilities</b>	<b>381,313</b>
Cash and deposits	74,301	Notes and accounts payable	79,742
Notes and accounts receivable	119,441	Short-term borrowings	21,401
Marketable securities	1,718	Commercial paper	50,000
Inventories	41,580	Income taxes payable	2,897
Other	39,007	Gift certificates	77,374
Allowance for doubtful accounts	(3,736)	Accrued bonuses	10,447
<b>Fixed assets</b>	<b>951,353</b>	Allowance for customer-discount points	9,870
<b>Tangible fixed assets</b>	<b>734,972</b>	Allowance for redemption of gift certificates	32,799
Buildings and structures	170,907	Other	96,779
Land	533,433	<b>Long-term liabilities</b>	<b>292,325</b>
Construction in progress	5,525	Corporate bonds	40,000
Right-of-use assets	4,914	Long-term debt	64,146
Other	20,191	Deferred tax liabilities	128,011
<b>Intangible fixed assets</b>	<b>40,762</b>	Net defined benefit liability	36,150
Software	18,044	Provision for loss on business of subsidiaries and affiliates	100
Goodwill	15	Liabilities from application of equity method	1,651
Other	22,702	Other	22,266
<b>Investments and other assets</b>	<b>175,618</b>	<b>Net assets</b>	<b>550,161</b>
Investment securities	108,743	<b>Shareholders' equity</b>	<b>538,115</b>
Long-term loans receivable	229	<b>Common stock</b>	<b>50,790</b>
Guarantee deposits	47,968	<b>Capital surplus</b>	<b>322,985</b>
Net defined benefit asset	3,539	<b>Retained earnings</b>	<b>183,644</b>
Deferred tax assets	10,110	<b>Treasury stock</b>	<b>(19,304)</b>
Other	5,201	<b>Accumulated other comprehensive income</b>	<b>4,229</b>
Allowance for doubtful accounts	(173)	<b>Unrealized gain on other securities</b>	<b>1,523</b>
<b>Deferred assets</b>	<b>133</b>	<b>Deferred gains/losses on hedge</b>	<b>43</b>
Corporate bond issuance cost	133	<b>Foreign currency translation adjustments</b>	<b>4,625</b>
		<b>Remeasurements of defined benefit plans</b>	<b>(1,962)</b>
		<b>Stock acquisition rights</b>	<b>1,857</b>
		<b>Non-controlling interests</b>	<b>5,958</b>
<b>Total assets</b>	<b>1,223,800</b>	<b>Total liabilities, net assets and non-controlling interests</b>	<b>1,223,800</b>

Note: Amounts less than one million yen have been omitted.



**Consolidated Statement of Income**  
(From April 1, 2019 to March 31, 2020)

		(Millions of yen)
Account item	Amount	
Net sales	1,119,191	
Cost of sales	796,489	
Gross profit	322,702	
Selling, general and administrative expenses	307,023	
Operating income	15,679	
Nonoperating income		
Interest and dividend income	1,520	
Share of profit of entities accounted for using equity method	2,228	
Income on uncollected gift certificates	5,928	
Gain on donation of fixed assets	5,231	
Other	1,499	16,409
Nonoperating expenses		
Interest expenses	942	
Loss on retirement of fixed assets	1,233	
Transfer from allowance for loss on collected gift certificates	5,873	
Other	4,267	12,316
Recurring income	19,771	
Extraordinary gain		
Gain on sales of non-current assets	6,637	
Gain on sales of investments securities	2,450	
Gain on transfer of business	649	
Other	14	9,751
Extraordinary loss		
Loss on disposal of fixed assets	4,293	
Impairment loss	10,844	
Loss on valuation of investment securities	771	
Loss on closing of stores	6,988	
Business structure improvement expenses	8,928	31,826
Loss before income taxes	(2,303)	
Corporate taxes	4,544	
Deferred taxes	5,767	10,312
Net loss	(12,615)	
Loss attributable to non-controlling interests	(1,428)	
Net loss attributable to parent company shareholders	(11,187)	

Note: Amounts less than one million yen have been omitted.

**Summary of Consolidated Statement of Cash Flow** [For Reference]

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Account item	Amount
Cash flow from operating activities	16,281
Cash flow from investment activities	(9,965)
Cash flow from financing activities	20,259
Translation adjustments related to cash and cash equivalents	(141)
Changes in cash and cash equivalents	26,433
Beginning balance of cash and cash equivalents	50,147
Increase in cash and cash equivalents resulting from change of scope of consolidation	(0)
Increase in cash and cash equivalents from merger with nonconsolidated subsidiaries	79
Ending balance of cash and cash equivalents	76,659

Note: Amounts less than one million yen have been omitted.

## Consolidated Statement of Changes in Net Assets

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Account item	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2019</b>	<b>50,573</b>	<b>322,770</b>	<b>202,040</b>	<b>(9,300)</b>	<b>566,084</b>
Cumulative effects of changes in accounting policies	—	—	(2,513)	—	(2,513)
Restated balance	50,573	322,770	199,527	(9,300)	563,571
<b>Changes during current period</b>					
Issuance of new shares	217	217	—	—	434
Allocation of retained earnings	—	—	(4,681)	—	(4,681)
Net loss attributable to parent company shareholders	—	—	(11,187)	—	(11,187)
Acquisition of treasury stock	—	—	—	(10,004)	(10,004)
Disposition of treasury stock	—	(0)	—	0	0
Change of scope of application for consolidation and equity method	—	—	(14)	—	(14)
Changes in equity interest of parent company after transactions with non-controlling interest	—	(2)	—	—	(2)
Net changes other than shareholders' equity during current period	—	—	—	—	—
<b>Total change during current period</b>	<b>217</b>	<b>214</b>	<b>(15,883)</b>	<b>(10,004)</b>	<b>(25,455)</b>
<b>Balance as of March 31, 2020</b>	<b>50,790</b>	<b>322,985</b>	<b>183,644</b>	<b>(19,304)</b>	<b>538,115</b>

(Millions of yen)

Account item	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gains on other securities	Deferred gains/losses on hedge	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
<b>Balance as of April 1, 2019</b>	<b>6,448</b>	<b>42</b>	<b>4,964</b>	<b>(2,008)</b>	<b>9,446</b>	<b>2,077</b>	<b>8,106</b>	<b>585,715</b>
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	(2,513)
Restated balance	6,448	42	4,964	(2,008)	9,446	2,077	8,106	583,202
<b>Changes during current period</b>								
Issuance of new shares	—	—	—	—	—	—	—	434
Allocation of retained earnings	—	—	—	—	—	—	—	(4,681)
Net loss attributable to parent company shareholders	—	—	—	—	—	—	—	(11,187)
Acquisition of treasury stock	—	—	—	—	—	—	—	(10,004)
Disposition of treasury stock	—	—	—	—	—	—	—	0
Change of scope of application for consolidation and equity method	—	—	—	—	—	—	—	(14)
Changes in equity interest of parent company after transactions with non-controlling interest	—	—	—	—	—	—	—	(2)
Net changes other than shareholders' equity during current period	(4,924)	0	(338)	45	(5,217)	(219)	(2,148)	(7,585)
<b>Total changes during current period</b>	<b>(4,924)</b>	<b>0</b>	<b>(338)</b>	<b>45</b>	<b>(5,217)</b>	<b>(219)</b>	<b>(2,148)</b>	<b>(33,040)</b>
<b>Balance as of March 31, 2020</b>	<b>1,523</b>	<b>43</b>	<b>4,625</b>	<b>(1,962)</b>	<b>4,229</b>	<b>1,857</b>	<b>5,958</b>	<b>550,161</b>

Note: Amounts less than one million yen have been omitted.

## Notes to Consolidated Financial Statements

### [Basis for Preparation of Consolidated Statutory Reports]

#### 1. Scope of consolidation

(1) Number of consolidated subsidiaries: 38

(2) Name of principal consolidated subsidiaries:

Isetan Mitsukoshi Ltd., Sapporo Marui Mitsukoshi Ltd., Hakodate Marui Imai Ltd., Sendai Mitsukoshi Ltd., Nagoya Mitsukoshi, Ltd., Shizuoka Isetan Co., Ltd., Niigata Isetan Mitsukoshi Ltd., Hiroshima Mitsukoshi, Ltd., Takamatsu Mitsukoshi, Ltd., Matsuyama Mitsukoshi, Ltd., Iwataya Mitsukoshi Ltd., Isetan (China) Investment Co., Ltd., Shanghai Mei Long Zhen Isetan Department Store Co., Ltd., Tianjin Isetan Co., Ltd., Tianjin Binhai New Area Isetan Co., Ltd., Chengdu Isetan Co., Ltd., Isetan (Singapore) Ltd., Isetan (Thailand) Co., Ltd., Isetan of Japan Sdn. Bhd., Mitsukoshi (U.S.A.) Inc., Mitsukoshi Italia S.r.l., MICARD Co. Ltd.

In the consolidated fiscal year under review, Leotex Co., Ltd. lost significance, and NIKKO TRAVEL CO., LTD. was extinguished as a result of an absorption-type merger with Isetan Mitsukoshi Travel Co., Ltd. as the surviving company (its company name has been changed to Mitsukoshi Isetan Nikko Travel, Ltd. on April 1, 2019). Accordingly, Leotex Co., Ltd., and NIKKO TRAVEL CO., LTD. were excluded from the scope of consolidation.

(3) Name of principal nonconsolidated subsidiaries

Mitsukoshi (U.K.) Ltd., Leotex Co., Ltd., Isetan Soleil Co., Ltd., Kyushu Communication Service Co., Ltd., Aiu Co., Ltd., Fashion Headline Ltd., Isetan Mitsukoshi Innovations Ltd., LEO MART Ltd.

(4) Reason for exclusion of the above companies from scope of consolidation

These nonconsolidated subsidiaries are of small scale and none of the sum of their total assets, the sum of their net sales, the sum of their net income and losses (calculated according to our equity interest) and the sum of their retained earnings (calculated according to our equity interest) have any material impact on the consolidated statutory reports.

#### 2. Application of equity method

(1) Number of affiliates accounted for by the equity method: 8

Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), West Japan Railway Isetan Ltd., ITM Clover Co., Ltd., Shinjuku Subnade Co., Ltd., Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd., Mitsukoshi Isetan Im Facilities Co., Ltd., NOMURA FUDOSAN MITSUKOSHI ISETAN KAIHATSU GODO KAISYA, MI Food Style Co. Ltd.

In the consolidated fiscal year under review, JP Mitsukoshi Merchandising Co., Ltd. was liquidated and therefore excluded from the scope of the equity method.

(2) Name of subsidiaries and affiliates not accounted for by the equity method and reason for not applying the equity method

Subsidiaries and affiliates not accounted for by the equity method (Sakaechikamachi Co., Ltd., etc.) have a minimal impact on the consolidated statutory reports and are of little significance as viewed from the overall group business, judging from their respective net incomes (calculated according to our equity interest) and retained earnings (calculated according to our equity interest). Therefore, the equity method has not been applied to these companies.

(3) Handling of companies accounted for by the equity method but whose closing dates are different from that of the parent company

With regard to companies accounted for by the equity method but whose closing dates are

different from that of the parent company, financial documents that have been prepared based on the business years of the respective companies are used. At the same time, necessary adjustments for the application of the equity method were carried out with respect to material transactions that occurred during the period between the respective closing dates and the consolidated closing date.

### 3. Closing date of consolidated subsidiaries

The fiscal year ends on December 31 for the following consolidated subsidiaries: Isetan (China) Investment Co., Ltd., Shanghai Mei Long Zhen Isetan Department Store Co., Ltd., Tianjin Isetan Co., Ltd., Tianjin Binhai New Area Isetan Co., Ltd., Chengdu Isetan Co., Ltd., Isetan (Singapore) Ltd., Isetan (Thailand) Co., Ltd., Isetan of Japan Sdn. Bhd., ICJ Department Store (Malaysia) Sdn. Bhd., Mitsukoshi (U.S.A.) Inc., Mitsukoshi Italia S.r.l., and Isetan Mitsukoshi (Italia) S.r.l. Financial documents as of the closing date of the respective companies were used in preparing the consolidated statutory reports.

At the same time, necessary adjustments for consolidation were carried out with respect to material transactions that occurred during the period between the respective closing dates and the consolidated closing date.

### 4. Accounting policies

#### (1) Standards and methods for evaluation of significant assets

##### Securities

Bonds held to maturity	Amortized cost method
Available-for-sale securities	
Securities with market value	Market value method based on the market price as of the closing date (Differences in valuation are included directly in net assets and the costs of securities sold are calculated primarily using the moving-average method)
Securities without market value	Basically stated at cost using the moving-average method
	Investments in investment limited partnerships and similar associations (investments deemed to be securities pursuant to Article 2, Paragraph 2, of the Financial Instruments and Exchange Act) are stated at the net value of the equities based on the most recent financial statements available prepared according to the financial reporting dates specified in the respective partnership agreements.

##### Inventories

Commercial products	Basically stated at cost using the retail inventory method (method used to write down the book values in response to decreased profitability)
Other	Basically stated at cost using the first-in first-out method (method used to write down the book values in response to decreased profitability)

(2) Depreciation methods for significant depreciable assets

Tangible fixed assets (except Lease assets and right-of-use assets)

Basically the straight-line method

Intangible fixed assets (except Lease assets and right-of-use assets)

Straight-line method

As for software for in-house use the straight-line method is used with a useful life of 5 years.

Lease assets

Lease assets relating to finance lease without transfer of ownership

The straight-line method is used with a useful life of the lease period and with a residue value of zero.

Right-of-use assets

The straight-line method is used with a useful life of the lease period and with a residue value of zero.

(3) Accounting standards for significant allowances and accruals

Allowance for doubtful accounts

In order to prepare for possible losses on uncollectible receivables held as of the end of the current consolidated financial year, estimated amounts are provided with regard to general receivables according to the historical percentage of uncollectibles and with regard to doubtful receivables considering the probability of collection of respective receivables.

Accrued bonuses

In order to prepare for bonus payments to executive officers and employees, provision is made based on the estimated bonus payments, which are attributable to the current consolidated fiscal year.

Allowance for customer-discount points

Provision is made for estimated amount of future use based on the outstanding point amount of points issued via the point system with the aim of promoting sales according to the historical rate of usage.

Allowance for redemption of gift certificates

In order to prepare for possible losses relating to gift certificates collected after cancellation of inclusion in liabilities, provision is made for estimated redemption amount according to the historical percentage of collection of such gift certificates.

Provision for loss on business of subsidiaries and affiliates

In order to prepare for possible losses relating to the business of subsidiaries and affiliates, the provision of an amount regarded necessary is made upon considering the fiscal position, etc., of the relevant subsidiaries and affiliates.

(4) Other significant matters relating to the preparation of consolidated statutory reports

1) Accounting for Deferred assets

Bond issue costs

Bond issue costs are amortized by the straight-line method over the period until bond redemption.

## 2) Significant Methods of Hedge Accounting

### Method of hedge accounting

Deferred hedge accounting is employed. However, with regard to foreign currency receivables/payables with forward exchange contracts, deferral hedge accounting (“*furiate-shori*”) is employed and with regard to interest-rate swaps that meet the requirements for exceptional accounting (“*tokurei-shori*”), exceptional accounting is employed.

### Means of hedging and hedged items

Hedging instruments: Forward exchange transactions, Interest-rate swaps, and options to hedge foreign exchange-rate fluctuation risks and interest-rate fluctuation risks

Hedged items: Interest payable on foreign currency–denominated trade payables and borrowings

### Hedging policy

The purpose of hedging activities is to reduce exchange-rate fluctuation risks and interest-rate fluctuation risks in accordance with the risk management policy of the Group.

### Assessment of hedge effectiveness

Hedge effectiveness is assessed for each specific transaction at the end of the consolidated fiscal year under review. However, hedge effectiveness is not assessed if the substantial terms and conditions such as principal, interest rates and contract period of the hedging instruments and the hedged assets or liabilities are the same.

## 3) Accounting for employees’ retirement benefits

### Method for attributing the estimated employees’ retirement benefits to periods

For calculation of retirement benefit obligations, we principally use the benefit formula method for attributing the estimated retirement benefits to the periods up to the end of the fiscal year under review.

### Amortization of actuarial difference and prior service costs

Prior service costs are recognized on an accrual basis by the straight-line method over various periods (mainly 5 to 11 years) that are not more than the average remaining service period of employees at the time of the accrual.

The actuarial differences that resulted are mainly recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 11 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference.

## 4) Accounting for consumption taxes, etc.

Consumption taxes and local consumption taxes are accounted for by the tax exclusion method.

## 5) Method and period for amortization of goodwill

Amortization of goodwill uses the straight-line method over 5 years.

[Notes regarding changes in accounting policies]

(Adoption of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements and other standards)

The “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (Practical Issues Task Force (PITF) No. 18, September 14, 2018) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No. 24, September 14, 2018) (hereinafter, collectively referred to as “PITF No. 18, etc.”) have been applied from the beginning of the fiscal year under review. As a result of this application, in case that overseas subsidiaries that adopt International Financial Reporting Standards (IFRS) 9 “Financial Instruments” have elected to present subsequent changes in fair value of equity instruments in other comprehensive income, the amounts of gain or loss on sale or impairment losses of such equity instruments will be adjusted as gain or loss for the period for consolidated accounting. The application of PITF No. 18, etc. is in accordance with the transitional treatment, and thereby cumulative effects of changes in accounting policies were recorded as retained earnings as of the beginning of the fiscal year under review.

As a result, the application of PITF No. 18, etc. has minimal impact on the balance of retained earnings as of the beginning of the period and gain or loss for the fiscal year under review.

(Adoption of the International Financial Reporting Standard 16 “Leases” at overseas consolidated subsidiaries, etc.)

Overseas consolidated subsidiaries, etc. that adopt the International Financial Reporting Standards have applied IFRS 16 “Leases” (hereinafter, referred to as “IFRS 16”) from the fiscal year under review. Due to this application, a lessee of leases in principle is required to record all leases as assets and liabilities in the balance sheets. The application of IFRS 16 is in accordance with the transitional treatment, and thereby cumulative effects of changes in accounting policies were recorded as retained earnings as of the beginning of the fiscal year under review.

As a result, in the fiscal year under review, “right-of-use assets” increased by 4,914 million yen and “investment securities” decreased by 2,991 million yen, while “other” under current liabilities and “other” under long-term liabilities increased by 1,643 million yen and 5,653 million yen, respectively. The application of IFRS 16 has minimal impact on gain or loss for the fiscal year under review. In addition, the balance of retained earnings as of the beginning of the period decreased by 2,488 million yen.

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets	361,436 million yen
2. Contingent liability	
Guarantee liabilities	
Loan guarantees for housing loans of employees	53 million yen
Guarantee liabilities for bank loans of subsidiaries and affiliates	
West Japan Railway Isetan Ltd.	(Note) 7,709 million yen
Total of guarantee liabilities	7,762 million yen

Note: The amounts shown above are the loan guarantee amount minus the liability corresponding to the application of equity method accounting.



3. Details of inventories

Finished goods	38,128 million yen
Semifinished goods	24 million yen
Work in process	2,797 million yen
Raw materials and stores	629 million yen
Total	41,580 million yen

[Notes to Consolidated Statement of Income]

1. For the consolidated financial year under review, consolidated subsidiaries posted impairment losses under the following asset groups:

(1) Description of asset groups for which impairment losses were recognized

Usage	Item	Impairment losses (Million yen)	Location
Stores and other	Buildings and structures	1,835	SOCIE (Shibuya-ku, Tokyo and other) and other
	Construction in progress	8	
	Right-of-use assets	30	
	Software	157	
	Other	928	
Stores	Buildings and structures	2,300	Shizuoka Isetan (Shizuoka-shi, Shizuoka)
	Other	136	
Stores	Buildings and structures	6	Isetan Singapore (Singapore)
	Right-of-use assets	2,010	
	Other	343	
Stores	Buildings and structures	921	ISETAN HAUS (Nagoya-shi, Aichi)
	Guarantee deposits	340	
	Other	75	
Stores	Buildings and structures	660	Mitsukoshi Ebisu store (Shibuya-ku, Tokyo)
	Guarantee deposits	503	
	Other	24	
Stores	Buildings and structures	322	Isetan Tachikawa store (Tachikawa-shi, Tokyo)
	Guarantee deposits	360	
	Other	91	
Stores and other	Buildings and structures	459	Iwataya Kurume store (Kurume-shi, Fukuoka)
	Land	222	
	Construction in progress	2	
	Other	77	
Stores	Buildings and structures	498	mi:ts Kokubunji (Kokubunji-shi, Tokyo)
	Software	3	
	Guarantee deposits	101	
	Other	85	
Stores	Buildings and structures	458	Isetan Bangkok (Bangkok)
	Other	166	
Stores	Buildings and structures	1	Isetan Fuchu store (Fuchu-shi, Tokyo)
	Construction in progress	20	
	Guarantee deposits	599	
Stores	Buildings and structures	223	Nagoya Mitsukoshi Hoshigaoka store (Nagoya-shi, Aichi)
	Guarantee deposits	292	
	Other	56	
Other stores	Buildings and structures	346	Shibuya-ku, Tokyo and other
	Guarantee deposits	128	
	Other	66	
	Total	14,870	

(Note) Of impairment losses recorded in the consolidated income statement, 4,026 million yen is included in loss on closing of stores.

(2) Circumstances leading to recognition of impairment losses

With regard to the asset group in which earnings generated by operating activities were continually negative, the Company conducted write-downs to recoverable value and recorded the amount of decrease as an impairment loss.

(3) Methods of asset grouping

Assets have been grouped primarily with stores as the basic unit representing the minimum unit responsible for generating cash flow.

(4) Method of calculating recoverable amounts

Recoverable amounts for asset groups are estimated based on their net realizable value or use value. If recoverable amounts are based on their realizable value, estimates for asset groups with a high level of significance are conducted using valuation amounts issued by a real estate appraiser in accordance with the Real Estate Appraisal Standards of Japan. Additionally, if the recoverable amount is the use value, calculations are made by discounting the future cash flows by approximately 8%.

2. Business structure improvement expenses for the fiscal year under review were primarily expenses associated with the implementation of the Next Career Plan at Isetan Mitsukoshi Ltd.

[Notes to Consolidated Statement of Changes in Net Assets]

1. Total number of issued and outstanding shares as of the end of the consolidated fiscal year under review

Common stock 396,100,954 shares

2. Matters concerning dividend of surplus

(1) Amount of dividend payment

Resolution	Types of stock	Total dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effectuation date
Ordinary General Meeting of Shareholders June 17, 2019	Common stock	2,339	6.00	March 31, 2019	June 18, 2019
Board of Directors' Meeting November 7, 2019	Common stock	2,341	6.00	September 30, 2019	December 5, 2019

- (2) Dividend for which the base date falls in the current consolidated fiscal year but the effectuation date comes after the last day of the current consolidated fiscal year

The following items regarding dividends on common stock are being proposed as a proposal for the Ordinary General Meeting of Shareholders scheduled for June 15, 2020.

Resolution	Types of stock	Resource for dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effectuation date
Ordinary General Meeting of Shareholders June 15, 2020	Common stock	Retained earnings	2,280	6.00	March 31, 2020	June 16, 2020

3. The number of shares subject to stock acquisition rights (excluding those the first days of whose exercise periods have not yet arrived) as of the last day of the current consolidated fiscal year

Common stock 1,359,500 shares

[Notes to Financial Instruments]

1. Status of financial instruments

(1) Policy for initiatives pertaining to financial instruments

When managing surplus funds, the Group limits its disposition of such funds to financial assets that exhibit a high degree of stability, such as bank deposits and highly-rated bonds. Additionally, the Group has a policy of procuring funds through bank borrowings and short-term corporate bonds (commercial paper) and similar means. Derivatives are used to avoid exchange rate fluctuation risk present in trade payables and interest fluctuation risk present in borrowings and other means of fund raising, and are not used to conduct speculative transactions.

(2) Description of financial instruments and associated risk and risk management system

Notes and accounts receivable, which represent trade receivables, are exposed to client-based credit risk. In regard to this risk, the Group, in compliance with the credit management provisions under each Group company, keeps track of the due dates and balances associated with each business partner and promptly identifies and reduces collection-based concerns arising from deterioration in financial conditions and other factors. Investment securities are primarily the shares of companies with which the Company maintains a business relationship, and are therefore subject to the risk of market price fluctuations. With regard to such risk, the Group regularly ascertains the market value of these shares, the financial conditions of these business partners, and other factors, and continually reviews its holding position while according consideration to the relationship with these business partners.

Notes and accounts payable, which represent trade payables, are almost entirely payable within the span of one year. A portion of these are foreign currency-denominated items related to payment for product imports, which are subject to exchange rate fluctuation risk. In order to counter such risk, forward exchange contracts are concluded for a portion of the payment amounts.

Among borrowings, short-term borrowings and commercial paper largely represent a form of fund raising associated with operational transactions, and long-term debt and corporate bonds largely represent fund raising associated with capital expenditure. Borrowings bearing variable interest rates are exposed to interest rate fluctuation risk. Out of these borrowings, for a portion of long-term debt, derivative transactions (interest swap transactions) are used as a means of hedging each individual contract in order to avoid risk associated with fluctuations in interest expenses and to work towards achieving fixed interest expenses. Valuation methods for hedge effectiveness have been omitted in line with the determination that conditions under exceptional accounting treatment for interest swaps have been met.

The execution and management of derivative transactions are conducted in accordance with internal provisions stipulating transaction authority. When utilizing derivatives, the Group engages only high-rated financial institutions in order to reduce credit risk.

Additionally, although trade payables and borrowings are exposed to liquidity risk, in addition to managing that risk through methods that include having each Group company prepare cash flow plans on a monthly basis, the Group has secured sufficient liquidity on hand by establishing commitment line agreements and overdraft agreements with its principal transacting banks.

2. Market value, etc. of financial instruments

Amounts posted on the consolidated balance sheet as of March 31, 2020, market values, and the corresponding differences between the two are as follows.

(Millions of yen)

Items	Amounts posted on the consolidated balance sheet (Note 1)	Price (Note 1)	Differences
(1) Cash and deposits	74,301	74,301	—
(2) Notes and accounts receivable	119,441	119,441	—
(3) Marketable securities and investment securities			
Bonds held to maturity	4,509	4,569	59
Available-for-sale securities	21,941	21,941	—
(4) Guarantee deposits	47,968	46,897	(1,070)
(5) Notes and accounts payable	(79,742)	(79,742)	—
(6) Short-term borrowings (Note 2)	(9,401)	(9,401)	—
(7) Corporate bonds	(40,000)	(40,281)	281
(8) Long-term debt (Note 2)	(76,146)	(75,685)	(460)
(9) Derivative transactions	(0)	(0)	—

Note 1: Items posted as liabilities are enclosed in brackets.

Note 2: Long-term debt expected to repay within a year is not included in (6) Short-term borrowings but in (8) Long-term debt.

Note 3: Calculation methods for the market value of financial instruments and transactions involving securities and derivatives.

(1) Cash and deposits

Cash and deposits are settled within a short time frame and therefore have a market value nearly equivalent to their book value. Consequently, these are posted according to their book value.

(2) Notes and accounts receivable

Notes and accounts receivable are settled within a short time frame and therefore have a market value nearly equivalent to their book value. Consequently, these are posted according to their book value.

(3) Marketable securities and investment securities

Equities are based on their value on exchanges, bonds are based on their value on exchanges or quotes from counterparty financial institutions.

(4) Guarantee deposits

The market value of guarantee deposits is computed according to their present value calculated by taking into account future cash flow that factors in potential collectability and discounting it by the yield on government bonds relative to their residual period and other factors.

- (5) Notes and accounts payable  
Because notes and accounts payable are settled in the short term, the fair value is almost equivalent to the book value, therefore notes and accounts payable are based on the book value.
- (6) Short-term borrowings  
Short-term borrowings and commercial paper are settled within a short time frame and therefore have a market value nearly equivalent to their book value. Consequently, these are posted according to their book value.
- (7) Corporate bonds  
The value of the corporate bonds is calculated according to the market value.
- (8) Long-term debt  
The market value of long-term debt is calculated by taking into account the total amount of principal and interest and discounting it by the assumed rate of interest when executing new borrowings. Long-term debt under a variable interest rate are subject to exceptional accounting treatment for interest swaps, in which the total amount of principal and interest, which is treated as one with the interest swap in question, is discounted by a logically estimated rate of interest that would be applied in the event similar borrowings are conducted. This yields the market value of such long-term debt.
- (9) Derivative transactions  
Calculated based on prices, etc., designated by financial institutions, etc., that serve as counterparties. Derivative transactions conducted through exceptional accounting treatment of interest swaps are treated as being one with the long-term debt under the relevant hedge. As such, the market value of such transactions is presented as being included in the market value for the long-term debt concerned. (Please refer to (8) above.)

Note 4: Non-listed shares and shares in subsidiaries and affiliates, etc. (posted as 84,011 million yen on the consolidated balance sheet) have no market price, their future cash flow cannot be estimated, and it is recognized that ascertaining their market value is extremely difficult. Accordingly, these items are not included in “Available-for-sale securities” under (3) Marketable securities and investment securities above.

[Notes to lease properties and other real estate]

1. Status of rental properties and other real estate

Some of the Company's subsidiaries are in possession of office buildings for rental purposes, rented commercial facilities, as well as rental housing, in the city of Tokyo and other regions.

2. Market value, etc. of lease properties and other real estate

(Millions of yen)

	Amounts posted on the consolidated balance sheet	Market value as of the end of the consolidated fiscal year under review
Rental properties and other real estate	139,467	215,682

Notes: 1. Amounts posted on the consolidated balance sheet represent amounts obtained after accumulated depreciation and amortization and accumulated impairment losses have been subtracted from the cost of acquisition.

2: Market values as of the end of the consolidated fiscal year under review primarily represent amounts calculated by the Company in accordance with the Real Estate Appraisal Standards of Japan (including amounts that were adjusted using indices, etc.) and others.

[Notes to Per-share Information]

1. Net assets per share	1,426.61 yen
2. Net loss per share	(28.90) yen

[Notes to Significant Post-balance Sheet Events]

Not applicable.



## INDEPENDENT AUDITOR'S REPORT

May 11, 2020

### The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young  
ShinNihon LLC  
Tokyo Office

Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Kazuhiko Umemura

Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Eri Sekiguchi

Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Kiyotaka Kinugawa

### Opinion

Pursuant to Article 444, Paragraph 4 of the Corporation Law, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Isetan Mitsukoshi Holdings Ltd. (the "Company") for the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Isetan Mitsukoshi Group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

### Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### Responsibilities of Management, Corporate Auditors, and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

#### Auditor's Responsibility for the Audit of the Consolidated Financial Statements

The auditor's responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on its audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

The auditor makes professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and performs the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

#### Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

## Nonconsolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>	<b>742,872</b>	<b>Liabilities</b>	<b>299,035</b>
<b>Current assets</b>	<b>187,242</b>	<b>Current liabilities</b>	<b>190,489</b>
Cash and deposits	52,181	Short-term borrowings	16,799
Short-term loans receivable from subsidiaries and affiliates	138,336	Short-term borrowings payable to subsidiaries and affiliates	121,492
Corporate tax refund receivable, etc.	1,925	Commercial paper	50,000
Accrued income	7,652	Accounts payable	66
Other	236	Accrued expenses	1,760
Allowance for doubtful accounts	(13,090)	Accrued bonuses	91
<b>Fixed assets</b>	<b>555,499</b>	Other	279
<b>Tangible fixed assets</b>	<b>2</b>	<b>Fixed Liabilities</b>	<b>108,545</b>
Appliance and fixtures	2	Corporate bonds	40,000
<b>Investments and other assets</b>	<b>555,497</b>	Long-term debt	64,100
Investment securities	513	Provision for loss on business of subsidiaries and affiliates	2,794
Stocks of subsidiaries and affiliates	452,539	Provision for loss on guarantees	1,651
Long-term loans receivable from subsidiaries and affiliates	102,100	<b>Net assets</b>	<b>443,836</b>
Deferred tax assets	341	<b>Shareholders' equity</b>	<b>441,979</b>
Other	2	<b>Common stock</b>	<b>50,790</b>
<b>Deferred assets</b>	<b>129</b>	<b>Capital surplus</b>	<b>397,799</b>
Corporate bond issuance cost	129	Capital reserve	19,138
		Other capital surplus	378,660
		<b>Retained earnings</b>	<b>12,696</b>
		Other retained earnings	12,696
		Retained earnings carried forward	12,696
		<b>Treasury stock</b>	<b>(19,308)</b>
		<b>Stock acquisition rights</b>	<b>1,857</b>
<b>Total</b>	<b>742,872</b>	<b>Total</b>	<b>742,872</b>

Note: Amounts less than one million yen have been omitted.

**Nonconsolidated Statement of Income**

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Account item	Amount	
Operating revenues		
Dividend income	10,604	
Management service income	7,376	
Service revenue	644	18,624
Selling, general and administrative costs		7,778
Operating income		10,846
Nonoperating income		
Interest income	1,284	
Miscellaneous income	235	1,520
Nonoperating expenses		
Interest expenses	1,166	
Miscellaneous expenses	2,305	3,472
Recurring income		8,894
Extraordinary gain		
Gain on liquidation of subsidiaries and affiliates	343	343
Extraordinary loss		
Provision of allowance for doubtful accounts	1,185	
Provision for loss on business of subsidiaries and affiliates	2,240	3,426
Income before income taxes		5,811
Corporate tax, corporate inhabitant tax, business tax	3	
Deferred taxes	84	88
Net income		5,723

Note: Amounts less than one million yen have been omitted.

## Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Account item	Shareholders' equity					
	Common stock	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings carried forward	Total retained earnings
<b>Balance as of April 1, 2019</b>	<b>50,573</b>	<b>18,921</b>	<b>378,661</b>	<b>397,582</b>	<b>11,654</b>	<b>11,654</b>
<b>Changes during current period</b>						
Issuance of new shares	217	217	—	217	—	—
Dividends from surplus	—	—	—	—	(4,681)	(4,681)
Net income for current period	—	—	—	—	5,723	5,723
Acquisition of treasury stock	—	—	—	—	—	—
Disposition of treasury stock	—	—	(0)	(0)	—	—
Net changes other than shareholders' equity during current period	—	—	—	—	—	—
<b>Total change during current period</b>	<b>217</b>	<b>217</b>	<b>(0)</b>	<b>217</b>	<b>1,042</b>	<b>1,042</b>
<b>Balance as of March 31, 2020</b>	<b>50,790</b>	<b>19,138</b>	<b>378,660</b>	<b>397,799</b>	<b>12,696</b>	<b>12,696</b>

(Millions of yen)

Account item	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Total valuation and translation adjustments		
<b>Balance as of April 1, 2019</b>	<b>(9,303)</b>	<b>450,506</b>	<b>—</b>	<b>—</b>	<b>2,077</b>	<b>452,583</b>
<b>Changes during current period</b>						
Issuance of new shares	—	434	—	—	—	434
Dividends from surplus	—	(4,681)	—	—	—	(4,681)
Net income for current period	—	5,723	—	—	—	5,723
Acquisition of treasury stock	(10,004)	(10,004)	—	—	—	(10,004)
Disposition of treasury stock	0	0	—	—	—	0
Net changes other than shareholders' equity during current period	—	—	—	—	(219)	(219)
<b>Total change during current period</b>	<b>(10,004)</b>	<b>(8,527)</b>	<b>—</b>	<b>—</b>	<b>(219)</b>	<b>(8,746)</b>
<b>Balance as of March 31, 2020</b>	<b>(19,308)</b>	<b>441,979</b>	<b>—</b>	<b>—</b>	<b>1,857</b>	<b>443,836</b>

Note: Amounts less than one million yen have been omitted.

## **Notes to Nonconsolidated Financial Statements**

### **[Significant Accounting Policies]**

#### **1. Standards and methods of valuation of assets**

##### **Securities**

Stocks of majority-owned subsidiaries and affiliates      Stated at cost using the moving-average method

Available-for-sale securities

Securities with market value      Market value method based on the market price as of the closing date (Differences in valuation are included directly in net assets and the costs of securities sold are calculated primarily using the moving-average method)

Securities without market value      Basically stated at cost using the moving-average method

#### **2. Standards of accounting for allowances and accruals**

##### **Allowance for doubtful accounts**

In order to prepare for possible losses on uncollectible receivables held as of the end of the current consolidated financial year, estimated amounts are provided with regard to general receivables according to the historical percentage of uncollectibles and with regard to doubtful receivables considering the probability of collection of respective receivables.

##### **Accrued bonuses**

In order to prepare for bonus payments to executive officers and employees, provision is made based on the estimated bonus payments, which are attributable to the current consolidated fiscal year.

##### **Provision for loss on business of subsidiaries and affiliates**

In order to prepare for loss on business of subsidiaries and affiliates, an amount deemed necessary is accounted for in consideration of the financial position, etc. of such subsidiaries and affiliates.

##### **Provision for loss of guarantee liabilities**

In order to prepare for losses relating to guarantee liabilities for subsidiaries and affiliates, provision is made based on the estimated losses in consideration of the financial position, etc. of the guaranteed party.

#### **3. Other important accounting policies for preparation of financial documents**

##### **1) Accounting method for deferred assets**

Bond issue costs are amortized by the straight-line method over the period until bond redemption.

##### **2) Accounting for consumption taxes, etc.**

Consumption taxes and local consumption taxes area accounted for by the tax exclusion method.

[Notes to Nonconsolidated Balance Sheet]

Accumulated depreciation of tangible fixed assets 1 million yen

Guarantee liabilities

Guarantee liabilities in respect to funds borrowed by subsidiaries and affiliates

West Japan Railway Isetan Ltd. 7,709 million yen

Note: The above figure shows the amount after deduction of the provision for loss of guarantee liabilities from the amount of guarantee liabilities.

Short-term receivables from subsidiaries and affiliates 7,718 million yen

Short-term payables to subsidiaries and affiliates 1,493 million yen

[Notes to Nonconsolidated Statement of Income]

Transactions with subsidiaries and affiliates

Turnover based on operating transactions

Operating revenues 18,624 million yen

Selling, general and administrative expenses 978 million yen

Other revenues 2,452 million yen

[Notes to Nonconsolidated Statement of Changes in Net Assets]

Matters concerning treasury stock

(unit: shares)

Type of stock	Number of shares as of the beginning of current term	Number of shares increased in current term	Number of shares decreased in current term	Number of shares as of the end of current term
Common stock	5,698,790	10,239,844	306	15,938,328

- Notes: 1. The increase consists of shares acquired in response to requests for the redemption of odd-lot shares and an increase of 10,234,400 shares from the acquisition of treasury stock by a resolution of the Board of Directors.
2. The decrease is due to requests for the additional purchase of odd-lot shares.

[Notes to Tax Effect Accounting]

Breakdown by major reason for the emergence of deferred tax assets and deferred tax liabilities

(Deferred tax assets)

Accrued bonuses	27 million yen
Accounts payable	208 million yen
Accrued enterprise tax	76 million yen
Stock option expenses	381 million yen
Loss on valuation of stocks of subsidiaries and affiliates	9,502 million yen
Provision for loss on business of subsidiaries and affiliates	855 million yen
Provision for loss on guarantees	505 million yen
Allowance for doubtful accounts	4,008 million yen
<u>Other</u>	<u>375 million yen</u>
Sub-total deferred tax assets	15,941 million yen
<u>Valuation reserve</u>	<u>(15,600) million yen</u>
Total deferred tax assets	341 million yen



[Notes to Transactions with Related Parties]

Subsidiaries and affiliates, etc.

(Millions of yen)

Attributes	Name of companies, etc.	Ratio of holding of voting rights, etc. (or Ratio of voting rights held) (%)	Relationship with the related parties	Contents of transactions	Transaction amount	Account item	Term-end balance
Subsidiaries	Isetan Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate  Business administration  Borrowing and Lending of Fund	Proceeds from management (Note 1)	6,728	Accrued income	7,401
				Accounting fees (Note 1)	304	—	—
				Lending of funds (Note 2)	120	Affiliates short-term loans receivable	77,320
						Affiliates long-term loans receivable	102,100
				Receipt of interest (Note 3)	946	Accrued income	51
				Repayment of funds (Note 2)	1,953	Affiliates short-term borrowings	—
				Payment of interest	4		
				Advance payment of personnel expenses for loaned employees (Note 4)	3,644	Accrued expenses	216
Subsidiaries	Iwataya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate  Borrowing and Lending of Fund	Receipt of funds (Note 2)	257	Affiliates short-term loans receivable	6,871
Subsidiaries	Nagoya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate  Borrowing and Lending of Fund	Repayment of funds (Note 2)	1,288	Affiliates short-term borrowings	6,627
Subsidiaries	MICARD Co. Ltd.	Direct: 100%	Interlocking directorate  Borrowing and Lending of Fund	Receipt of funds (Note 2)	10,400	Affiliates short-term loans receivable	27,388
				Receipt of interest (Note 3)	182		
Subsidiaries	MI TOMONO-KAI Co., Ltd.	Indirect: 100%	Borrowing and Lending of Fund	Repayment of funds (Note 2)	2,495	Affiliates short-term borrowings	83,783
				Payment of interest (Note 3)	489		
Affiliates	West Japan Railway Isetan Ltd.	Direct 40%	Interlocking directorate	Guarantee liabilities	9,360	Provision for loss on guarantees	1,651

Transaction conditions and decision policies thereof

Notes:

1. Proceeds from management, and accounting fees are determined based on contract conditions.
2. With respect to the borrowing and lending of fund, the Company has a cash management system (CMS) that manages funds within the Group in an integral manner.
3. The loans and borrowings interest rates are determined in a reasonable manner in a consideration of market interest rates.
4. The personnel expenses for loaned employees paid by Isetan Mitsukoshi Ltd. were settled at cost.
5. The above amounts do not include consumption and other taxes.

[Notes to Per-share Information]

1. Net assets per share	1,162.61 yen
2. Net income per share	14.78 yen

[Notes to Significant Post-balance Sheet Events]

Not applicable.

## INDEPENDENT AUDITOR'S REPORT

May 11, 2020

### The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young  
ShinNihon LLC  
Tokyo Office

Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Kazuhiko Umemura

Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Eri Sekiguchi

Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Kiyotaka Kinugawa

### Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Corporation Law, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Isetan Mitsukoshi Holdings Ltd. (the "Company") for the 12th fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

### Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### Responsibilities of Management, the Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Corporate Auditors and the Board of Corporate Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

#### Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

The auditor's responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on its audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

The auditor makes professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and performs the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Corporate Auditors and the Board of Corporate Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

#### Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

## Certified Copy of Audit Report of the Board of Corporate Auditors

### AUDIT REPORT

The Board of Corporate Auditors, following review and deliberations on the audit reports made by each Corporate Auditor concerning the execution of duties by Directors for the 12th fiscal term from April 1, 2019 to March 31, 2020, have prepared this Audit Report, and hereby submit it as follows:

#### 1. Auditing Methods and Contents of Audit by Corporate Auditors and Board of Corporate Auditors

- (1) The Board of Corporate Auditors established the auditing policies and division of duties, received reports and explanations regarding the implementation status and results thereof from the respective Corporate Auditors, as well as reports and explanations regarding the status of the execution of duties from Directors and the Accounting Auditor, and requested explanations as necessary.
- (2) In accordance with the auditing standards for Corporate Auditors determined by the Board of Corporate Auditors and auditing policies and the division of duties, each Corporate Auditor made efforts to collect information and established auditing circumstances through communication with internal audit staff and other employees, and audits were implemented in the following methods.
  - 1) Each Corporate Auditor attended the Board of Directors' meeting and other important meetings to receive reports regarding execution of duties from directors and employees. Each Corporate Auditor also inspected the approved documents and examined the status of operations and conditions of assets at its head office and principal offices. Corporate Auditors received from subsidiaries their reports as necessary through communication and information sharing with their directors and corporate auditors.
  - 2) With regard to the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the directors' duties described in the business report are performed in conformity of laws, regulations and the Articles of Incorporation of the Company as well as the establishment of the system necessary to ensure proper business operations of the Corporate Group that comprises the Company and its subsidiaries as set forth in Paragraphs 1 and 3 of Article 100 of Enforcement Regulations of the Corporation Law of Japan and the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Corporate Auditor also received reports on a regular basis from Directors and employees regarding its status of design and operation, and expressed their opinions.
  - 3) Corporate Auditors monitored and examined whether or not the Accounting Auditor is maintaining an independent position and conducting the audits appropriately, and also obtained reports regularly and as necessary and requested explanations on the status of execution of duties from the Accounting Auditor. In addition, Corporate Auditors were informed by the Accounting Auditor the "the system to ensure the duties are performed properly" (the matters stipulated in the respective items of Article 131 of Corporate Accounting Rules) has been implemented in accordance with the "quality management standards concerning audits" (Business Accounting Deliberation Council, October 28, 2005), and confirmed matters as necessary.

In accordance with the aforementioned procedures, the Corporate Auditors reviewed the business report, supplementary schedules thereto, the statutory reports (nonconsolidated balance sheets, nonconsolidated statement of income, nonconsolidated statement of changes in net assets, notes to nonconsolidated statutory reports), supplementary schedules thereto, and consolidated statutory reports (consolidated balance sheets, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated statutory reports) for the year ended on March 31, 2020.

## 2. Results of Audit

### (1) Results of Audit on Business Report, etc.

- 1) The business report and supplementary schedules thereto fairly present the financial condition of the Company in accordance with the laws, regulations and the Articles of Incorporation of the Company.
- 2) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation of the Company.
- 3) The contents of resolutions by the Board of Directors with regard to the internal control system are reasonable. Additionally, regarding the description of the relevant internal control system in the business report and the execution of duties by Directors under the relevant internal control system, there are no matters to be pointed out.  
Furthermore, as stated in the Business Report, MICARD Co. Ltd., the Company's subsidiary, was handed an Order for Action on July 8, 2019 and Order for Payment of Surcharge on March 24, 2020 from the Consumer Affairs Agency, pursuant to the provisions of the Act against Unjustifiable Premiums and Misleading Representations. The Board of Corporate Auditors recognizes that the Company and its subsidiaries are focusing on ensuring thorough compliance with laws and regulations, including the Act against Unjustifiable Premiums and Misleading Representations.

### (2) Results of audit of the nonconsolidated statutory reports and supplementary schedules thereto The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC are fair and reasonable.

### (3) Results of audit of the consolidated statutory reports The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC are fair and reasonable

May 11, 2020

Board of Corporate Auditors of Isetan  
Mitsukoshi Holdings Ltd.

Full-time Corporate Auditor	Toshinori Shirai
Full-time Corporate Auditor	Yoshio Takino
Outside Corporate Auditor	Koichi Miyata
Outside Corporate Auditor	Hiroataka Fujiwara
Outside Corporate Auditor	Takeo Hirata