

June 3, 2021

To Shareholders with Voting Rights

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

**NOTICE OF THE CONVOCATION  
OF THE 13TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

The 13th 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. The video of the meeting will be posted on the Company’s website at a later date.

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., Thursday, June 24, 2021.

- 1. Date and Time:** Friday, June 25, 2021, 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.
  - \* We will not be offering souvenirs at the General Meeting of Shareholders. 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 13th term (from April 1, 2020 to March 31, 2021) 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 13th term (from April 1, 2020 to March 31, 2021)

**Proposals to be resolved:**

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Nine 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. Thursday, June 24, 2021**

### **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. Thursday, June 24, 2021**

### **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. Thursday, June 24, 2021
- 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 thirteenth financial statements as of March 31, 2021, which we hereby submit to you in this notice of the convocation for your perusal.

My name is Toshiyuki Hosoya. I was appointed President in April 2021.

The global COVID-19 pandemic has greatly impacted the lives of our stakeholders, including our domestic and overseas customers. Our thoughts are with those who have contracted the disease, and those who are suffering due to infection, and we are praying for their speedy recovery. COVID-19 has brought about a change in people's value perceptions and modes of life, and has also placed the Isetan Mitsukoshi Group in a harsh business environment. The virtual disappearance of inbound sales, in addition to a slump in consumer sentiment, have contributed to a previously unparalleled decline in business results.

These unprecedented conditions have given us the opportunity to rethink the nature of our business model and the ideal state of the Group, in order to respond more speedily to changes in our customers and markets. In the context of dramatic changes in the business environment, we are now in the process of revising the Medium-Term Management Plan, which we temporarily withdrew in November 2020.

We aim to transform our profit structure by engaging in Group-wide structural reforms and business model reforms, to become a department store-centered retail group that enriches the lives of our discerning customers all over the world. To this end, we will fully utilize the goodwill and assets we have cultivated until now, to respond to the changing times.

The progress of 2021 brings anticipation of a recovery in economic conditions through global vaccination campaigns, but the situation remains unpredictable, with new COVID-19 variants giving rise to a fourth wave of infections. In this context, 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.

Toshiyuki Hosoya  
President (CEO)

## Reference Documents for the General Meeting of Shareholders

### Proposal and References

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

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's dividend policy is to aim to stably increase dividends in line with profit growth.

As a result of the spread of COVID-19 however, the Company recorded a substantial net loss attributable to parent company shareholders for the six months ended September 2020, and the impact of the COVID-19 pandemic on business performance continued during the subsequent six months. In view of this situation, from the perspective of maintaining financial soundness, the Company decreased the interim dividend for the 13th term by ¥3 per share compared to the previous fiscal year, to ¥3.

Regarding the year-end dividend, from the perspective of maintaining a stable level of dividends as far as possible, the Company proposes to pay a year-end dividend of ¥6 per share for the 13th term. Accordingly, with the interim dividend of ¥3, the annual dividend will be ¥9.

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: ¥2,286,333,420
- (3) Effective date of dividend of surplus  
June 28, 2021

**Proposal No. 2: Election of Nine Directors**

The terms of office of all thirteen (13) incumbent Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the Company proposes the election of nine (9) Directors, in order to further enhance the oversight function of the Board of Directors, while enabling swift decision-making. The Company nominates the following candidates:

Candidate No.	Name	Positions and responsibilities concurrently held at the Company
1	[Renominated] [Non-executive] Ken Akamatsu	Chairman and Director Member of the Audit Committee
2	[Newly nominated] Toshiyuki Hosoya	President and CEO
3	[Renominated] Toru Takeuchi	Director, Executive Vice President and CMO
4	[Renominated] [Non-executive] [Outside] [Independent] Michiko Kuboyama	External Director Chairman of the Board of Directors
5	[Renominated] [Non-executive] [Outside] [Independent] Masami Iijima	External Director Member of the Nominating Committee Member of the Compensation Committee
6	[Renominated] [Non-executive] [Outside] [Independent] Miwako Doi	External Director Member of the Nominating Committee Member of the Compensation Committee
7	[Renominated] [Non-executive] [Outside] [Independent] Takashi Oyamada	External Director Member of the Nominating Committee Member of the Audit Committee
8	[Renominated] [Non-executive] [Outside] [Independent] Hidetoshi Furukawa	External Director Member of the Nominating Committee Member of the Audit Committee
9	[Renominated] [Non-executive] [Outside] [Independent] Fukutaka Hashimoto	External Director Member of the Audit Committee



Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
1	<p>Ken Akamatsu (Sep 5, 1952) [Renominated] [Non-executive]</p> <p>Rate of attendance at meetings of the Board of Directors:* 13 out of 13</p> <p>Years in office as Director:** 4 years</p>	<p>Jun 1975 Joined Mitsukoshi, Ltd.</p> <p>Feb 2006 Operating Officer, General Manager, Operations Department</p> <p>Feb 2007 Operating Officer, General Manager, Group Operations Department</p> <p>May 2007 Director, Senior Operating Officer, General Manager, Group Operations Department</p> <p>Apr 2008 Director, Managing Operating 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 Operating Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Managing Operating Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Jun 2016 Director, Shin Kong Mitsukoshi Department Store Co., Ltd. (to the present)</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. Chairman and Representative Director, Isetan Mitsukoshi Ltd.</p> <p>Apr 2019 Chairman, Isetan Mitsukoshi Ltd.</p> <p>Jun 2020 Chairman and Chairman of the Board of Directors, Isetan Mitsukoshi Holdings Ltd. Chairman, Isetan Mitsukoshi Ltd.</p> <p>Apr 2021 Chairman, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Significant posts concurrently held Director, Shin Kong Mitsukoshi Department Store Co., Ltd.</p> <p>*The Company transitioned to a company with a nominating committee, etc., at the conclusion of the 2020 Ordinary General Meeting of Shareholders. The Board of Directors has held nine (9) meetings since the transition.</p> <p>**Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	43,440
<p>Reasons for selecting the candidate for Director and outline of expected role</p> <p>The candidate has extensive experience as General Manager of Operations (Administration) Headquarters covering general affairs, accounting, financial management, logistics and other operations, and has contributed to building an operating platform for the Group and establishing a governance framework. In addition, he strived to develop the overall department store industry as the Chairman of the Japan Department Stores Association until May 2020. With the Company's transition to a company with a nominating committee, etc. in 2020, he managed the Board of Directors appropriately as Chairman of the Board of Directors, and promoted the Company's stronger management supervisory function and swifter decision-making. From this fiscal year, he is contributing to a stronger management supervisory function through audits, as a member of the Company's Audit Committee.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive business experience, including corporate management and operations, and his insight of governance from many years' service as Chairman of the Board of Directors, to conduct fair supervision of management as a Non-executive Director, while continuing to perform his duties as Audit Committee Member.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
2	Toshiyuki Hosoya (Jul 1, 1964) [Newly nominated]	<p>Apr 1987 Joined Isetan Co., Ltd.</p> <p>Apr 2015 Operating Officer, General Manager in charge of Fashion Accessories, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>May 2016 Operating Officer, General Manager in charge of Fashion Accessories and Luxury/Jewelry and Watch, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2017 Operating Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2018 President and CEO, Iwataya Mitsukoshi Ltd.</p> <p>Apr 2021 President and CEO, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>President and CEO, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Significant posts concurrently held President and CEO, Isetan Mitsukoshi Ltd.</p>	34,400
		<p><b>Reasons for selecting the candidate for Director and outline of expected role</b></p> <p>After gaining experience in major sales sections, primarily in ladies' fashion and accessories, but also in jewelry, watches and medium- and small-store operations, and overseas postings, the candidate worked to formulate the Company's management strategy as General Manager of the Corporate Planning Division. At Iwataya Mitsukoshi Ltd., a subsidiary of the Company where he was appointed President and CEO in April 2018, he showed outstanding leadership as the head of management, making a great contribution to improving financial results. In April 2021, he was appointed President and CEO of the Company.</p> <p>The Nominating Committee has newly nominated him as a candidate for Director because it expects him to contribute to further enhancing the corporate value of the entire Group, utilizing the knowledge and experience in all aspects of business that he has developed in both sales and corporate planning, to display strong leadership in pursuing the establishment and achievement of a new long-term vision and medium-term management plan for the Group, while appropriately performing both executive and supervisory aspects of his role to contribute to deeper discussions by the Board of Directors on the Group's overall direction.</p>	

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
3	<p>Toru Takeuchi (May 21, 1960) [Renominated]</p> <p>Rate of attendance at meetings of the Board of Directors:* 13 out of 13</p> <p>Years in office as Director:** 4 years</p>	<p>Apr 1983 Joined Isetan Co., Ltd.</p> <p>Apr 2009 Operating Officer, General Manager in charge of ladies fashion, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters</p> <p>Mar 2010 Director, Managing Operating Officer, General Manager, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, General Manager in charge of ladies</p> <p>Apr 2011 Managing Operating Officer, General Manager, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2013 Managing Operating Officer, Isetan Mitsukoshi Holdings Ltd. President, Representative Director, Operating Officer, Sapporo Marui Mitsukoshi Ltd.</p> <p>Apr 2016 Managing Operating Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Holdings Ltd. Managing Operating Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2017 Director, Senior Managing Operating 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 Operating 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. Director, Nagoya Mitsukoshi Ltd. Director, Iwataya Mitsukoshi Ltd.</p> <p>Apr 2020 Executive Vice President, Representative Director and CMO, Isetan Mitsukoshi Holdings Ltd. *CMO (Chief Merchandising &amp; Marketing Officer)</p> <p>Jun 2020 Director, Executive Vice President and CMO</p> <p>Apr 2021 Director, Executive Vice President and CMO, Isetan Mitsukoshi Holdings Ltd. (to the present) *CMO (Chief Merchandising &amp; Marketing Officer) Executive Vice President, General Manager, MD Administration Department, Isetan Mitsukoshi Ltd. (to the present) Director, Sapporo Marui Mitsukoshi Ltd. (to the present)</p> <p>Significant posts concurrently held Executive Vice President, Isetan Mitsukoshi Ltd. Director, Sapporo Marui Mitsukoshi Ltd.</p> <p>*The Company transitioned to a company with a nominating committee, etc., at the conclusion of the 2020 Ordinary General Meeting of Shareholders. The Board of Directors has held nine (9) meetings since the transition. **Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	47,200

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
		<p>Reasons for selecting the candidate for Director and outline of expected role</p> <p>After gaining extensive sales experience of menswear and ladies' fashion, and at overseas subsidiaries, the candidate gained corporate management experience as President of Sapporo Marui Mitsukoshi Ltd., a major department store affiliate, and human resources development experience as General Manager of the Group Human Resources Headquarters. Since April 2019, he has displayed outstanding leadership in the promotion of the Group's business activities as CMO, leading product policy across the Group.</p> <p>The Nominating Committee has renominated him as a candidate for Director utilize his broad and extensive experience in the Group to increase the effectiveness of monitoring by the Board of Directors and contribute to enhancing the Group's corporate value, by appropriately fulfilling his role in the Board of Directors as a Director concurrently serving as a top executive.</p>	

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
4	<p>Michiko Kuboyama (Apr 16, 1956) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors:* 13 out of 13</p> <p>Rate of attendance at meetings of the Audit Committee: 16 out of 16</p> <p>Years in office as Director:** 3 years</p>	<p>Apr 1980 Joined Kao Sekken (currently Kao Corporation)</p> <p>Apr 2006 General Manager, Products Public Relations Department</p> <p>Apr 2011 General Manager, Products Public Relations Center</p> <p>Sep 2011 Visiting Professor, TAMA GRADUATE SCHOOL OF BUSINESS</p> <p>May 2016 Communication Fellow, Ordinary Citizens Research Center, Kao Corporation</p> <p>Jun 2017 External Director, JACCS CO., LTD.</p> <p>Jun 2018 External Director, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jun 2019 External Director, Sumitomo Mitsui Banking Corporation (to the present)</p> <p>Jun 2020 External Director, Kids Smile Holdings Inc. (to the present)</p> <p>External Director, Kids Smile Project Inc. (to the present)</p> <p>Apr 2021 External Director, Chairman of the Board of Directors, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Significant posts concurrently held</p> <p>External Director, Sumitomo Mitsui Banking Corporation</p> <p>External Director, Kids Smile Holdings Inc.</p> <p>External Director, Kids Smile Project Inc.</p> <p>*The Company transitioned to a company with a nominating committee, etc., at the conclusion of the 2020 Ordinary General Meeting of Shareholders. The Board of Directors has held nine (9) meetings since the transition.</p> <p>**Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	2,800
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has served as General Manager of the Products Public Relations Center and other positions at Kao Corporation, and has extensive knowledge and experience mainly in product development and marketing. At the Company, she has provided valuable advice from a wide range of perspectives at the Board of Directors, including her insight in these fields. As a member of the Audit Committee, she has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group. Since April 2021, she contributes to strengthening the monitoring of management as the new Chairman of the Board of Directors.</p> <p>Although the candidate has not been involved in corporate management other than as External Director, the Nominating Committee has renominated her because it expects her to utilize her broad knowledge of marketing, as well as auditing and governance experience, in the supervision of the Company's management, and continue to demonstrate leadership as Chairman of the Board of Directors.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
5	<p>Masami Iijima (Sep 23, 1950) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors:* 13 out of 13</p> <p>Rate of attendance at meetings of the Nominating Committee: 9 out of 9</p> <p>Rate of attendance at meetings of the Compensation Committee: 9 out of 9</p> <p>Years in office as Director:** 2 years</p>	<p>Apr 1974 Joined MITSUI &amp; CO., LTD. Apr 2008 Executive Managing Officer Jun 2008 Representative Director, Executive Managing Officer Oct 2008 Representative Director, Senior Executive Managing Officer Apr 2009 Representative Director, President and Chief Operating Officer Apr 2015 Representative Director, Chairman of the Board of Directors Jun 2016 External Director, Ricoh Company, Ltd. (to the present) Jul 2018 External Board Director, SoftBank Group Corp. (to the present) Jun 2019 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Counsellor, the Bank of Japan (to the present) Apr 2021 Director, MITSUI &amp; CO., LTD. Jun 2021 Advisor (appointment expected at the General Meeting of Shareholders of MITSUI &amp; CO., LTD. to be held on June 18, 2021)</p> <p>Significant posts concurrently held Advisor, MITSUI &amp; CO., LTD. External Director, Ricoh Company, Ltd. External Board Director, SoftBank Group Corp. Counsellor, the Bank of Japan</p> <p>*The Company transitioned to a company with a nominating committee, etc., at the conclusion of the 2020 Ordinary General Meeting of Shareholders. The Board of Directors has held nine (9) meetings since the transition. **Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	2,000
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has served in management at MITSUI &amp; CO., LTD., one of the leading general trading companies in Japan, and has extensive experience related to corporate management. He has contributed to corporate governance at the Company as Chairman of the Board of Directors, and also has deep insight into governance, with experience as External Director of one of the foremost listed companies in Japan. At the Company, he has provided valuable advice based on his broad experience and insight into corporate management, and has played a leading role in the objective and transparent management of meetings as Chairman of the Nominating Committee, in deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. As a member of the Compensation Committee, he has contributed to deliberations on the executive compensation system and the determination of individual compensation amounts.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management and his insight into governance in the supervision of the Company's management, and to demonstrate leadership as the Chairman of the Nominating Committee and member of the Compensation Committee.</p>			

\*Mr. Masami Iijima's role at MITSUI & CO., LTD. as Advisor is mainly activities to contribute to the financial industry and society and he is not involved in management.

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
6	<p>Miwako Doi (Jun 2, 1954) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors:* 13 out of 13</p> <p>Rate of attendance at meetings of the Nominating Committee: 9 out of 9</p> <p>Rate of attendance at meetings of the Compensation Committee: 9 out of 9</p> <p>Years in office as Director:** 2 years</p>	<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 (Part-time), National Institute of Information and Communications Technology (to the present)</p> <p>Jun 2015 External Director, Nomura Research Institute, Ltd.</p> <p>Apr 2017 Executive Director (Part-time), Nara Institute of Science and Technology (to the present)</p> <p>Jun 2019 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Apr 2020 Vice President (Part-time), TOHOKU UNIVERSITY (to the present)</p> <p>Jun 2020 External Director, SUBARU CORPORATION (to the present) External Director, NGK SPARK PLUG CO., LTD. (to the present)</p> <p>Significant posts concurrently held Auditor, National Institute of Information and Communications Technology Executive Director (Part-time), Nara Institute of Science and Technology Vice President (Part-time), TOHOKU UNIVERSITY External Director, SUBARU CORPORATION External Director, NGK SPARK PLUG CO., LTD.</p> <p>*The Company transitioned to a company with a nominating committee, etc., at the conclusion of the 2020 Ordinary General Meeting of Shareholders. The Board of Directors has held nine (9) meetings since the transition. **Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	1,800
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has significant expert achievements, extensive knowledge, and experience in the digital and IT fields, having worked as a researcher and manager in the information technology field at TOSHIBA CORPORATION. At the Company, she offers the Board of Directors valuable advice based on a range of perspectives, including insight in these fields. She has played a leading role in the objective and transparent management of meetings as Chairman of the Compensation Committee, in deliberations on the executive compensation system and the determination of individual compensation amounts. As a member of the Nominating Committee, she has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others.</p> <p>Although the candidate has not been involved in corporate management other than as External Director, the Nominating Committee has renominated her because it expects her to utilize her extensive knowledge and insight in the digital and IT fields in the supervision of the Company's management, and continue to demonstrate leadership as Chairman of the Compensation Committee and member of the Nominating Committee.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
7	<p>Takashi Oyamada (Nov 2, 1955) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors:* 13 out of 13</p> <p>Rate of attendance at meetings of the Nominating Committee: 9 out of 9</p> <p>Rate of attendance at meetings of the Audit Committee: 16 out of 16</p> <p>Years in office as Director:** 2 years</p>	<p>Apr 1979 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>Jan 2009 Managing Operating 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 Operating Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)</p> <p>May 2013 Senior Managing Executive Director</p> <p>Jun 2014 Deputy President</p> <p>Jun 2015 Director, Deputy President, Mitsubishi UFJ Financial Group, Inc.</p> <p>Apr 2016 President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) Director, Mitsubishi UFJ Financial Group, Inc.</p> <p>Jun 2017 Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)</p> <p>Jun 2017 Special Advisor</p> <p>Jun 2018 Representative Director &amp; Vice Chair, The Japan Institute of International Affairs</p> <p>Dec 2018 External Director, Mitsubishi Research Institute DCS Co., Ltd. (to the present)</p> <p>Jun 2019 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present) External Director, Mitsubishi Electric Corporation (to the present)</p> <p>Mar 2021 External Director, Kyowa Kirin Co., Ltd. (to the present)</p> <p>Significant posts concurrently held Special Advisor, MUFG Bank, Ltd. External Director, Mitsubishi Research Institute DCS Co., Ltd. External Director, Mitsubishi Electric Corporation External Director, Kyowa Kirin Co., Ltd.</p> <p>*The Company transitioned to a company with a nominating committee, etc., at the conclusion of the 2020 Ordinary General Meeting of Shareholders. The Board of Directors has held nine (9) meetings since the transition.</p> <p>**Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	7,000



Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
		<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>In addition to having been involved in management at the former The Bank of Tokyo-Mitsubishi UFJ, Ltd., a leading mega bank in Japan, and having extensive experience in corporate management, the candidate possesses deep knowledge in finance and accounting based on his experience at a financial institution, and deep insight into governance, with experience as External Director of one of the foremost listed companies in Japan. At the Company, he has provided valuable advice at the Board of Directors based on his advanced insight into corporate management and his specialized knowledge of finance and accounting. As a member of the Nominating Committee, he has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. As a member of the Audit Committee, he has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management, his knowledge of finance and accounting, and his insight into governance in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Nominating Committee and member of the Audit Committee.</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.

\*Four years have 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
8	<p>Hidetoshi Furukawa (Jul 16, 1955) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors:* 9 out of 9</p> <p>Rate of attendance at meetings of the Nominating Committee: 9 out of 9</p> <p>Rate of attendance at meetings of the Audit Committee: 16 out of 16</p> <p>Years in office as Director:** 1 year</p>	<p>Apr 1979 Joined The Mitsui Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)</p> <p>Jun 2005 Operating Officer, General Manager, Bangkok Branch, Sumitomo Mitsui Banking Corporation</p> <p>Apr 2008 Operating Officer, Deputy Head of Corporate Unit and International Unit</p> <p>Apr 2009 Managing Operating Officer, Head of Nagoya Corporate Sales Department, General Manager, Nagoya Corporate Sales Headquarters</p> <p>Apr 2011 Managing Operating Officer, Head of Investment Banking Unit</p> <p>Apr 2012 Director and Senior Managing Operating Officer, Head of Investment Banking Unit</p> <p>Apr 2013 Director and Senior Managing Operating Officer, Head of Corporate Finance Unit</p> <p>Apr 2014 Representative Director and Deputy President Operating Officer, Head of Global Corporate Banking Division</p> <p>Jun 2015 Representative Director, President and Chief Operating Officer, SMBC Trust Bank Ltd.</p> <p>Jun 2018 Chairperson (to the present)</p> <p>Jun 2020 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Significant posts concurrently held Chairperson, SMBC Trust Bank Ltd.</p> <p>*The Company transitioned to a company with a nominating committee, etc., at the conclusion of the 2020 Ordinary General Meeting of Shareholders. The Board of Directors has held nine (9) meetings since the transition.</p> <p>**Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	1,800
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has directed sales activities both in Japan and overseas, and supervised investment banking and corporate finance operations, at Sumitomo Mitsui Banking Corporation. He also served as President and Chief Operating Officer of SMBC Trust Bank Ltd. in 2015, carrying out PMI, and possesses extensive experience in corporate management as well as deep knowledge in finance and accounting based on his many years of experience at financial institutions. At the Company, he has provided valuable advice at the Board of Directors based on his expert feeling for operations, his advanced insight into corporate management and his specialized knowledge of finance and accounting. As a member of the Nominating Committee, he has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. As a member of the Audit Committee, he has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management and his knowledge of finance and accounting in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Nominating Committee and member of the Audit Committee.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
9	<p>Fukutaka Hashimoto (Jul 6, 1954) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors:* 9 out of 9</p> <p>Rate of attendance at meetings of the Audit Committee: 16 out of 16</p> <p>Years in office as Director:** 1 year</p>	<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>Jun 2020 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Mar 2021 Outside Auditor, KOKUYO Co., Ltd. (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. Outside Auditor, KOKUYO Co., Ltd.</p> <p>*The Company transitioned to a company with a nominating committee, etc., at the conclusion of the 2020 Ordinary General Meeting of Shareholders. The Board of Directors has held nine (9) meetings since the transition. **Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	1,800
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate possesses a high level of specialized knowledge and experience in corporate legal affairs, having played a leading role as an attorney-at-law for many years, appointed Representative Partner Attorney and Director of Tokyo Hatchobori Law Office in 2008. In addition, he has deep insight into auditing, through his experience serving as Outside Corporate Auditor and Outside Audit &amp; Supervisory Board Member of Japan's leading listed companies. At the Company, he has provided valuable advice at the Board of Directors based on his specialist perspective as an attorney-at-law. As a member of the Audit Committee, he has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group.</p> <p>Although the candidate has not been involved in corporate management other than as External Director, the Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his specialist knowledge in corporate legal affairs and his insight into auditing in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Audit Committee and a new member of the Compensation Committee.</p>			

- (Notes) 1. 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.
2. Mr. Ken Akamatsu, who is a candidate for a Non-executive Director, and Ms. Michiko Kuboyama, Mr. Masami Iijima, Ms. Miwako Doi, Mr. Takashi Oyamada, Mr. Hidetoshi Furukawa and Mr. Fukutaka Hashimoto, who are candidates for External Directors, 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.

3. The Company has concluded a directors and officers liability insurance contract with an insurance company, as set forth in Article 430, Paragraph 3, Item 1 of the Companies Act, to cover litigation expenses and legal damages, should the insured parties be held accountable in the event of a shareholder representative lawsuit, corporate lawsuit or third-party lawsuit. The candidates will be included among the insured parties under this contract. Moreover, the Company intends to renew this contract under the same terms when it comes due for renewal.
4. The Company designates Ms. Michiko Kuboyama, Mr. Masami Iijima, Ms. Miwako Doi, Mr. Takashi Oyamada, Mr. Hidetoshi Furukawa, and Mr. Fukutaka Hashimoto 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, Mr. Takashi Oyamada, Mr. Hidetoshi Furukawa, and Mr. Fukutaka Hashimoto, the Company also plans to continuously designate them as Independent Directors and to notify both stock exchanges thereof.
5. 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.

Candidate No.	Name	Nominating Committee	Compensation Committee	Audit Committee	Remarks
1	Ken Akamatsu			○	
2	Toshiyuki Hosoya	○			Representative Executive
3	Toru Takeuchi				Representative Executive
4	Michiko Kuboyama (Outside)				Chairman of the Board of Directors
5	Masami Iijima (Outside)	○	○		
6	Miwako Doi (Outside)	○	○		
7	Takashi Oyamada (Outside)	○		○	
8	Hidetoshi Furukawa (Outside)	○		○	
9	Fukutaka Hashimoto (Outside)		○	○	

Number of Committee Members	Internal Directors	1	0	1
	External Directors	4	3	3
	Total	5	3	4

(Note) It is planned to select the Chairman of each committee by resolution of the Board of Directors, from candidates elected by mutual vote among the committee members after the selection of committee members by resolution of the Board of Directors. The Chairman of the Nominating Committee and the Chairman of the Compensation Committee are chosen from among the committee members who are External Directors.

**[Reference]**

**Independence Standards for Independent External Directors and Independent Outside Auditors**

In designating External 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 Operating 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 Operating 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, 2020 to March 31, 2021)

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

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

During fiscal 2020 (April 1, 2020 to March 31, 2021), the Japanese economy suffered a significant impact from the worldwide spread of COVID-19. Supply chains became progressively fragmented, due to factors such as the slowdown in the movement of people around the world, restrictions on the movement of goods, and the suspension of face-to-face services. Real GDP growth in Japan for the April-June quarter was negative 7.9% year-on-year, or negative 28.1% on an annualized basis, indicating a substantial slowdown. A state of emergency was declared in April 2020, and the Group was seriously impacted, implementing temporary store closures (partial operation and shortened opening hours in some stores), as net sales in the department store business and other businesses virtually evaporated. After the first state of emergency was lifted, demand within Japan began to recover from its slump, partly as a result of government measures such as the special cash payments and "Go To" campaign, but economic conditions in Japan remained highly uncertain, due to factors including a delay in the recovery of demand from inbound visitors, the renewed declaration of a state of emergency in response to a new wave of infections, and the continuing slump in consumer sentiment due to the slowdown in employment and income growth.

Under these circumstances, the Group strove 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. However, in view of changes in the social environment and consumption trends, as well as subsequent conditions, we determined to withdraw the Three-Year Plan in November 2020, and we are proceeding to formulate a new medium-term plan to partially revise our strategies and accelerate the process.

During fiscal 2020, we closed stores with profitability issues, including Mitsukoshi Ebisu store, ISETAN HAUS, and Isetan Bangkok, and proceeded with the redistribution of management resources in our business portfolio, including the closure of the Isetan Mitsukoshi Research Institute Ltd., and the sale of shares of Isetan Mitsukoshi Real Estate Co., Ltd. The Group will promote the development of the business foundations for a transformation of the business model based on new ways of communicating and the accelerating digital shift, and push ahead with fundamental cost structure reforms through a more transparent structure of earnings and expenses.

As a result of these efforts, consolidated net sales for the fiscal year amounted to ¥816.0 billion, a decrease of 72.9% from the previous fiscal year, operating loss amounted to ¥20.9 billion, compared to operating income of ¥15.6 billion in the previous fiscal year, recurring loss was ¥17.1 billion, compared to recurring income of ¥19.7 billion in the previous fiscal year, and net loss attributable to parent company shareholders was ¥41.0 billion (The previous fiscal year was net loss attributable to parent company shareholders of ¥11.1 billion.).

#### Department store

Percentage of net sales: 85.8%

Net sales: ¥752.1 billion (72.6% of the previous fiscal year's net sales)

Operating loss: ¥30.3 billion (operating income of ¥2.2 billion in the previous fiscal year)

In the department store business, as COVID-19 spread, we created systems to give maximum consideration to safety and security at all our stores, including the use of thermography to conduct body temperature checks and sanitization at store entrances. Despite these efforts however, we recorded a substantial drop in revenue due to the impact of shutdowns and reduced opening hours resulting from the declaration of a state of emergency.

Overseas, from February 2020 onward, we were forced to progressively shut down stores amid increasingly stringent government restrictions, primarily in China, Southeast Asia, and the United States, and revenue also fell significantly year on year.

Despite the pandemic showing no sign of abating, sales of high value-added goods such as luxury bands, watches and jewelry performed strongly, led by the Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store. The newly-expanded BicCamera Nihombashi Mitsukoshi opened on the seventh floor of the new building of Mitsukoshi Nihombashi Main Store in September. In addition to its well-received concierge-style customer service, it has expanded its services to offer fitness equipment and added a new home renovation counter. We also launched initiatives to enhance customer experience through remote customer service at regional stores, including significant growth in our service enabling out-of-store customers to order-in items from the Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store.

In terms of initiatives to promote online sales, we renewed our e-commerce site in June 2020. At the same time, we launched the Isetan Mitsukoshi app, creating an online shopping experience that enables customers to use department store services seamlessly, without needing to visit the store.



Utilization of the Isetan Mitsukoshi e-commerce site is increasing, due to stay-at-home demand for items such as food and lifestyle goods. In response, we strengthened our online offerings targeting occasional and at-home demand during the year-end and New Year holidays, leading to growth in online reservations and sales of Christmas cakes, New Year dishes and grab bags. Likewise, our “ISETAN DOOR” food delivery service and “meeco” cosmetics e-commerce site grew significantly. Our total online net sales for fiscal 2020 exceeded ¥30.0 billion.

In November, we launched the “Isetan Mitsukoshi remote shopping” app, which provides online the same shopping experience that our customers enjoy in-store, and began trial operation. The app has been well received for enabling customers to enjoy an experience uniquely offered by department stores of one-to-one customer service from the comfort of their homes.

We also launched the new “REV WORLDS” smartphone app, which enables users to enjoy conversation with each other and shopping in a virtual city environment. In addition to combining services that would be impossible in a real store to provide new customer experiences, we are taking on the challenge of expanding our virtual reality (VR) platform, including creating mutual traffic between content provided by other companies.

Meanwhile, we closed the Mitsukoshi Ebisu store in February. We apologize for any inconveniences caused by the store closure and sincerely thank customers for their many years of patronage.

#### Credit & finance / customer organization management

Percentage of net sales: 3.7%

Net sales: ¥32.5 billion (84.5% of the previous fiscal year’s net sales)

Operating income: ¥4.4 billion (78.5% 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.

Handling volume at the Group’s department stores decreased significantly due to factors such as temporary store closures and shortened opening hours, as part of measures to prevent the spread of

COVID-19. Outside the Group, handling volume slumped in the restaurant and travel sectors, despite a strong performance in the mail order, supermarkets, food, and home electronics fields.

As card membership acquisition struggled at the Group's department stores, we engaged in measures to expand sales, including strengthening membership acquisition through online channels, enhancing member convenience and promoting use outside the Group through the introduction of Apple Pay, and issuing cards in collaboration with companies outside the Group, to cultivate new customer segments.

Going forward, in addition to continuing the initiatives in fiscal 2020 described above, we will develop services adapted to the progressive digitalization of society and the needs of our customers, which will lead to future expansion in handling volume and revenue.

#### Real estate

Percentage of net sales: 3.2%

Net sales: ¥28.3 billion (80.1% of the previous fiscal year's net sales)

Operating income: ¥5.4 billion (91.1% of the previous fiscal year's operating income)

In the real estate business, revenue fell substantially as a result of enforced shutdowns and shortened opening hours at commercial facilities after the declaration of a state of emergency associated with the COVID-19 pandemic.

In the residences business, we sold all our shares in Isetan Mitsukoshi Real Estate Co., Ltd. to an external buyer in January 2021, as part of reviewing our business for selection and focus. As a result, we recorded a decline in revenue and income for the full year.

Despite a strong performance in orders received in the construction business of Isetan Mitsukoshi Property Design Ltd., for interior design and construction work at Isetan Mitsukoshi stores and luxury hotels, as well as reform and renovation work at private homes, revenue and income fell due to the impact of work delays arising from the COVID-19 crisis.

#### Other businesses

Percentage of net sales: 7.3%

Net sales: ¥63.6 billion (77.2% of the previous fiscal year's net sales)

Operating loss: ¥0.6 billion (operating income of ¥1.6 billion in the previous fiscal year)

In the other businesses, revenue and income fell due to the impact of COVID-19, but some companies recorded a rise in income. Isetan Mitsukoshi Business Support Ltd. promoted the expansion of commissions from existing clients and new client acquisition. Isetan Mitsukoshi System Solutions Ltd. secured an increase in income despite a decline in revenue, as it engaged in structural reforms including back-office efficiency enhancements and a revision of business flows.

Meanwhile, steep declines in revenue were recorded at Mitsukoshi Isetan Nikko Travel, Ltd., which specializes in overseas travel, and SOCIE WORLD CO., LTD. in the beauty business. Mitsukoshi Isetan Nikko Travel suffered a significant drop in revenue, as Cruise tour operations, its main focus, fell to zero throughout the year due to the COVID-19 crisis, the recovery in domestic travel was delayed until after September.

The Company determined to divest itself of SOCIE WORLD CO., LTD., as a result of consideration of changes in the environment that surrounds the aesthetic business and the future direction of SOCIE WORLD's business, in the context of reforms to the Company's business structure and business model.

In addition to engaging in structural reforms and cost reductions with the aim of recovering business results in the future, we will continue to work to achieve our goal of "helping our customers' lives in a variety of scenes," and create value through stronger coordination with the department store business.

## (2) Capital expenditures

Our capital expenditures during the consolidated fiscal year under review totaled some ¥29.4 billion, which consisted principally of some ¥21.8 billion for capital expenditures at Isetan Mitsukoshi Ltd.

## (3) Financing

During the consolidated fiscal year under review, we procured ¥35.0 billion from financial institutions through long-term debt, which will be used for purposes such as the repayment of long-term debt.

#### (4) Issues that need to be addressed

The global spread of COVID-19 has dealt a severe blow to the Japanese economy. The importance of digital technologies has grown worldwide, transforming the labor environment, working styles and consumer behavior, among other effects. The transition to new ways of living is gaining pace.

Restrictions on the movement of people brought rapid progress in the digital shift, accelerating the transition towards a world where society and industrial activity can continue to function despite less direct contact between people. Digital channels have become a direct and important means of maintaining and strengthening engagement with customers, even for companies that have focused on face-to-face sales at physical stores until now. It is anticipated that the presence of digital channels will grow further in the context of stay-at-home requests and temporary store closures, and they are expected to hold the key to corporate management in the future.

An increase in “free time” is anticipated, with shorter working hours. As the range of ways to spend time expands, people will have higher expectations regarding spiritual enrichment and lifestyle comfort. It will become yet more important to focus on consumer experience tailored to value perceptions and offer solutions to meet the needs of individual customers.

Under these conditions, the Group temporarily withdrew its Medium-Term Management Plan in November 2020. We are formulating a long-term vision and a new three-year plan, in order to transform our business model from the conventional department store model, promote structural reforms, and create business foundations even more swiftly than before. Even in a society transformed by the COVID-19 crisis, we will steadily implement our strategies, to be a retailing group centered on department stores, which helps customers enrich their lives and lifestyles.

#### ■ Priority strategy 1 – “High sensitivity, fine quality” strategy

We will expand and dominate high sensitivity, fine quality consumption, by responding to the needs of discerning people who seek a rich, high quality lifestyle, with the ultimate customer experience. To this end, our two main stores will symbolize “admiration and empathy,” and lead to future “urbanization.” From this base, we will promote a strategy for small and medium-sized stores, centered on the Group’s department stores in Japan and overseas, and provide a seamless customer experience fusing physical stores and online shopping. Our merchandising will be directed towards creating workmanship that inspires “admiration and empathy,” and high sensitivity, fine quality products, services and environments. We will also proceed with new offerings through out-of-store sales and buyer alliances.

■ Priority strategy 2 – “Connections with customers” strategy

We will accompany each individual customer on his or her life journey and enhance lifetime value, by shifting our interactions with individual customers from “mass” marketing to “personal” marketing. To this end, we will redesign the system to connect with customers in line with their loyalty as well as the “Group Customer Program.” Together with our high sensitivity, fine quality strategy, we will strengthen “connections” through the reform of personal out-of-store sales.

■ Priority strategy 3 – “Stronger intra-Group coordination”

We will enhance our “high sensitivity, fine quality” and “connections with customers” strategies on a Group-wide basis, by maximizing the combined strength of all our Group companies. To this end, we will strengthen the Group’s platform and promote its unification as a single corporate group, while respecting the uniqueness of each individual company. We will strengthen coordination, not only between the department store business and Group companies, but also between Group companies themselves, aiming for the commercialization of the B2B business model.

■ Building an management platform

We will build a Group-wide management platform necessary to realize above priority strategies. While modernizing a core system using cloud technology, we internally promote the sophisticated use of customer data for system and data platform. With the growth in online sales, we will reorganize our logistics platform to achieve greater efficiency and productivity. Regarding human resources strategy, we will engage in creating an organization in which employees can enjoy a high degree of job satisfaction through workplaces that are both work-friendly and fulfilling. The Company transitioned to a company with a nominating committee, etc. in June 2020, and we will promote even more effective management governance.

◇The impact of and response to COVID-19

There is still no end in sight for the COVID-19 pandemic menacing the world, due the appearance of variants of the virus, among other issues. A state of emergency was declared in Japan, and the department store industry continues to face conditions of unprecedented adversity, as it continues to operate at a loss. In these previously unheard-of conditions, the Group is regularly holding meetings on response to COVID-19, chaired by the President, based on the business continuity plan, and pressing forward swiftly with a range of response measures.

Given the significant negative factors anticipated to continue to weigh on business going forward, including the fall in sales from store shutdowns and shortened opening hours, from customers

staying home and refraining from consumption activities, and from the lack of foreign visitors to Japan due to travel restrictions, we will revise the business plan and respond flexibly, including by controlling investment.

We sincerely request 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	749,522	20,464	26,505	796,492	19,517	816,009	—	816,009
Inter-segment sales	2,609	12,078	1,861	16,549	44,139	60,688	(60,688)	—
Total	752,131	32,542	28,367	813,041	63,656	876,698	(60,688)	816,009
Segment profit (loss)	(30,302)	4,450	5,440	(20,411)	(619)	(21,030)	54	(20,976)
Segment assets	1,006,800	209,867	120,541	1,337,209	40,454	1,377,664	(179,360)	1,198,303
Others								
Depreciation	19,112	2,452	801	22,366	5,288	27,654	(186)	27,468
Impairment loss (Note 4)	5,473	72	9	5,556	1,511	7,067	—	7,067
Investment in equity method affiliates	80,734	—	—	80,734	—	80,734	—	80,734
Increase in tangible/intangible fixed assets	23,409	1,425	135	24,969	4,564	29,534	(49)	29,484

- 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 (loss) adjustment of ¥54 million is intersegment eliminations, etc.
  - (2) The segment assets adjustment of negative ¥179,360 million is the intersegment elimination of receivables and payables, etc.
  - (3) The adjustment of depreciation of negative ¥186 million is intersegment unrealized income.
  - (4) The increase in tangible and intangible fixed assets adjustment of negative ¥49 million is intersegment elimination and intersegment unrealized income, etc.
3. Segment profit (loss) is adjusted to operating income.
4. In the Consolidated Statement of Income, of the above impairment loss, ¥389 million is included in “loss on closing of stores,” and ¥72 million is included in “other under extraordinary loss.”

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	101,297	24.8	76.2
	Mitsukoshi Ginza store	44,320	10.8	53.5
	Isetan Shinjuku store	207,037	50.7	75.5
	Isetan Tachikawa store	26,316	6.4	75.4
	Isetan Urawa store	29,719	7.3	77.6
	<b>Total</b>	<b>408,691</b>	<b>100.0</b>	<b>70.1</b>
Sapporo Marui Mitsukoshi Ltd.		43,552	—	71.3
Hakodate Marui Imai Ltd.		5,957	—	80.1
Sendai Mitsukoshi Ltd.		24,326	—	80.6
Niigata Isetan Mitsukoshi Ltd.		31,472	—	73.3
Shizuoka Isetan Co., Ltd.		14,456	—	81.6
Nagoya Mitsukoshi Ltd.		52,108	—	81.0
Hiroshima Mitsukoshi Ltd.		11,634	—	84.7
Takamatsu Mitsukoshi Ltd.		18,270	—	84.9
Matsuyama Mitsukoshi Ltd.		6,047	—	51.5
Iwataya Mitsukoshi Ltd.		84,413	—	78.8
West Japan Railway Isetan Ltd. (Note)		43,569	—	67.6

(Note) 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	127,588	31.2	63.2
Accessories	50,183	12.3	69.3
Sundry goods	92,149	22.5	69.2
Household goods	15,038	3.7	73.7
Foods	104,859	25.7	83.0
Others	18,871	4.6	65.3
<b>Total</b>	<b>408,691</b>	<b>100.0</b>	<b>70.1</b>



(5) Change in assets and earnings

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

Item \ Fiscal term	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)	13th Term Fiscal 2020 (From April 1, 2020 to March 31, 2021) Consolidated fiscal year under review
Net sales (Million yen)	1,256,386	1,196,803	1,119,191	816,009
Operating income (loss) (Million yen)	24,413	29,229	15,679	(20,976)
Recurring income (loss) (Million yen)	27,325	31,995	19,771	(17,171)
Net income (loss) attributable to parent company shareholders (Million yen)	(960)	13,480	(11,187)	(41,078)
Net income (loss) per share (Yen)	(2.47)	34.58	(28.90)	(107.96)
Total assets (Million yen)	1,275,535	1,247,427	1,223,800	1,198,303
Net assets (Million yen)	588,091	585,715	550,161	508,275
Net assets per share (Yen)	1,478.74	1,475.74	1,426.61	1,317.23
Capital-to-asset ratio (%)	45.19	46.14	44.32	41.89

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. “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.
4. 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	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)	13th Term Fiscal 2020 (From April 1, 2020 to March 31, 2021) Consolidated fiscal year under review
Operating revenues (Million yen)	15,572	14,542	18,624	23,728
Operating income (Million yen)	8,345	5,195	10,846	15,069
Recurring income (Million yen)	7,054	4,559	8,894	12,388
Net income (loss) (Million yen)	2,539	(8,697)	5,723	4,191
Net income (loss) per share (Yen)	6.52	(22.31)	14.78	11.02
Total assets (Million yen)	741,614	718,654	742,872	777,598
Net assets (Million yen)	465,692	452,583	443,836	444,913
Net assets per share (Yen)	1,189.52	1,155.16	1,162.61	1,163.78
Capital-to-asset ratio (%)	62.52	62.69	59.50	57.03

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

(6) Status of significant subsidiaries (As of March 31, 2021)

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 Real estate
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 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

Notes: 1. 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. Isetan (Thailand) Co., Ltd. was closed in August 2020, and is in the liquidation process.

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.	¥777,598 mln.

(7) Principal lines of business (As of March 31, 2021)

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

(8) Principal sales and business establishments (As of March 31, 2021)

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, Minamiichizyouinshi, Chuo-ku, Sapporo-shi, Hokkaido
	Sapporo Mitsukoshi store	3-8, Minamiichizyouinshi, 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 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 Ltd.	3-14-1, Shinjuku, Shinjuku-ku, Tokyo
Isetan Mitsukoshi Property Design Ltd.	3-2-5 Nishishinjuku, Shinjuku-ku, Tokyo

Note: On January 4, 2021, Isetan Mitsukoshi Ltd., a wholly-owned subsidiary of the Company, transferred all the shares it held in Isetan Mitsukoshi Real Estate Co., Ltd. (representing 100.0% of total issued shares) to Echigo LLC, a company operated or advised by The Blackstone Group Inc. (NYSE:BX) and its affiliates.

(9) Employees (As of March 31, 2021)

Employees of the Company and its subsidiaries

	Number of employees	Change from the end of previous fiscal year
Department store	8,100	639 decrease
Credit & finance / customer organization management	629	24 decrease
Real estate	318	35 decrease
Other businesses	2,541	167 decrease
<b>Total</b>	<b>11,588</b>	<b>865 decrease</b>

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

(10) Principal lenders and borrowings (As of March 31, 2021)

Borrowing made by the Company and its subsidiaries

Lenders	Amounts borrowed (¥ million)
MUFG Bank, Ltd.	20,750
Sumitomo Mitsui Banking Corporation	20,750
Development Bank of Japan Inc.	11,000
Sumitomo Mitsui Trust Bank, Limited	10,000
Syndicated loan	45,000

## 2. Matters related to the Company shares (As of March 31, 2021)

(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, 2021	396,459,054
Change from the end of previous fiscal year	+ 358,100

Note: The above figures include 15,403,484 treasury shares.

(3) Number of shareholders

	Number of Shareholders
At the end of the fiscal year ended March 31, 2021	281,302
Change from the end of previous fiscal year	+ 28,412

(4) Major shareholders

Name of Shareholders	Number of Shares Held	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	42,665,300	11.20
Custody Bank of Japan, Ltd. (Trust account)	23,445,600	6.15
The Mitsukoshi Health and Welfare Foundation	13,067,832	3.43
Isetan Mitsukoshi Group's partner holding companies	8,357,878	2.19
SHIMIZU CORPORATION	6,200,000	1.63
Meiji Yasuda Life Insurance Company	5,697,279	1.50
Custody Bank of Japan, Ltd. (Trust account 5)	5,287,600	1.39
Isetan Mitsukoshi Group Employees Shareholding Association	4,700,186	1.23
Custody Bank of Japan, Ltd. (Trust account 6)	4,683,300	1.23
MUFG Bank, Ltd.	4,541,595	1.19

Note: Treasury stock (15,403,484 shares) is deducted from Voting Rights Percentage.



(5) Shares delivered during the fiscal year under review as consideration for execution of duties

Total shares delivered to Directors and other officers by position

	Number of Shares	Number of Recipients
Directors (excluding External Directors, including Executives)	101,800	6
Directors (External Directors)	10,800	6
Executives who are not Directors	43,800	3

Note: The shares above were delivered based on the company's stock compensation system.  
(Details of the system are presented on page 54.)

(6) Other significant matters relating to shares

Not applicable.

### 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 Executives 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 External Directors)	15th Stock Acquisition Rights	60	1
	17th Stock Acquisition Rights	89	1
	18th Stock Acquisition Rights	117	1
	19th Stock Acquisition Rights	184	2
	20th Stock Acquisition Rights	108	1
	21st Stock Acquisition Rights	264	4
	23rd Stock Acquisition Rights	219	4
	25th Stock Acquisition Rights	208	4
	27th Stock Acquisition Rights	225	3
	29th Stock Acquisition Rights	538	4
	31st Stock Acquisition Rights	486	4
	33rd Stock Acquisition Rights	639	4
Directors (External Directors)	N/A		
Executives	20th Stock Acquisition Rights	40	1
	23rd Stock Acquisition Rights	30	1
	25th Stock Acquisition Rights	65	1
	27th Stock Acquisition Rights	94	1
	30th Stock Acquisition Rights	105	1
	32nd Stock Acquisition Rights	85	1
	33rd Stock Acquisition Rights	155	2
	34th Stock Acquisition Rights	115	1

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

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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

### 30th Stock Acquisition Rights (Issued on October 13, 2017)

Number of the stock acquisition rights issued (as of the date issued)	1,172
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	117,200 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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

### 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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."



### 32nd Stock Acquisition Rights (Issued on July 3, 2018)

Number of the stock acquisition rights issued (as of the date issued)	1,054
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	105,400 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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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, 2020 through July 2, 2035
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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."

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 (as of the date issued)	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
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating 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, 2021)

##### (1) Names, etc. of Directors and Executives

##### 1) Directors

Position	Name	Areas of responsibility	Representation at other companies, etc.
Director (Chairman)	Ken Akamatsu	Chairman of the Board of Directors	Chairman and Director, Isetan Mitsukoshi Ltd. Director, Shin Kong Mitsukoshi Department Store Co., Ltd.
Director (President and CEO)	Toshihiko Sugie	Nominating Committee Member	President, Representative Director, Operating Officer, Isetan Mitsukoshi Ltd.
Director (Executive Vice President)	Toru Takeuchi		Director, Isetan Mitsukoshi Ltd. Director, Nagoya Mitsukoshi Ltd. Director, Iwataya Mitsukoshi Ltd.
Director (Managing Operating Officer)	Hidehiko Igura		Director, Isetan Mitsukoshi Ltd. Director, MICARD Co. Ltd. Director, West Japan Railway Isetan Ltd.
Director (Managing Operating Officer)	Shigeru Nishiyama	Compensation Committee Member	Director, Isetan Mitsukoshi Ltd. Director, Mitsukoshi Isetan Nikko Travel, Ltd.
Director	Toshinori Shirai	Chairman of the Audit Committee	Director, Shin Kong Mitsukoshi Department Store Co., Ltd.
Director (Outside)	Michiko Kuboyama	Audit Committee Member	Communication Fellow, Ordinary Citizens Research Department, Kao Corporation External Director, Sumitomo Mitsui Banking Corporation External Director, Kids Smile Holdings Inc. External Director, Kids Smile Project Inc.
Director (Outside)	Masami Iijima	Chairman of the Nominating Committee, Compensation Committee Member	Representative Director, Chairman of the Board of Directors, MITSUI & CO., LTD. External Director, Ricoh Company, Ltd. External Board Director, SoftBank Group Corp. Counsellor, the Bank of Japan
Director (Outside)	Miwako Doi	Nominating Committee Member, Chairman of the Compensation Committee	Auditor (Part-time), National Institute of Information and Communications Technology Executive Director (Part-time), Nara Institute of Science and Technology Vice President (Part-time), TOHOKU UNIVERSITY External Director, SUBARU CORPORATION External Director, NGK SPARK PLUG CO., LTD.

Position	Name	Areas of responsibility	Representation at other companies, etc.
Director (Outside)	Takashi Oyamada	Nominating Committee Member, Compensation Committee Member	Special Advisor, MUFG Bank, Ltd. External Director, Mitsubishi Research Institute DCS Co., Ltd. External Director, Mitsubishi Electric Corporation External Director, Kyowa Kirin Co., Ltd.
Director (Outside)	Takeo Hirata	Compensation Committee Member	Professor, Graduate School of Sport Sciences, Waseda University Outside Audit & Supervisory Board Member, Rakuten, Inc. (currently Rakuten Group, Inc.) Special Advisor to the Cabinet Chairman, Japan Society of Sports Industry
Director (Outside)	Hidetoshi Furukawa	Nominating Committee Member, Audit Committee Member	Chairperson, SMBC Trust Bank Ltd.
Director (Outside)	Fukutaka Hashimoto	Audit Committee Member	Representative Partner Attorney and Director, Tokyo Hatchobori Law Office Outside Audit & Supervisory Board Member, Sompo Japan Insurance Inc. Outside Auditor, KOKUYO Co., Ltd.

## 2) Executives

Position	Name	Areas of responsibility	Representation at other companies, etc.
President and CEO	Toshihiko Sugie	CEO	President, Representative Director, Operating Officer, Isetan Mitsukoshi Ltd.
Executive Vice President	Toru Takeuchi	CMO	Director, Isetan Mitsukoshi Ltd. Director, Nagoya Mitsukoshi Ltd. Director, Iwataya Mitsukoshi Ltd.
Managing Operating Officer	Hidehiko Igura	CFO	Director, Isetan Mitsukoshi Ltd. Director, MICARD Co. Ltd. Director, West Japan Railway Isetan Ltd.
Managing Operating Officer	Shigeru Nishiyama	General Manager, General Affairs Department, CRO	Director, Isetan Mitsukoshi Ltd. Director, Mitsukoshi Isetan Nikko Travel, Ltd.
Senior Managing Operating Officer	Takuya Matsuo	General Manager, Real Estate Development Department	Director, Sapporo Marui Mitsukoshi Ltd. Director, Shinjuku Subnade Co., Ltd.
Managing Operating Officer	Hideki Katagiri	General Manager, Business Operations Department	Director, Isetan Mitsukoshi Property Design Ltd. Director, Mitsukoshi Isetan Im Facilities Co., Ltd.
Senior Managing Operating Officer	Akira Kimbara	General Manager, Chief Officers Office	Director, SOCIE WORLD CO., LTD. Director, West Japan Railway Isetan Ltd. Director, Isetan (China) Investment Co., Ltd.

### Notes:

1. Directors Mr. Toshihiko Sugie, Mr. Toru Takeuchi, Mr. Hidehiko Igura and Mr. Shigeru Nishiyama serve concurrently as Executives.
2. The Company has designated External Directors Ms. Michiko Kuboyama, Mr. Masami Iijima, Ms. Miwako Doi, Mr. Takashi Oyamada, Mr. Takeo Hirata, Mr. Hidetoshi Furukawa, and Mr. Fukutaka Hashimoto as Independent Directors based on the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has notified both stock exchanges thereof.
3. External Director Michiko Kuboyama's name on her family register is Michiko Iwasaki.
4. Audit Committee Member 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.
5. Audit Committee Member Takashi Oyamada has years of work and management experience at a financial institution, and has considerable knowledge of finance and accounting.
6. Audit Committee Member Hidetoshi Furukawa has years of experience working and management experience at a financial institution, and has considerable knowledge of finance and accounting.
7. Non-executive Director Toshinori Shirai has been selected as full-time Audit Committee Member. The Company appoints a full-time Audit Committee Member to increase the effectiveness of audit activities.

8. Mr. Toshinori Shirai retired from the positions of Corporate Auditor of MICARD Co. Ltd. and Corporate Auditor, Mitsukoshi Isetan Nikko Travel, Ltd. as of June 29, 2020 and June 24, 2020 respectively.

9. As of April 1, 2021, the Company has appointed the following Executives.

President and CEO	Toshiyuki Hosoya (CEO)
Executive Vice President	Toru Takeuchi (CMO)
Managing Operating Officer	Shigeru Nishiyama (CFO, CRO and CAO)
Managing Operating Officer	Yoshinori Makino (CSDO and CHRO)

CMO	Chief Merchandizing Officer
CRO	Chief Risk Officer
CAO	Chief Administrative Officer
CSDO	Chief Strategy & Digital Officer
CHRO	Chief Human Resources Officer

Of the Directors who concurrently serve as Executives:

- As of the same date, the positions, responsibilities, and significant posts concurrently held by Mr. Toshihiko Sugie changed from Director, President and CEO of Isetan Mitsukoshi Holdings Ltd. and President, Representative Director, Operating Officer of Isetan Mitsukoshi Ltd. to Director of Isetan Mitsukoshi Holdings Ltd. and Chairman of Isetan Mitsukoshi Ltd. He retired as Nominating Committee Member on the same date.
- As of the same date, the positions, responsibilities, and significant posts concurrently held by Mr. Toru Takeuchi changed from Executive Vice President, Representative Director and CMO of Isetan Mitsukoshi Holdings Ltd., Director of Isetan Mitsukoshi Holdings Ltd., Director of Nagoya Mitsukoshi Ltd. and Director of Iwataya Mitsukoshi Ltd. to Director, Executive Vice President and CMO, General Manager, MD Administration Department, Executive Vice President of Isetan Mitsukoshi Ltd. and Director of Sapporo Marui Mitsukoshi Ltd.
- As of the same date, the positions, responsibilities, and significant posts concurrently held by Mr. Hidehiko Igura changed from Director, Managing Operating Officer and CFO of Isetan Mitsukoshi Holdings Ltd., Director of Isetan Mitsukoshi Ltd., Director of MICARD Co. Ltd. and Director of West Japan Railway Isetan Ltd. to Director of Isetan Mitsukoshi Holdings Ltd. and President, Representative Director and Operating Officer of Iwataya Mitsukoshi Ltd.
- As of the same date, the positions, responsibilities, and significant posts concurrently held by Mr. Shigeru Nishiyama changed from Managing Operating Officer, General Manager, General Affairs Department, CRO of Isetan Mitsukoshi Holdings Ltd., Director of Isetan Mitsukoshi Ltd. and Director of Mitsukoshi Isetan Nikko Travel, Ltd. to Director, Managing Operating Officer, CFO, CRO and CAO of Isetan Mitsukoshi Holdings Ltd. and Director of MICARD Co. Ltd. As of the same date, Mr. Shigeru Nishiyama retired as Compensation Committee Member.

In addition, as of the same date, the positions, responsibilities, and significant posts concurrently held by Mr. Ken Akamatsu, Director, changed from Chairman and Chairman of the Board of Directors of Isetan Mitsukoshi Holdings Ltd. and Chairman of Isetan Mitsukoshi Ltd. to Chairman and Chairman of the Audit Committee of Isetan Mitsukoshi Holdings Ltd.. The responsibilities of Ms. Michiko Kuboyama, Director, changed from Audit Committee Member to Chairman of the Board of Directors.

10. Ms. Michiko Kuboyama retired from Kao Corporation effective May 1, 2021.
11. Mr. Masami Iijima retired as Representative Director, Chairman of the Board of Directors of MITSUI & CO., and became a Director of MITSUI & CO., effective April 1, 2021.

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

During the fiscal year, the Company transitioned to a company with a nominating committee, etc., at the conclusion of the Ordinary General Meeting of Shareholders held on June 15, 2020.

Changes occurred in the positions of Directors and Corporate Auditors the same day.

1) New appointments

As of June 15, 2020

Director (Managing Operating Officer)	Shigeru Nishiyama
Director	Toshinori Shirai
Director (Outside)	Takeo Hirata
Director (Outside)	Hidetoshi Furukawa
Director (Outside)	Fukutaka Hashimoto

2) Resignation

As of June 15, 2020

Director	Takaaki Muto
Corporate Auditor	Yoshio Takino
Corporate Auditor	Toshinori Shirai
Corporate Auditor (Outside)	Koichi Miyata
Corporate Auditor (Outside)	Hiroataka Fujiwara
Corporate Auditor (Outside)	Takeo Hirata

Executives shown in (1) Names, etc. of Directors and Executives, 2) Executives were appointed at the Board of Directors meeting held the same day.

(3) Outline of limited liability agreements

The Company has concluded agreements with Non-executive Directors Ken Akamatsu and Toshinori Shirai, and External Directors Michiko Kuboyama, Masami Iijima, Miwako Doi, Takashi Oyamada, Takeo Hirata, Hidetoshi Furukawa and Fukutaka Hashimoto to limit their liabilities as provided for in the Company's Articles of Incorporation. The maximum amount of the liabilities in the agreements is set at the amount prescribed in the laws and regulations.

(4) Outline of directors and officers liability insurance contract

The Company has concluded a directors and officers liability insurance contract with an insurance company, as set forth in Article 430-3, Paragraph 1 of the Companies Act. The insurance covers Directors, Executives, Corporate Auditors and Operating Officers of the Company and Isetan Mitsukoshi Ltd. for litigation expenses and legal damages, should such persons be held accountable in the event of a stockholders' representative action, corporate action or third-party action. The company is fully responsible for paying all insurance premiums. The insurance contract contains exclusions related to coverage in the case of intentional actions or gross negligence by the insured parties.



(5) Total payments to Directors, Corporate Auditors and Executives

Classification	Total Payments (Millions of yen)	Total Amount of Payments by Type (Millions of yen)			Number of Payees
		(Fixed Compensation) Basic Compensation	(Performance-Linked Compensation) Bonuses	(Non-monetary Compensation) Share-Based Compensation	
Directors (External Directors)	213 (89)	195 (82)	0 (0)	17 (7)	14 (7)
Corporate Auditors (Outside Corporate Auditors)	20 (7)	20 (7)	0 (0)	0 (0)	5 (3)
Executives	195	167	9	19	7

Notes:

1. The table above includes one (1) Director who resigned at the conclusion of the 12th Ordinary General Meeting of Shareholders held on June 15, 2020.
  2. Pursuant to a resolution by the 12th Ordinary General Meeting of Shareholders held on June 15, 2020, the Company transitioned from a company with a board of company auditors to a company with a nominating committee, etc. The total amount of compensation paid to Executives, shown above, represents the amount paid to the seven (7) Executives appointed after this transition, from June 15, 2020 to March 31, 2021. Regarding compensation paid to the four (4) Executives who concurrently serve as Directors after this transition, the amounts paid have been shown separated into their compensation as Directors, and compensation as Executives. They have been shown in both rows in the Number of Payees column.
  3. The term of office of the five (5) Corporate Auditors including three (3) Outside Corporate Auditors) shown above expired at the conclusion of the same Ordinary General Meeting of Shareholders. The total payments to Corporate Auditors in the table above represent the amounts of compensation paid for their period in office from April 1, 2020 to June 15, 2020. The two (2) Corporate Auditors who were appointed to the position of Director after their retirement as Corporate Auditors have been shown in both rows in the Number of Payees column.
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5. In fiscal 2020, the Company revised its previous system of remuneration-type stock options, and introduced share price-linked restricted stock compensation (and share price-linked monetary compensation with equivalent conditions for non-residents of Japan, as described on page 53), in accordance with the policy set forth on page 53. Non-monetary compensation in the table above represents the expenses recorded during fiscal 2020 associated with this share price-linked restricted stock compensation (and share price-linked monetary compensation). The status of shares delivered during the fiscal year under review as consideration for the execution of duties is presented on page 35.

(6) Matters concerning the determination of the details of compensation for individual Directors and Executives (hereinafter referred to as “Executives, etc.”)

1) Basic policy on officer’s compensation, etc.

The Company has established following four basic principles on compensation for officers, etc., by resolution of the Compensation Committee on November 11, 2020.

1. Promotion of mutual sharing of interests of shareholders and officers
2. Expansion of incentive effects to improve financial results and shareholder value
3. Ensuring there is no shortfall in compensation level compared with the industry as a whole
4. Ensuring objectivity and transparency in methods of evaluation and determining compensation

The Company’s compensation system for officers comprises three specific elements: “basic compensation” as fixed compensation, “bonuses” linked to annual performance, and “share-based compensation” as a medium- and long-term incentive. The proportions of each element within annual compensation for Executives, etc. (provided the targets for bonuses and share-based compensation are met) are shown below.

	Basic Compensation	Bonuses	Share-Based Compensation
Directors (excluding Directors concurrently serving as Executives)	12 months (approx. 92%+)	None	1 month (approx. 8%-)
Executives (including Executives concurrently serving as Directors)	12 months (60%)	5 months (25%)	3 months (15%)

The amounts of compensation for individual Executives, etc. are determined by the Compensation Committee each fiscal year, after deliberation by the same Committee, based on the provisions of the Guidelines for Executive Remuneration.

2) Details of each type of compensation

i. Fixed compensation (basic compensation)

Basic compensation for Executives, etc. is paid monthly in a fixed amount based on the designated compensation table. Basic compensation is determined each fiscal year by resolution of the Compensation Committee, after the Committee deliberates on the appropriateness of a proposal for individual compensation prepared using duties analysis and evaluation methods provided by an external consulting company.

ii. Performance-linked compensation, etc. (bonuses)

The Company has introduced performance-linked bonuses for Executives as shown below, to reflect its compensation principles and provide a strong motivation to achieve targets. Bonuses are not paid to Directors who do not concurrently serve as Executives.

Base amount of bonus = Basic compensation × 5 months

Amount of bonus to be paid = Base amount of bonus × [1] Payout ratio (degree of achievement against the corporate performance goal)  
× [3] Allocation ratio (weight) + Base amount of bonus  
× [2] Payout ratio (personal qualitative evaluation)  
× [3] Allocation ratio (weight)

[1] Payout ratio (degree of achievement against the corporate performance goal)

	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)	13th Term Fiscal 2020 (From April 1, 2020 to March 31, 2021)
Consolidated operating income goal	¥25.0 billion	¥29.0 billion	¥30.0 billion	-
Consolidated operating income result	¥24.4 billion	¥29.2 billion	¥15.6 billion	¥(20.9) billion

Specifically, the payout ratio is 1.00 if the operating income goal is met, and is designed to vary within the range from 0.00 (minimum) to 2.00 (maximum), in proportion to the degree to which the goal is achieved. The amounts of consolidated operating income corresponding to such minimum and maximum factors shall be determined for each fiscal year, based on the absolute standards of the targeted amount, with a view toward providing clear and effective incentives.

[2] Payout ratio (personal qualitative evaluation)

The payout ratio corresponding to qualitative evaluation for Executives shall be subject to a five-grade evaluation, ranging 50% to 150%, based on an assessment of the degree of achievement of the qualitative goals established through the interview with the President and CEO and other evaluators at the beginning of each fiscal year. This evaluation is then considered by the Compensation Committee.

[3] Allocation ratio (weight)

For the President and CEO, who has ultimate responsibility for results, the allocation ratio (weight) for is set at 100% of the payout ratio corresponding to the degree of achievement against the corporate performance goal. The allocation ratio (weight) is set at 60% for other Executives.

	Degree of achievement against the corporate performance goal	Personal qualitative evaluation
President and CEO	100%	0%
Other Executives (including Executive Vice Presidents)	60%	40%

iii. Non-monetary compensation, etc. (share-based compensation)

In fiscal 2020, the Company revised its previous system of remuneration-type stock options, and introduced share price-linked restricted stock compensation, subject to certain share price-linked conditions, for the Group's officers, including Directors and Executives, in order to increase consciousness of enhancing shareholder value, and expand incentives to improve the Group's financial results in the medium and long term.

Monetary compensation claims	Monthly basic compensation × 3 months × 150% (Monthly basic compensation × 1 month for Non-executive Directors)	
Compensation period	1 year	
Transfer restriction period	30 years *However, transfer restrictions shall be lifted before the conclusion of the transfer restriction period if the recipient retires from all offices within the Group due the expiration of his or her term of office, or another reason deemed proper by the Company's Board of Directors	
Share price-linked conditions (Proportion of shares for which transfer restrictions are to be lifted)  *These share price-linked conditions do not apply to compensation for Non-executive Directors.	Evaluation period	3 fiscal years
	Range	33.3% to 100% *Taking the number of allotted shares for which transfer restrictions are to be lifted as 100% when the share price growth rate (rate of return) benchmarked against the TOPIX growth rate is 100%, transfer restriction shall be lifted within a range from 50% and 150%, corresponding to the share price growth rate benchmarked against the TOPIX.
	Index and method of linkage	Proportion of shares for which transfer restrictions are to be lifted (%) = the Company's TSR ÷ TOPIX growth rate × 2/3 × 100%  *1: The Company's TSR = (B+C) ÷ A *2: TOPIX growth rate = E ÷ D A: Average closing price of the Company's common share on the First Section of the Tokyo Stock Exchange for the three months immediately preceding the start of the evaluation period B: Average closing price of the Company's common share on the First Section of the Tokyo Stock Exchange for the three months immediately preceding the conclusion of the evaluation period C: Total amount of dividends paid per share during the evaluation period D: Average value of TOPIX for the three months immediately preceding the start of the evaluation period E: Average value of TOPIX for the three months immediately preceding the conclusion of the evaluation period

\* Indicators for share price-linked conditions (proportion of shares for which transfer restrictions are to be lifted) pertaining to restricted stock delivered under this system for the fiscal year ended March 31, 2021 will be determined after the conclusion of the three fiscal year evaluation period (from April 1, 2020 to March 31, 2023).

\* After comprehensive examination of factors including operational issues in the first fiscal year after introduction, the Company is currently considering its response regarding this restricted stock compensation from fiscal 2021 onward.

- 3) Reason why the details of individual compensation for Executives, etc. for fiscal 2020 are deemed appropriate by the Compensation Committee in view of the policy set forth in 1) above

Levels of compensation are benchmarked against the industry as a whole, based on the basic principle of compensation for officers “3. Ensuring there is no shortfall in compensation level compared with the industry as a whole” in 1) above. The Company participates in a compensation survey each fiscal year, together with numerous other listed companies, and the levels of compensation have been validated by the Compensation Committee to be average on a yearly basis, provided the performance and share price targets for bonuses and share-based compensation are met.

Moreover, the Compensation Committee considers that the introduction of share price-linked restricted stock compensation in fiscal 2020 constitutes the promotion of basic principles “1. Promotion of mutual sharing of interests of shareholders and officers” and “2. Expansion of incentive effects to improve financial results and shareholder value.”

The details of compensation for individual Executives, etc. are deemed to be in accordance with the decision policy, because they have been determined by the Compensation Committee as mentioned above, based on the basic principle of compensation for officers.

(7) Matters concerning External 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	<p>The Group has no special relationship with Kao Corporation, where External Director Michiko Kuboyama holds a concurrent post.</p> <p>The Company and the Group have a business relationship such as borrowing, etc., with Sumitomo Mitsui Banking Corporation, but the amount of these borrowings is less than 2% of the most recent consolidated total assets of the Company.</p> <p>The Group has no special relationship with Kids Smile Holdings Inc. or its subsidiary Kids Smile Project Inc.</p>
Masami Iijima, Director	<p>One subsidiary of the Company has a business relationship regarding commodities etc., with MITSUI &amp; CO., LTD., where External Director Masami Iijima holds a concurrent post, but transaction volumes in the previous business year were less than 1% of the Company’s sales on a consolidated basis.</p> <p>The Group has no special relationship with Ricoh Company, Ltd., SoftBank Group Corp. or the Bank of Japan.</p>
Miwako Doi, Director	<p>The Group has no special relationship with National Institute of Information and Communications Technology, Nara Institute of Science and Technology, TOHOKU UNIVERSITY, SUBARU CORPORATION or NGK SPARK PLUG CO., LTD., where External Director Miwako Doi holds concurrent posts.</p>
Takashi Oyamada, Director	<p>MUFG Bank, Ltd., where External Director Takashi Oyamada holds a concurrent post, is a shareholder, holding 1.19% 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 3% of the most recent consolidated total assets of the Company.</p>

	The Group has no special relationship with Mitsubishi Research Institute DCS Co., Ltd., Mitsubishi Electric Corporation or Kyowa Kirin Co., Ltd.
Takeo Hirata, Director	The Group has no special relationship with Waseda University, Rakuten, Inc. (currently Rakuten Group, Inc.) or Japan Society of Sports Industry, where External Director Takeo Hirata holds concurrent posts.
Hidetoshi Furukawa, Director	The Group has no special relationship with SMBC Trust Bank Ltd., where External Director Hidetoshi Furukawa holds a concurrent post.
Fukutaka Hashimoto, Director	<p>The Group has no special relationship with Tokyo Hatchobori Law Office or KOKUYO Co., Ltd. where External Director Fukutaka Hashimoto holds concurrent posts.</p> <p>The Company has a business relationship with Sompo Japan Insurance Inc., but this is limited to general insurance coverage, and there is no special relationship that represents a conflict of interests with the Company's general shareholders.</p>

2) Major activities in the fiscal year

Position	Name	Major Activities	Outline of comments made and duties carried out related to roles expected to be fulfilled by External Director
Director	Michiko Kuboyama	<p>Meetings of the Board of Directors: 13 out of 13</p> <p>Meetings of the Audit Committee: 16 out of 16</p>	<p>She is expected to use her extensive knowledge and experience in marketing to contribute to supervision of the Company's management. At meetings of the Board of Directors, she made necessary comments on discussion items and deliberation items as appropriate based on this perspective.</p> <p>At the meetings of the Audit Committee, she received reports from Executives regarding issues deemed necessary to be monitored by the Audit Committee, and audited the execution of duties by Directors and Executives.</p>
Director	Masami Iijima	<p>Meetings of the Board of Directors: 13 out of 13</p> <p>Meetings of the Nominating Committee: 9 out of 9</p> <p>Meetings of the Compensation Committee: 9 out of 9</p>	<p>He is expected to use his extensive experience in corporate management and deep insight into governance to contribute to supervision of the Company's management. At meetings of the Board of Directors, he made necessary comments on management discussion items and deliberation items as appropriate based on this perspective.</p> <p>At the meetings of the Nominating Committee, he deliberated on matters including a succession plan for CEO, personnel change of officers including Executives, and the determination of proposals for reappointment and dismissal of Directors to be submitted to the General Meeting of Shareholders, etc. As Chairman of the Nominating Committee, he endeavored to manage meetings objectively and transparently.</p> <p>At the meetings of the Compensation Committee, he deliberated on the compensation system for officers including Directors and the determination of individual compensation amounts, etc. for the Company's officers.</p>

Position	Name	Major Activities	Outline of comments made and duties carried out related to roles expected to be fulfilled by External Director
Director	Miwako Doi	<p>Meetings of the Board of Directors: 13 out of 13</p> <p>Meetings of the Nominating Committee: 9 out of 9</p> <p>Meetings of the Compensation Committee: 9 out of 9</p>	<p>She is expected to use her extensive knowledge and experience in the digital and IT fields to contribute to supervision of the Company's management. At meetings of the Board of Directors, she made necessary comments on management discussion items and deliberation items as appropriate based on this perspective.</p> <p>At the meetings of the Nomination Committee, she deliberated on matters including a succession plan for CEO, personnel change of officers including Executives, and the determination of proposals for reappointment and dismissal of Directors to be submitted to the General Meeting of Shareholders, etc.</p> <p>At the meetings of the Compensation Committee, she deliberated on the compensation system for officers including Directors and the determination of individual compensation amounts, etc. for the Company's officers. As Chairman of the Compensation Committee, she endeavored to manage meetings objectively and transparently.</p>
Director	Takashi Oyamada	<p>Meetings of the Board of Directors: 13 out of 13</p> <p>Meetings of the Nominating Committee: 9 out of 9</p> <p>Meetings of the Audit Committee: 16 out of 16</p>	<p>He is expected to use his extensive experience in corporate management, knowledge of finance and accounting, and insight into governance to contribute to supervision of the Company's management. At meetings of the Board of Directors, he made necessary comments on management discussion items and deliberation items as appropriate based on this perspective.</p> <p>At the meetings of the Nomination Committee, he deliberated on matters including a succession plan for CEO, personnel change of officers including Executives, and the determination of proposals for reappointment and dismissal of Directors to be submitted to the General Meeting of Shareholders, etc.</p> <p>Moreover, At the meetings of the Audit Committee, he received reports from Executives regarding issues deemed necessary to be monitored by the Audit Committee, and audited the execution of duties by Directors and Executives.</p>



Position	Name	Major Activities	Outline of comments made and duties carried out related to roles expected to be fulfilled by External Director
Director	Takeo Hirata	<p>Meetings of the Board of Directors: 12 out of 13</p> <p>Meetings of the Board of Corporate Auditors: 4 out of 4</p> <p>Meetings of the Compensation Committee: 8 out of 9</p>	<p>He is expected to use his broad insight based on his diverse and extensive experience to contribute to supervision of the Company's management. At meetings of the Board of Directors, he made necessary comments on management discussion items and deliberation items as appropriate based on this perspective.</p> <p>At the meetings of the Compensation Committee, he deliberated on the compensation system for officers including Directors and the determination of individual compensation amounts, etc. for the Company's officers.</p>
Director	Hidetoshi Furukawa	<p>Meetings of the Board of Directors: 9 out of 9</p> <p>Meetings of the Nominating Committee: 9 out of 9</p> <p>Meetings of the Audit Committee: 16 out of 16</p>	<p>He is expected to use his extensive experience in corporate management and insight into finance and accounting to contribute to supervision of the Company's management from these perspectives. At meetings of the Board of Directors, he made necessary comments on management discussion items and deliberation items as appropriate based on this perspective.</p> <p>As a Nominating Committee Member, he deliberated on matters including a succession plan for CEO, personnel change of officers including Executives, and the determination of proposals for reappointment and dismissal of Directors to be submitted to the General Meeting of Shareholders, etc.</p> <p>As an Audit Committee Member, he received reports from Executives regarding issues deemed necessary to be monitored by the Audit Committee, and audited the execution of duties by Directors and Executives.</p>
Director	Fukutaka Hashimoto	<p>Meetings of the Board of Directors: 9 out of 9</p> <p>Meetings of the Audit Committee: 16 out of 16</p>	<p>He is expected to use his specialist knowledge in corporate legal affairs and deep insight into auditing to contribute to supervision of the Company's management from these perspectives. At meetings of the Board of Directors, he made necessary comments on management discussion items and deliberation items as appropriate based on this perspective.</p> <p>At the meetings of the Audit Committee, he received reports from Executives regarding issues deemed necessary to be monitored by the Audit Committee, and audited the execution of duties by Directors and Executives.</p>

Notes:

1. The Company transitioned from a company with a board of company auditors to a company with a nominating committee, etc. pursuant to a resolution by the 12th Ordinary General Meeting of Shareholders held on June 15, 2020, Attendance at meetings of the Nominating Committee, Compensation Committee and Audit Committee refer to the time after this transition, from June 15, 2020 onward. Mr. Takeo Hirata was a Corporate Auditor until the time of the conclusion of the 12th Ordinary General Meeting of Shareholders, and his attendance at meetings of the Board of Directors includes his attendance as a Corporate Auditor.
2. Mr. Hidetoshi Furukawa and Mr. Fukutaka Hashimoto were appointed as Directors at the 12th Ordinary General Meeting of Shareholders held on June 15, 2020, and their attendance after appointment has been shown.

As part of measures to improve the effectiveness of the Board of Directors, the Company holds an “executive session” biannually for Non-executive Directors. Participants confirm the Group’s management challenges and exchange a broad range of views regarding issues such as their vision for the Group’s future. This provides a useful opportunity to promote Outside Officers’ understanding of the Company, and mutual communication between Directors.

## 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	¥112 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	¥112 Million
3) Total monetary and other financial benefits payable by the Company and its subsidiaries	¥227 Million

Notes:

1. After considering 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 Audit Committee has agreed upon the compensation for the independent auditor as stated in Article 399, Paragraph 1 and Paragraph 4 of the Companies Act.
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 Companies Act and compensation and other fees for audits performed pursuant to the Financial Instruments and Exchange Act, 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 (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., and Isetan of Japan Sdn. Bhd. are audited by another auditor with regard to the statutory audit of Accounting Documents.

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

The Audit Committee 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 and Paragraph 6 of the Companies Act, the Audit Committee shall discharge the independent auditor upon a unanimous resolution by the Audit Committee.

## **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.

## **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 has adopted the organizational structure of a company with a nominating committee, etc., for the purpose of further advancing corporate governance.

We are also working to ensure the transparency of our corporate activities and 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**

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

The Company transitioned to a company with a nominating committee, etc. in June 2020. This change of organizational structure clearly delineates execution and oversight roles, and aims to strengthen the supervisory function of the Board of Directors by giving it the specific roles of determining the overall direction of the Group, and oversight and monitoring of the execution of duties.

The Board of Directors is composed of a majority of External Directors, and is also chaired by an External Director since April 2021, in order to ensure an appropriate structure for monitoring management.

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

### **1) Nominating Committee**

The Nominating Committee determines proposals for reappointment and dismissal of Directors which are to be submitted to the General Meeting of Shareholders, deliberates on personnel change proposals for members of the three statutory committees and Executives, to be decided by the Board of Directors, and deliberates on other matters such as the succession plan for the CEO and criteria for the dismissal of officers.

### **2) Compensation Committee**

The Compensation Committee engages deliberates on issues and policy related to officer compensation plans, including the Company's approach to incentives for officers to enhance corporate value, and determines the amount and other details of individual compensation.

### **3) Audit Committee**

The Audit Committee audits the legality and appropriateness of the execution of duties by Executives and Directors, audits the status of internal control systems, carries out evaluations related to the appointment and dismissal of the Accounting Auditor, and performs the oversight function of the Board of Directors through audits. In addition, the Audit Committee works to further enhance audit systems encompassing the entire Group by coordinating with internal audit departments and Corporate Auditors at each Group company.

## **Executive systems and organs**

- The Company's Board of Directors appoints Executives, after deliberation by the Nominating Committee. Representative Executive and Executives have the role of Chief Officers, delegated authority based on the division of duties and relationships of direction and order determined by the Board of Directors. They decide on the execution of business operations, and execute business operations.
- The Company has established a Board of Executives as a decision-making organ composed of all Executives. It makes decisions concerning important issues of business execution for the Company, and deliberates and decides on business strategy for the Group as a whole, and broad matters concerning multiple Group companies.

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

The Company stipulates the maximum age and maximum term of office for each position in the "Regulations of Age Limits of Executives in Office" to promote appropriate rotation. Given this, when deciding on the appointment of the Representative Executive and Executives with Special

Titles, and on whether or not to reappoint them after the expiration of their single-year service contracts, the Nominating Committee will appropriately evaluate and make a decision, based not only on qualitative aspects such as whether the candidate will contribute to realizing the Group's "Our Philosophy," but also on quantitative results during each individual's period of service, as well as objective, management personnel evaluation data, etc. prepared by third-party agencies. This method ensures fairness and transparency.

◆ Decision on selection and reappointment of the CEO

(i) Decision on reappointment of the current CEO

At the time of appointing a CEO, the Nominating 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 results against the commitments, the status of progress, the overall situation at the time, future outlook, issues to be addressed, etc., after which the CEO leaves the room, and four (4) External 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 actively creates opportunities where External Directors can monitor candidates, with the Nominating Committee making a list of candidates for the next CEO (in an emergency, when succession is necessary during the current CEO's maximum term of office, or at the end of the maximum term of office), clarifying the requirements for the CEO, and periodically reporting and sharing information on development plans for each candidate, including coaching, etc. by an external management personnel evaluation agency, proposals for transfers to fields in which they should gain experience in future, and other matters. In addition, the Company has systematically established selective training from managers and educational opportunities for officers, to build a group of candidates for the next CEO.

In this way, the Nominating Committee engages in decisions on the reappointment of the CEO and succession plans as its most important tasks, while ensuring transparency and fairness. Its approach to these decisions shall be proactively deliberated at the committee in order to further enhance existing initiatives, including by auditing the opinions of all External Directors, including those not sitting on the Nominating Committee, during the process.

◆ Policy on nomination of candidates for Director

With regard to the nomination of candidates for the position of Director, 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 External Directors focuses mainly on sufficient practical business-world experience, and includes candidates from different fields and industries to ensure account is taken of a wide range of opinions from objective and specialist perspectives and ensure well-balanced management.

Candidates for the position of Director are selected by resolution of the Nominating Committee, which is composed of a majority of External Directors and chaired by an External Director, then submitted to the General Meeting of Shareholders. In the case of Executives, who form the Company's senior management, candidates are determined by the Board of Directors, after deliberation by the Nominating Committee.

In this way, External Directors guide deliberation and decision-making on "nominations," a vital part of governance. The Nominating Committee will strive to further clarify the Company's 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 page 52 through 56.

The Compensation Committee will continue to deliberate at the Nominating Committee on 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**

##### **◆ Purpose and process**

Since fiscal 2016, the Company has executed an annual analysis and evaluation of the effectiveness of the Board of Directors, and has engaged in further enhancing the effectiveness of the Board of Directors by steadily implementing continuing improvements in areas where issues were uncovered. Specifically, the Company has administered individual questionnaires for 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.

In fiscal 2020, the Company deepened its initiatives, administering questionnaires that incorporate new perspectives put forward by a third-party advisor.

◆ Analysis of results and extraction of issues

The evaluation results for fiscal 2020 show a majority of respondents regarded the Board of Directors as effective – either “effective” or “generally effective,” and several respondents were of the view that the Board had engaged in energetic discussions on medium- and long-term strategy to guide the Group’s overall direction and oversee the execution of duties, confirming that the overall effectiveness of the Company’s Board of Directors is ensured. On the other hand, issues were identified regarding explanations to the Board of Directors by those responsible for the business execution, the depth of discussions completed before a matter was submitted to the Board of Directors, and discussions based on dialogue with stakeholders.

◆ Initiatives for fiscal 2021

With the Board of Directors’ new structure, chaired by an External Director, the Company will work to address the following issues raised as a result of this effectiveness evaluation.

- i) Raise the quality of debate by the Board of Executives, on which the Board of Directors’ resolutions and reports are premised, to further enhance its effectiveness.
- ii) Broaden the scope of meetings of Directors and meetings of Non-executive Directors, apart from meetings of the Board of Directors, as forums for free and lively discussion.

**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 Executives and employees of the Company conform with laws, regulations, and the Articles of Incorporation” (Article 416, Paragraph 1, Item 1 (e) of the Companies Act and Article 112, Paragraph 2, Item 4 of the Regulation for Enforcement of the Companies Act)

- (1) The Board of Directors shall hold regular meetings in accordance with the “Regulation of the Board of Directors,” where they shall resolve mainly the matters required by laws and regulations to be discussed at the Board of Directors meetings (hereinafter referred to as the “statutory matters to be discussed”) and oversee the performance of duties by Executives, preventing violation of laws, regulations, and the Articles of Incorporation.
- (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) Majority of Directors shall be External Directors to enhance legality, efficiency, and adequacy of decision making and oversight in the Board of Directors.
- (4) The Company shall establish the Internal Audit Division 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 Division 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 the management of risks of loss to the Company” (Article 112, Paragraph 2, Item 2 of the Regulation for Enforcement of the Companies Act)

- (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 a cross-departmental, enterprise risk management system that will swiftly initiate the establishment of a countermeasures headquarters and information management in the event that the risks materialize, aiming 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 its risks 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

“Systems 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 misstatement 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 a monitoring system regarding financial reporting.
- (5) The Company shall maintain a 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

“Systems for retention and management of information relating to performance of duties by Executives of the Company” (Article 112, Paragraph 2, Item 1 of the Regulation for Enforcement of the Companies Act)

(1) The following documents related to performance of duties by Executives 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 Board of Executives
- 4) Financial Statements
- 5) Copies of documents submitted to government offices and other public organizations, and financial instruments 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 Companies Act, the Financial Instruments and Exchange Act, etc. The related Directors, Executives, and employees shall observe these rules and regulations to secure this information.

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

“Systems to ensure the efficient performance of duties by Executives of the Company” (Article 112, Paragraph 2, Item 3 of the Regulation for Enforcement of the Companies Act)

(1) The segregation of duties and chain of command among Executives shall be determined by the Board of Directors.

(2) The Board of Directors shall resolve mainly statutory matters to be discussed and delegate authority for decision-making on other significant matters to Executives. The Board of Executives, primarily consisting of Executives, shall deliberate, resolve, and decide on such important matters.

(3) The Company shall adopt an Operating Officer system to streamline the business execution through clarification of the executive duties of Operating 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 CEO, shall promote control of issues of the entire Group, which covers multiple departments.

- (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 Signature Authority” for execution of duties.

6. Framework of group corporate principles

“Systems to ensure the proper conduct of the business of the Corporate Group that comprises of the Company and its subsidiaries” (Article 112, Paragraph 2, Item 5 of the Regulation for Enforcement of the Companies Act)

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

1. “Systems relating to reports to the Company on items relating to the execution of business duties by the Directors of the Company’s subsidiaries” (Article 112, Paragraph 2, Item 5 (a) of the Regulation for Enforcement of the Companies Act)

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 Group Company Management.”

2. “Regulations and other systems concerning the management of risks of loss to subsidiaries of the Company” (Article 112, Paragraph 2, Item 5 (b) of the Regulation for Enforcement of the Companies Act)

- (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 in the General Affairs Department as the division responsible for risk management.

Said division shall work with companies in the Group as it promotes 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 President and CEO 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 112, Paragraph 2, Item 5 (c) of the Regulation for Enforcement of the Companies Act)
  - (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 resolutions of approval of either Board of Executives or Board of Directors of the Company for important items deemed to have significant effects on the business operation.
4. “Systems to ensure the compliance of the execution of duties by Directors, etc. and employees of the Company’s subsidiaries with laws, regulations, and the Articles of Incorporation” (Article 112, Paragraph 2, Item 5 (d) of the Regulation for Enforcement of the Companies Act)
  - (1) The Internal Audit Division shall conduct internal audits of the 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 legal compliances, etc. 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 preventive measures shall be undertaken from a compliance standpoint with regards to these reports from employees, etc.

#### 7. Matters concerning Audit Committee staff

“Matters relating to Directors and employees who assist the Company’s Audit Committee in the performance of their duties, the independence of those Directors and employees from Executives, and the ensured efficacy of the Audit Committee’s instructions to these Directors and employees” (Article 112, Paragraph 1, Items 1-3 of the Regulation for Enforcement of the Companies Act)

- (1) The Company shall establish a dedicated organization that assists the Audit Committee with their duties and appoint the staff (hereinafter referred to as “Audit Committee staff”). The Audit Committee may give instructions to the staff regarding items necessary for auditing duties.
- (2) Audit Committee staff shall provide reports on the items requested by the Audit Committee and have authority to collect information required for such reporting.

- (3) Audit Committee staff shall be independent of executive operational systems and carry out their duties as dedicated resources under the instruction of the Audit Committee. Personnel changes, evaluation, discipline, and other such treatment pertaining to the staff shall require the consent of the Audit Committee.
- (4) To enhance the audit system of the entire Group, the Company shall dispatch Audit Committee staff to the Group companies as part-time Corporate Auditors.

#### 8. Framework for reporting to the Audit Committee

- 1. “Systems for Directors (excluding Directors who are Audit Committee Members), Executives, and employees of the Company to report to the Company’s Audit Committee, as well as systems relating to other reports to the Audit Committee” (Article 112, Paragraph 1, Item 4 (a) of the Regulation for Enforcement of the Companies Act)

“Systems for Directors, Corporate Auditors, etc. and employee of the Company’s subsidiaries or those who are informed from them to report to the Company’s Audit Committee” (Article 112, Paragraph 1, Item 4 (b) of the Regulation for Enforcement of the Companies Act)

- (1) The Board of Directors shall establish the “Audit Committee Standards” to stipulate items that Directors, Executives, and employees should report to the Audit Committee as per its request or without delay when an incident occurs. Accordingly, the Directors, Executives, and employees shall make necessary reports. Additionally, the Audit Committee may request reports from the Directors, Executives, and employees as necessary even when the previous conditions do not apply.
  - (2) Directors, Corporate Auditors, etc. and employees of the Company’s subsidiaries or those who are informed from them may report significant matters that will affect the subsidiary’s business or performance to the Company’s Audit Committee.
  - (3) The Company shall ensure the proper operations of the Group-wide internal hotline system, the Isetan Mitsukoshi Group Hotline, and periodically report the operational status, the contents informed through the system and the investigation results to the Audit Committee.
- 2. “Systems to ensure that individuals who give applicable reports under item 1) are not subject to unfavorable treatment because of such reporting” (Article 112, Paragraph 1, Item 5 of the Regulation for Enforcement of the Companies Act)

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

#### 9. Policy for Processing Auditing Fees

“Items related to policies concerning the procedure for advance payment or reimbursement of expenses resulting from the execution of duties by the Company’s Audit Committee Members or policies involved in any other processing of expenses or obligations resulting from the exercise of applicable duties” (Article 112, Paragraph 1, Item 6 of the Regulation for Enforcement of the Companies Act)

When the Audit Committee Members ask for advance payment of expenses, etc. under Article 404, Paragraph 4 of the Companies Act for the execution of their duties, expenses or obligations related to those billings must be processed unless they are deemed unnecessary for the exercise of the Audit Committee Members’ duties.

#### 10. Framework for ensuring the effectiveness of the audit by the Audit Committee

“Other systems to ensure the effective performance of audits by the Company’s Audit Committee” (Article 112, Paragraph 1, Item 7 of the Regulation for Enforcement of the Companies Act)

- (1) Aiming to share information and issue recognition, the Audit Committee shall hold regular meetings to exchange opinions with the Representative Executives, the Chairman of the Board of Directors, Directors who are not Audit Committee Members, and the Accounting Auditor, respectively.
- (2) The Audit Committee Members appointed by the Committee, in addition to the Board of Directors meetings, may attend important meetings in order to understand the decision-making process for important matters as well as the state of executed duties.
- (3) The Internal Audit Division shall report the Group-wide internal auditing plans, audit findings, and audit status to the Audit Committee and work to cooperate through means such as exchanging information. The Audit Committee may request the Internal Audit Division to carry out an investigation and give any specific instruction to them if deemed necessary, including the case where the Audit Committee is informed of any misconduct or material fact of violation of laws and regulations or the Articles of Incorporation concerning the execution of the duties by Executives. Personnel changes and discipline pertaining to the head of the Internal Audit Division shall require the consent of the Audit Committee.



## **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, 13 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, etc.
- The Internal Audit Division 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 an outside specialty company, a dedicated internal department, and an outside attorney office to receive reports.
- In addition, when making a renewed effort to promote fair trade, the Group stipulates the prohibition of unfair trade in the Basic Policy on Fair Trade. We strive to reinforce fair trade by holding the Fair Trade Promotion Subcommittee for all Group companies and providing a session by an outside lecturer on the current status of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, as well as the Act against Delay in Payment of Subcontract Proceeds, etc.

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

- The “Compliance and Risk Management Promotion Committee” meets twice per year, with the President and CEO serving as chair, shares information about establishment of its risk management promotion system, identification of significant risks, plans to respond to such risks, etc., making efforts to realize comprehensive risk management across the Group.
- The Company has formulated a “Business Continuity Plan” that supposes a large-scale natural disaster or pandemic. Partial amendments and drills are conducted to increase the effectiveness of the plan.

- In response to COVID-19, the “COVID-19 Task Force,” headed by the President and CEO, meets regularly to make important decisions on measures, such as preventing the spread of the infection. Thus, the Company works to continue business while protecting the health and safety of our customers and employees.

◆ 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 officers at Group companies, compliance training is periodically implemented to deepen understanding of the Companies Act.

◆ Status regarding business execution by the Audit Committee

- The Audit Committee, in addition to having regular meetings with the President and CEO to exchange opinions, receives reports from Executives, etc. and has mainly full-time members attend important internal meetings, such as the Board of Executives to confirm the state of executed duties by management, as well as the development and operational status of internal controls.
- The Audit Committee regularly receives explanations and reports regarding the audit status and findings, etc. from the Internal Audit Division and the Accounting Auditor. Additionally, the Committee exchanges information and opinions when necessary to ensure the effectiveness of auditing and has regular meetings with the Chairman of the Board of Directors to exchange opinions.
- The Company set up the Audit Committee Administration Department as the organization that assists the Audit Committee with its duties, under the Office of Board of Directors that was newly established during the fiscal year under review, and appointed dedicated staff. Also, part-time Corporate Auditors were dispatched from the Audit Committee Administration Department to Group companies in Japan to enhance the audit system of the Group.

## Consolidated Balance Sheet

(As of March 31, 2021)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>	<b>1,198,303</b>	<b>Liabilities</b>	<b>690,027</b>
<b>Current assets</b>	<b>282,448</b>	<b>Current liabilities</b>	<b>377,853</b>
Cash and deposits	100,041	Notes and accounts payable	83,140
Notes and accounts receivable	116,415	Short-term borrowings	31,084
Marketable securities	1,683	Commercial paper	50,000
Inventories	29,782	Income taxes payable	1,834
Other	38,730	Gift certificates	80,012
Allowance for doubtful accounts	(4,205)	Accrued bonuses	6,415
<b>Fixed assets</b>	<b>915,751</b>	Allowance for customer-discount points	8,581
<b>Tangible fixed assets</b>	<b>710,252</b>	Allowance for redemption of gift certificates	36,154
Buildings and structures	161,238	Other	80,630
Land	521,541	<b>Long-term liabilities</b>	<b>312,173</b>
Construction in progress	7,649	Corporate bonds	40,000
Right-of-use assets	2,273	Long-term debt	87,800
Other	17,550	Deferred tax liabilities	128,522
<b>Intangible fixed assets</b>	<b>38,863</b>	Net defined benefit liability	34,570
Software	15,410	Provision for loss on business of subsidiaries and affiliates	29
Other	23,453	Liabilities from application of equity method	2,811
<b>Investments and other assets</b>	<b>166,635</b>	Other	18,440
Investment securities	110,558	<b>Net assets</b>	<b>508,275</b>
Long-term loans receivable	177	<b>Shareholders' equity</b>	<b>494,962</b>
Guarantee deposits	44,910	<b>Common stock</b>	<b>50,995</b>
Net defined benefit asset	3,570	<b>Capital surplus</b>	<b>323,755</b>
Deferred tax assets	3,270	<b>Retained earnings</b>	<b>138,865</b>
Other	4,318	<b>Treasury stock</b>	<b>(18,654)</b>
Allowance for doubtful accounts	(170)	<b>Accumulated other comprehensive income</b>	<b>6,973</b>
<b>Deferred assets</b>	<b>102</b>	<b>Unrealized gain on other securities</b>	<b>3,240</b>
Corporate bond issuance cost	102	<b>Deferred gains/losses on hedge</b>	<b>46</b>
		<b>Foreign currency translation adjustments</b>	<b>4,923</b>
		<b>Remeasurements of defined benefit plans</b>	<b>(1,236)</b>
		<b>Stock acquisition rights</b>	<b>1,447</b>
		<b>Non-controlling interests</b>	<b>4,891</b>
<b>Total assets</b>	<b>1,198,303</b>	<b>Total liabilities, net assets and non-controlling interests</b>	<b>1,198,303</b>

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

**Consolidated Statement of Income**  
(From April 1, 2020 to March 31, 2021)

		(Millions of yen)
Account item	Amount	
Net sales	816,009	
Cost of sales	588,443	
Gross profit	227,565	
Selling, general and administrative expenses	248,542	
Operating loss	(20,976)	
Nonoperating income		
Interest and dividend income	1,081	
Share of profit of entities accounted for using equity method	2,003	
Income on uncollected gift certificates	6,722	
Gain on donation of fixed assets	3,247	
Other	2,749	15,804
Nonoperating expenses		
Interest expenses	893	
Loss on retirement of fixed assets	1,757	
Transfer from allowance for loss on collected gift certificates	6,445	
Other	2,902	11,999
Recurring loss	(17,171)	
Extraordinary gain		
Gain on sale of stocks of subsidiaries and affiliates	7,151	
Subsidies for employment adjustment, etc.	5,998	13,150
Extraordinary loss		
Loss on disposal of fixed assets	1,205	
Impairment loss	6,605	
Loss on valuation of investment securities	1,230	
Loss on valuation of stocks of subsidiaries and affiliates	599	
Loss on closing of stores	1,754	
Business structure improvement expenses	2,592	
Losses due to COVID-19	12,637	
Other	349	26,975
Loss before income taxes	(30,997)	
Corporate taxes	2,852	
Deferred taxes	8,231	11,083
Net loss	(42,080)	
Loss attributable to non-controlling interests	(1,001)	
Net loss attributable to parent company shareholders	(41,078)	

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

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

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Account item	Amount
Cash flow from operating activities	1,197
Cash flow from investment activities	(4,737)
Cash flow from financing activities	29,733
Translation adjustments related to cash and cash equivalents	53
Changes in cash and cash equivalents	26,247
Beginning balance of cash and cash equivalents	76,659
Increase in cash and cash equivalents resulting from change of scope of consolidation	(108)
Ending balance of cash and cash equivalents	102,797

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

## Consolidated Statement of Changes in Net Assets

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Account item	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2020</b>	<b>50,790</b>	<b>322,985</b>	<b>183,644</b>	<b>(19,304)</b>	<b>538,115</b>
<b>Changes during current period</b>					
Issuance of new shares	205	205	—	—	410
Dividends from surplus	—	—	(3,422)	—	(3,422)
Net loss attributable to parent company shareholders	—	—	(41,078)	—	(41,078)
Acquisition of treasury stock	—	—	—	(2)	(2)
Disposal of treasury stock	—	(343)	—	653	309
Change of scope of application for consolidation and equity method	—	908	(278)	—	630
Net changes other than shareholders' equity during current period	—	—	—	—	—
<b>Total change during current period</b>	<b>205</b>	<b>770</b>	<b>(44,778)</b>	<b>(650)</b>	<b>(43,153)</b>
<b>Balance as of March 31, 2021</b>	<b>50,995</b>	<b>323,755</b>	<b>138,865</b>	<b>(18,654)</b>	<b>494,962</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, 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>
<b>Changes during current period</b>								
Issuance of new shares	—	—	—	—	—	—	—	410
Dividends from surplus	—	—	—	—	—	—	—	(3,422)
Net loss attributable to parent company shareholders	—	—	—	—	—	—	—	(41,078)
Acquisition of treasury stock	—	—	—	—	—	—	—	(2)
Disposal of treasury stock	—	—	—	—	—	—	—	309
Change of scope of application for consolidation and equity method	—	—	—	—	—	—	—	630
Net changes other than shareholders' equity during current period	1,717	3	297	726	2,744	(409)	(1,066)	1,267
<b>Total changes during current period</b>	<b>1,717</b>	<b>3</b>	<b>297</b>	<b>726</b>	<b>2,744</b>	<b>(409)</b>	<b>(1,066)</b>	<b>(41,885)</b>
<b>Balance as of March 31, 2021</b>	<b>3,240</b>	<b>46</b>	<b>4,923</b>	<b>(1,236)</b>	<b>6,973</b>	<b>1,447</b>	<b>4,891</b>	<b>508,275</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 of Japan Sdn. Bhd., Mitsukoshi (U.S.A.) Inc., Mitsukoshi Italia S.r.l., MICARD Co. Ltd.

In the consolidated fiscal year under review, Lime Tree Shipping AG was newly established, and Isetan Mitsukoshi Innovations Ltd. has become more significant. Accordingly, Lime Tree Shipping AG and Isetan Mitsukoshi Innovations Ltd. were included in the scope of consolidation.

In addition, as the Company has decided to liquidate ICJ Department Store Sdn. Bhd. and carried out share transfer of Isetan Mitsukoshi Real Estate Co., Ltd., these companies were excluded from the scope of consolidation.

(3) Name of principal nonconsolidated subsidiaries

Leotex Co., Ltd., Isetan Soleil Co., Ltd., Kyushu Communication Service Co., Ltd., Aiu Co., Ltd., Fashion Headline 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: 9

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

In the consolidated fiscal year under review, Yanlord Isetan Commercial Co., Ltd. was newly established and therefore included in 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 income (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., 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)
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(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 Operating 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, designated 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, swaps and options to hedge foreign exchange-rate fluctuation risk and interest-rate fluctuation risk

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 risk and interest-rate fluctuation risk 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 on Changes in Presentation Methods]

Effective from the consolidated fiscal year under review, the Group has applied “Accounting Standard for Disclosure of Accounting Estimates” (Accounting Standards Board of Japan (ASBJ) Statement No. 31, March 31, 2020) and included “Notes on Significant Accounting Estimates” herein.

[Notes on Accounting Estimates]

1. Impairment loss on fixed assets in the department store business in Japan

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

Impairment loss: 3,356 million yen                      Fixed assets: 609,049 million yen

(2) Other information contributing to understanding the details of accounting estimates

1) Calculation method

The Group engages in the department store business as its primary business and views each store as the basic unit representing the minimum unit responsible for generating cash flow.

For the stores that show a sign of impairment losses to be incurred, the Group compares the book value to recoverable value. If the Group determines an impairment loss should be recognized, the Group writes the book value down to recoverable value and records the decrease amount as an impairment loss. A recoverable amount is estimated based on its net realizable value or its value in use.

If a recoverable amount is its value in use, the Group makes the best estimate of undiscounted future cash flows based on the following fiscal year’s business plan, comprehensively considering the timing of COVID-19 containment and the sales growth rate that reflects the business plan, even under the current economic climate with high uncertainty of the future.

If a recoverable amount is its net realizable value, the amount for the asset group with a high level of significance is measured using appraisal value provided by a real estate appraiser in accordance with the Real Estate Appraisal Standards of Japan established by an external valuation institution.

2) Key assumptions

Key assumptions used to calculate undiscounted future cash flows include the sales growth rate based on the prospect for consumer spending trends in Japan, the outlook for recovery in demand from inbound visitors, the impact of COVID-19, and sales growth that reflects the business plan.

For the sales growth rate based on the prospect for consumer spending trends in Japan, the Group determines the sales growth rate for the following fiscal year based on forecasts provided by more than one outside professionals.

About the outlook for recovery in demand from inbound visitors, based on international transportation forecasts from outside organizations, the Group assumes that such demand in the following fiscal year will recover within the range of their recovery forecasts.

For the impact of COVID-19, it is difficult to predict how COVID-19 will spread and when it will be contained accurately. Given that, at present, the Group assumes that COVID-19 will impact its business performance until fiscal year 2023.

The sales growth rate that reflects the business plan is determined based on the economic climate surrounding the department store industry, store-specific events, and the uncertainty of the future.

3) Impact on the consolidated financial statements for the following fiscal year

The Group assesses that key assumptions used to calculate undiscounted future cash flows are deemed the best estimates based on available data, including external information. However, the future is highly uncertain, and it is difficult to predict the impact of COVID-19 accurately. Given this situation, if these assumptions need to be reviewed due to the prolonged effect of COVID-19, the sales growth rate that deviates from the estimate, or other factors, estimates of undiscounted future cash flows may be affected. Consequently, an impairment loss may incur in the next fiscal year.

In addition, appraisal value provided by a real estate appraiser based on the Real Estate Appraisal Standards may be affected by future trends in the real estate market. As a result, if the net realizable value decreases, an impairment loss may incur in the following fiscal year.

2. Recoverability of a deferred tax asset

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

Deferred tax assets (before offsetting deferred tax liabilities): 19,869 million yen

(2) Other information contributing to understanding the details of accounting estimates

1) Calculation method

The recoverability of a deferred tax asset is determined over the estimation period of three years for deductible temporary differences and unused tax losses based on the projections of future taxable profits.

The Group makes the best estimate of future taxable profits based on the following fiscal year plan, considering certain assumptions concerning the timing of COVID-19 containment, the impact of COVID-19, including the effect of temporary store closures, and other factors, even under the current economic environment with high uncertainty of the future.

2) Key assumptions

Key assumptions used to project future taxable profits include the sales growth rate based on the prospect for consumer spending trends in Japan, the outlook for recovery in demand from inbound visitors, and the impact of COVID-19.

For the sales growth rate based on the prospect for consumer spending trends in Japan, the Group determines the sales growth rate for the following fiscal year based on forecasts provided by more than one outside professionals.

About the outlook for recovery in demand from inbound visitors, based on international transportation forecasts from outside organizations, the Group assumes that such demand in the following fiscal year will recover within the range of their recovery forecasts.

For the impact of COVID-19, it is difficult to predict how COVID-19 will spread and when it will be contained accurately. Given that, at present, the Group assumes that COVID-19 will impact its business performance until fiscal year 2023.

3) Impact on the consolidated financial statements for the following fiscal year

For the projection of future taxable profits, considering the current economic climate with high uncertainty, the Group uses available data, including external information, and makes elastic estimates over the estimation period of three years to handle uncertainty of the future. In case of an unforeseen event, such as extended temporary store closures due to the declaration of a state of emergency, the Group may need to write down a deferred tax asset in the following fiscal year. On the other hand, if the uncertainty of the future is reduced due to factors such as earlier recovery from the impact of COVID-19 with the increasing vaccination rollout in the future, the Group may recognize an additional deferred tax asset in the following fiscal year.

[Additional Information]

(Accounting method pertaining to implementation of the Consolidated Taxation System)

The Company and some of its consolidated subsidiaries filed for applying the consolidated taxation system during the consolidated fiscal year under review and will implement the said system from the next consolidated fiscal year. Accordingly, effective from the consolidated fiscal year under review, the Group has adopted the accounting method on the premise of the application of the consolidated taxation system in accordance with the “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (ASBJ Practical Issues Task Force (PITF) No. 5, January 16, 2015) and the “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (ASBJ PITF No. 7, January 16, 2015).

The Company and some of its consolidated subsidiaries, with respect to items that transitioned to the group tax sharing system established in the “Act for Partial Amendment to the Income Tax Act, etc.” (Act No. 8 of 2020), as well as items for which the non-consolidated taxation system was reviewed according to the transition to the group tax sharing system, do not apply provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), pursuant to the treatment in Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, the amounts of deferred tax assets and deferred tax liabilities are based on the provisions in the tax law before the amendment.

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets	359,118 million yen
2. Contingent liability	
Guarantee liabilities	
Loan guarantees for housing loans of employees	40 million yen
Debt guarantees for bank loans of subsidiaries and affiliates	
West Japan Railway Isetan Ltd.	(Note) 7,989 million yen
Total of guarantee liabilities	8,029 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	28,907 million yen
Semifinished goods	5 million yen
Work in process	320 million yen
Raw materials and supplies	549 million yen
Total	29,782 million yen

[Notes to Consolidated Statement of Income]

1. Impairment losses

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	Buildings and structures	13	Isetan Singapore (Singapore)
	Construction in progress	2	
	Right-of-use assets	1,343	
	Other	404	
Stores	Land	1,725	Sapporo Mitsukoshi store (Sapporo-shi, Hokkaido)
Business Application Systems	Software	821	Chuo-ku, Tokyo
Stores	Buildings and structures	403	Fukuoka Mitsukoshi store (Fukuoka-shi, Fukuoka)
	Guarantee deposits	228	
	Other	77	
Stores	Buildings and structures	267	Isetan Tachikawa store (Tachikawa-shi, Tokyo)
	Other	51	
Stores	Buildings and structures	209	Kuala Lumpur Isetan (Malaysia)
	Other	58	
Stores and other	Buildings and structures	214	SOCIE (Shibuya-ku, Tokyo and other) and other
	Right-of-use assets	50	
	Software	59	
	Other	123	
Stores	Buildings and structures	170	Hiroshima Mitsukoshi store (Hiroshima-shi, Hiroshima)
	Other	33	
Vessels	Other	182	Lime Tree Cruises B.V. (Amsterdam, Netherlands)
Stores	Buildings and structures	152	Mitsukoshi Ebisu store (Shibuya-ku, Tokyo)
Other stores	Buildings and structures	265	Nagoya-shi, Aichi and other
	Land	17	
	Software	28	
	Goodwill	7	
	Guarantee deposits	19	
	Other	133	
	Total	7,067	

(Note) Of impairment losses recorded in the consolidated income statement, 389 million yen and 72 million yen are included in “loss on closing of stores” and “other,” respectively.

(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 net 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 to 11%.

2. Business structure improvement expenses

These expenses were primarily ones associated with the implementation of the Next Career Plan at Matsuyama Mitsukoshi Ltd. and Nagoya Mitsukoshi Ltd.

3. Losses due to COVID-19

These expenses were primarily fixed costs (personnel expenses, lease payments, depreciation, etc.) incurred due to the temporary closure of the Group's stores to prevent the spread of COVID-19 in light of the declaration of the state of emergency.



[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 396,459,054 shares

2. Matters concerning dividends of surplus

(1) Amount of dividend payment

Resolution	Types of stock	Total dividends (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders June 15, 2020	Common stock	2,280	6.00	March 31, 2020	June 16, 2020
Board of Directors' Meeting November 11, 2020	Common stock	1,141	3.00	September 30, 2020	December 4, 2020

- (2) Dividends for which the base date falls in the current consolidated fiscal year but the effective 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 25, 2021.

Resolution	Types of stock	Resource for dividend	Total dividends (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders June 25, 2021	Common stock	Retained earnings	2,286	6.00	March 31, 2021	June 28, 2021

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

Common stock 1,253,100 shares

[Notes to Financial Instruments]

1. Status of financial instruments

(1) Policy on handling of 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-rate 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 alleviates 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 risks, 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 rate 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. Assessment of hedge effectiveness have been omitted in line with the determination that conditions under exceptional accounting treatment for interest rate 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, 2021, 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)	Market values (Note 1)	Differences
(1) Cash and deposits	100,041	100,041	—
(2) Notes and accounts receivable	116,415	116,415	—
(3) Marketable securities and investment securities			
Bonds held to maturity	3,231	3,307	75
Available-for-sale securities	23,687	23,687	—
(4) Guarantee deposits	44,910	44,074	(836)
(5) Notes and accounts payable	(83,140)	(83,140)	—
(6) Short-term borrowings (Note 2)	(7,784)	(7,784)	—
(7) Corporate bonds	(40,000)	(39,969)	(31)
(8) Long-term debt (Note 2)	(111,100)	(110,294)	(805)
(9) Derivative transactions	4	4	—

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, the book value was shown as the market 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, the book value was shown as the market 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 based on the present value of future recoverable cash flows, discounted by the yield on government bonds, etc., corresponding to the residual period.
- (5) Notes and accounts payable  
Because notes and accounts payable are settled in the short term, the market

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, the book value was shown as the market 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 based on the sum of the principal and interest, discounted by the assumed rate that would apply to similar new borrowings. Variable-rate long-term debt is subject to the exceptional accounting treatment for interest rate swaps. Under this accounting treatment, the sum of principal and interest, which is treated as one with the corresponding interest rate swap, is discounted by a reasonably estimated interest rate that would apply to similar borrowings.
- (9) Derivative transactions  
Calculated based on prices, etc., designated by financial institutions, etc., that serve as counterparties. Interest rate swaps subject to the exceptional accounting treatment are treated as being one with the hedged long-term debt. 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 85,322 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 lease properties and other real estate

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

2. Market value 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
Lease properties and other real estate	117,686	202,938

Notes: 1. Amounts posted on the consolidated balance sheet represent the acquisition cost less accumulated depreciation and accumulated impairment losses.

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	1,317.23 yen
2. Net loss per share	(107.96) yen

[Notes to Significant Subsequent Events]

(Transfer of shares of a subsidiary)

The Company resolved at the meeting of the Board of Executives held on May 12, 2021 to transfer all of the shares (100.0% of shares issued and outstanding) of SWP Holdings Inc. (hereinafter, "SWP"), a consolidated subsidiary, to TBC GROUP CO., LTD. (hereinafter, "TBC").

(1) Reason for the transfer

SWP has been engaged in the aesthetic, hair and eye beauty services business at its stores, primarily in department stores, through its subsidiary SOCIE WORLD CO., LTD.

As a result of consideration of changes in SWP's business environment and the future direction of the business, the Company has judged it appropriate to transfer all shares of SWP that it holds to TBC.

(2) Name of counterparty of share transfer

TBC GROUP CO., LTD.

(3) Timing of share transfer

- 1) Contract date: May 12, 2021
- 2) Share transfer execution date: July 1, 2021 (planned)

Note: The execution of the share transfer is subject to the completion of processes including applications to the Japan Fair Trade Commission and other relevant authorities being made, permission and authorization obtained.

(4) Name and business lineup of the subsidiary and transactional relationship with the Company

- 1) Name: SWP Holdings Inc.
- 2) Business lineup: Holding shares of companies engaged in the hairdressing and beauty businesses, and the import, manufacture, sale, etc. of cosmetics  
Control and management of the business activities of such companies
- 3) Transactional relationship with the Company: The Company has transactional relationships including business consignment with SWP and its subsidiaries.

(5) Number of shares to be transferred, transfer price, gain or loss on transfer and number of shares to be held after the transfer

- 1) Number of shares to be transferred: 61,400 shares (as of May 12, 2021)  
(Ownership ratio of voting rights: 100.0%)
- 2) Transfer price: This information is not disclosed in view of the confidentiality obligation set forth in the transfer agreement with the transferee. The price was decided through negotiations with the transferee, and we deem the price to be appropriate.
- 3) Gain or loss on transfer: Currently under assessment.
- 4) Number of shares to be held after the transfer: 0 shares (Ownership ratio of voting rights: 0%)

## INDEPENDENT AUDITOR'S REPORT

May 12, 2021

### 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, 2020 through March 31, 2021.

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 and the Audit Committee 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 Audit Committee is responsible for monitoring the execution of Executives' and 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 Audit Committee 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 Audit Committee 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, 2021)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>	<b>777,598</b>	<b>Liabilities</b>	<b>332,685</b>
<b>Current assets</b>	<b>199,730</b>	<b>Current liabilities</b>	<b>197,038</b>
Cash and deposits	80,894	Short-term borrowings	28,000
Short-term loans receivable from subsidiaries and affiliates	125,701	Short-term borrowings payable to subsidiaries and affiliates	116,414
Corporate tax refund receivable, etc.	3,069	Commercial paper	50,000
Accrued income	8,222	Accounts payable	110
Other	1,070	Accrued expenses	1,911
Allowance for doubtful accounts	(19,229)	Accrued bonuses	30
<b>Fixed assets</b>	<b>577,765</b>	Income taxes payable	194
<b>Tangible fixed assets</b>	<b>4</b>	Other	378
Appliance and fixtures	4	<b>Fixed Liabilities</b>	<b>135,646</b>
<b>Intangible fixed assets</b>	<b>2</b>	Corporate bonds	40,000
Software	2	Long-term debt	87,800
<b>Investments and other assets</b>	<b>577,758</b>	Provision for loss on business of subsidiaries and affiliates	5,035
Investment securities	510	Provision for loss on guarantees	2,811
Stocks of subsidiaries and affiliates	451,587	<b>Net assets</b>	<b>444,913</b>
Long-term loans receivable from subsidiaries and affiliates	125,300	<b>Shareholders' equity</b>	<b>443,465</b>
Deferred tax assets	257	<b>Common stock</b>	<b>50,995</b>
Other	102	<b>Capital surplus</b>	<b>397,660</b>
<b>Deferred assets</b>	<b>102</b>	Capital reserve	19,343
Corporate bond issuance cost	102	Other capital surplus	378,317
		<b>Retained earnings</b>	<b>13,466</b>
		Other retained earnings	13,466
		Retained earnings carried forward	13,466
		<b>Treasury stock</b>	<b>(18,657)</b>
		<b>Stock acquisition rights</b>	<b>1,447</b>
<b>Total</b>	<b>777,598</b>	<b>Total</b>	<b>777,598</b>

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

**Nonconsolidated Statement of Income**

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Account item	Amount	
Operating revenues		
Dividend income	15,024	
Management service income	7,825	
Service revenue	878	23,728
Selling, general and administrative costs		8,659
Operating income		15,069
Nonoperating income		
Interest income	1,346	
Miscellaneous income	31	1,377
Nonoperating expenses		
Interest expenses	1,162	
Miscellaneous expenses	2,895	4,058
Recurring income		12,388
Extraordinary loss		
Provision of allowance for doubtful accounts	5,128	
Provision for loss on business of subsidiaries and affiliates	2,085	
Loss on valuation of stocks of subsidiaries and affiliates	918	8,132
Income before income taxes		4,256
Corporate tax, corporate inhabitant tax, business tax	(19)	
Deferred taxes	84	64
Net income		4,191

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

## Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2020 to March 31, 2021)

(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, 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>
<b>Changes during current period</b>						
Issuance of new shares	205	205	—	205	—	—
Dividends from surplus	—	—	—	—	(3,422)	(3,422)
Net income for current period	—	—	—	—	4,191	4,191
Acquisition of treasury stock	—	—	—	—	—	—
Disposal of treasury stock	—	—	(343)	(343)	—	—
Net changes other than shareholders' equity during current period	—	—	—	—	—	—
<b>Total change during current period</b>	<b>205</b>	<b>205</b>	<b>(343)</b>	<b>(138)</b>	<b>769</b>	<b>769</b>
<b>Balance as of March 31, 2021</b>	<b>50,995</b>	<b>19,343</b>	<b>378,317</b>	<b>397,660</b>	<b>13,466</b>	<b>13,466</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, 2020</b>	<b>(19,308)</b>	<b>441,979</b>	<b>—</b>	<b>—</b>	<b>1,857</b>	<b>443,836</b>
<b>Changes during current period</b>						
Issuance of new shares	—	410	—	—	—	410
Dividends from surplus	—	(3,422)	—	—	—	(3,422)
Net income for current period	—	4,191	—	—	—	4,191
Acquisition of treasury stock	(2)	(2)	—	—	—	(2)
Disposal of treasury stock	653	309	—	—	—	309
Net changes other than shareholders' equity during current period	—	—	—	—	(409)	(409)
<b>Total change during current period</b>	<b>650</b>	<b>1,486</b>	<b>—</b>	<b>—</b>	<b>(409)</b>	<b>1,076</b>
<b>Balance as of March 31, 2021</b>	<b>(18,657)</b>	<b>443,465</b>	<b>—</b>	<b>—</b>	<b>1,447</b>	<b>444,913</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 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 from bad debts, for certain receivables such as doubtful receivables, estimated uncollectible amount is accounted for considering the collectability of respective receivables.

##### **Accrued bonuses**

In order to prepare for bonus payments to Operating Officers and employees, provision is made based on the estimated bonus payments, which are attributable to the current 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 on guarantees**

In order to prepare for losses relating to debt guarantees 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 statements**

##### **1) Accounting 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 are accounted for by the tax exclusion method.

[Additional Information]

(Accounting method pertaining to implementation of the Consolidated Taxation System)

The Company filed for applying the consolidated taxation system during the fiscal year under review and will implement the said system from the next fiscal year. Accordingly, effective from the fiscal year under review, the Company has adopted the accounting method on the premise of the application of the consolidated taxation system in accordance with the “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (ASBJ PITF No. 5, January 16, 2015) and the “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (ASBJ PITF No. 7, January 16, 2015).

The Company, with respect to items that transitioned to the group tax sharing system established in the “Act for Partial Amendment to the Income Tax Act, etc.” (Act No. 8 of 2020), as well as items for which the non-consolidated taxation system was reviewed according to the transition to the group tax sharing system, do not apply provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), pursuant to the treatment in Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, the amounts of deferred tax assets and deferred tax liabilities are based on the provisions in the tax law before the amendment.

[Notes to Nonconsolidated Balance Sheet]

Accumulated depreciation of tangible fixed assets	2 million yen
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Guarantee liabilities

Debt guarantees in respect to funds borrowed by subsidiaries and affiliates

West Japan Railway Isetan Ltd.	7,989 million yen
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Note: The above figure shows debt guarantees after deducting the provision for loss on guarantees.

Short-term receivables from subsidiaries and affiliates	8,410 million yen
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Short-term payables to subsidiaries and affiliates	1,594 million yen
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[Notes to Nonconsolidated Statement of Income]

Transactions with subsidiaries and affiliates

Turnover based on operating transactions

Operating revenues	23,728 million yen
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Selling, general and administrative expenses	1,244 million yen
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Other revenues	2,222 million yen
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[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	15,938,328	4,598	539,442	15,403,484

- Notes: 1. The increase of 4,598 shares is due to requests for the redemption of odd-lot shares.
2. The number of shares decreased by 542 shares due to requests for the additional purchase of odd-lot shares and by 538,900 shares due to disposal of treasury stock as restricted stock compensation.

[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	9 million yen
Accounts payable	177 million yen
Accrued enterprise tax	88 million yen
Stock option expenses	293 million yen
Loss on valuation of stocks of subsidiaries and affiliates	9,733 million yen
Provision for loss on business of subsidiaries and affiliates	1,541 million yen
Provision for loss on guarantees	860 million yen
Allowance for doubtful accounts	5,888 million yen
<u>Other</u>	<u>685 million yen</u>
Sub-total deferred tax assets	19,279 million yen
<u>Valuation reserve</u>	<u>(18,991) million yen</u>
Total deferred tax assets	288 million yen

(Deferred tax liabilities)

<u>Enterprise tax receivable</u>	<u>(30) million yen</u>
<u>Total deferred tax liabilities</u>	<u>(30) million yen</u>
<u>Net deferred tax assets (liabilities)</u>	<u>257 million yen</u>

[Notes to Transactions with Related Parties]

1. 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)	7,119	Accrued income	7,831
				Accounting fees (Note 1)	333	—	—
				Lending of funds (Note 2)	14,286	Affiliates short-term loans receivable	68,407
						Affiliates long-term loans receivable	125,300
				Receipt of interest (Note 3)	1,040	Accrued income	68
				Repayment of funds (Note 2)	—	Affiliates short-term borrowings	—
				Payment of interest	15		
				Advance payment of personnel expenses for loaned employees (Note 4)	4,272	Accrued expenses	291
Subsidiaries	Iwataya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate  Borrowing and Lending of Fund	Lending of funds (Note 2)	490	Affiliates short-term loans receivable	7,362
Subsidiaries	Nagoya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate  Borrowing and Lending of Fund	Repayment of funds (Note 2)	3,517	Affiliates short-term borrowings	3,109
Subsidiaries	MICARD Co. Ltd.	Direct: 100%	Interlocking directorate  Borrowing and Lending of Fund	Receipt of funds (Note 2)	4,713	Affiliates short-term loans receivable	22,675
				Receipt of interest (Note 3)	113		
Subsidiaries	MI TOMONO-KAI Co., Ltd.	Indirect: 100%	Borrowing and Lending of Fund	Borrowing of funds (Note 2)	2,784	Affiliates short-term borrowings	86,567
				Payment of interest (Note 3)	495		
Affiliates	West Japan Railway Isetan Ltd.	Direct 40%	Interlocking directorate	Debt guarantees	10,800	Provision for loss on guarantees	2,811

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 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.

2. Officers and major individual shareholders, etc.

(Millions of yen)

Category	Name of companies, etc. and persons	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
Officer	Toshihiko Sugie	(Held) Direct: 100%	Director, President and CEO of the Company	Disposal of treasury stock pertaining to in-kind contribution of monetary compensation claim	21	—	—
Officer	Toru Takeuchi	(Held) Direct: 100%	Director, Executive Vice President and CMO of the Company	Disposal of treasury stock pertaining to in-kind contribution of monetary compensation claim	13	—	—

Transaction conditions and decision policies thereof

Notes:

The above pertains to in-kind contribution of monetary compensation claim under the restricted stock compensation plan.

The disposal price of treasury stock was determined based on the closing price of the Company's common stock on the Tokyo Stock Exchange as of November 10, 2020 (business day immediately before the date of the resolution concerning the disposal of treasury stock by the Board of Directors).

[Notes to Per-share Information]

- |                         |              |
|-------------------------|--------------|
| 1. Net assets per share | 1,163.78 yen |
| 2. Net income per share | 11.02 yen    |



[Notes to Significant Subsequent Events]

(Transfer of shares of a subsidiary)

The Company resolved at the meeting of the Board of Executives held on May 12, 2021 to transfer all of the shares (100.0% of shares issued and outstanding) of SWP Holdings Inc., a consolidated subsidiary, to TBC GROUP CO., LTD. The overview is included in the “Notes to Significant Subsequent Events” of the consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

May 12, 2021

### 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 13th fiscal year from April 1, 2020 through March 31, 2021.

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 and the Audit Committee 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 Audit Committee are responsible for monitoring the execution of Executives' and 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 Audit Committee 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 Audit Committee 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 Audit Committee has audited the execution of duties by Directors and Executives for the 13th fiscal term from April 1, 2020 to March 31, 2021. It has prepared this Audit Report on the auditing methods and results, and hereby submits it as follows:

#### 1. Auditing Methods and Contents

The Audit Committee received regular reports from Directors, Executives and employees, etc. regarding the resolutions of the Board of Directors concerning the matters set forth under Article 416, Paragraph 1, Item 1 c) of the Companies Act, and the construction and operational status of systems (internal control systems) implemented based on these resolutions. It requested explanations where necessary, expressed opinions, and implemented audits using the following methods.

- (1) The Audit Committee coordinated with the Company's internal audit departments and other departments responsible for internal control, attended important meetings, and received reports regarding the status of the execution of duties from Directors and Executives, etc., and requested explanations as necessary, based on the auditing standards of the Audit Committee, in accordance with the auditing policies and division of duties established by the Audit Committee. It inspected important decision-making and other documents, and investigated the status of operations and assets at the Company's headquarters, etc. In addition, for subsidiaries, it received from subsidiaries their reports on their business as necessary through communication and information sharing with their directors and corporate auditors.
- (2) The Audit Committee audited whether or not the Accounting Auditor is maintaining an independent position and conducting the audits appropriately, and also received reports and requested explanations as necessary 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 requested explanations as necessary.

In accordance with the aforementioned procedures, the Audit Committee 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, 2021.

## 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 and Executives, 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 and Executives under the relevant internal control system, there are no matters to be pointed out.

### (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

Note: The Company transitioned from a company with a Board of Corporate Auditors to a company with a nominating committee, etc. effective June 15, 2020. From April 1, 2020 until the day before the transition, the Board of Corporate Auditors performed its duties in accordance with the provisions of the Companies Act. The Audit Committee was fully briefed by the Board of Corporate Auditors at the time of the transition.

May 12, 2021

Audit Committee of Isetan Mitsukoshi Holdings Ltd.

Full-time Audit Committee Member Toshinori Shirai

Full-time Audit Committee Member Ken Akamatsu

Audit Committee Member Takashi Oyamada

Audit Committee Member Hidetoshi Furukawa

Audit Committee Member Fukutaka Hashimoto

Note: Audit Committee Members Takashi Oyamada, Hidetoshi Furukawa and Fukutaka Hashimoto are External Directors as prescribed under Article 2, Paragraph 15 and Article 400, Paragraph 3 of the Companies Act.

Note: Full-time Audit Committee Member Ken Akamatsu assumed office on April 1, 2021. He received explanations from other Audit Committee Members and examined important documents regarding the audit of execution of duties by Directors and Executives in the 13th fiscal term.