

Convocation Notice

Securities Code: 3099

May 30, 2013

To Shareholders with Voting Rights

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

**NOTICE OF THE CONVOCATION  
OF THE 5<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 5<sup>th</sup> Ordinary General Meeting of Shareholders of Isetan Mitsukoshi Holdings Ltd. (the “Company”). The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by either of the following means. Please review the Reference Documents for the General Meeting of Shareholders described on page 71-77, and exercise your voting rights by 8:00 p.m. Friday, June 21, 2013.

**Exercise of Voting Rights in Writing**

Please indicate your votes for or against the proposals on the enclosed Voting Rights Exercise Form and return it to the Company, ensuring that the form reaches us no later than the above voting deadline.

**Exercise of Voting Rights via the Internet**

Please access the website designed for the purpose of exercising voting rights (<http://www.evotep.jp/>) from your PC, and enter your votes for or against the proposals following the guidance on the screen, using the login ID and temporary password indicated in the enclosed Voting Rights Exercise Form. Please review the “Guide for Procedures of Exercising Voting Rights via the Internet” described on page 78-79 for details.

If we receive votes both by conventional mail and via the Internet, we will consider the Internet vote to be the valid vote.

If we receive votes multiple times via the Internet, we will consider the last vote to be the valid vote.

- 1. Date and Time:** Monday, June 24, 2013, at 10:00 a.m.
- 2. Place:** Heian Room, 1F, Main Building, Hotel Okura Tokyo  
2-10-4, Toranomom, Minato-ku, Tokyo, Japan  
Please be aware that if Heian Room is full, you will be shown to a second meeting room.

The meeting venue is different from the one used up until last year, so we request that you refer to “The Venue Information for the Ordinary General Meeting of Shareholders” (Japanese Only) at the back of this document when attending the meeting to ensure that you do not go to the wrong place.

**3. Agenda of the Meeting:**

- Matters to be reported:**
1. The Business Report and the Consolidated Financial Statements for the 5<sup>th</sup> term (from April 1, 2012 to March 31, 2013) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
  2. The Non-Consolidated Financial Statements for the 5<sup>th</sup> term (from April 1, 2012 to March 31, 2013)

**Proposals to be resolved:**

- Proposal No. 1:** Appropriation of Surplus
- Proposal No. 2:** Election of Nine Directors
- Proposal No. 3:** Payment of Bonuses to Directors

<Request>

- \* For those attending the Meeting, please submit the enclosed Voting Rights Exercise Form at the meeting venue reception desk on arrival.
- \* Please bring this Notice with you to help us conserve resources.
- \* Please bear in mind that non-shareholding proxies, persons accompanying you or anyone else who is not a shareholder will NOT be allowed to enter the venue.

<Notice>

- \* The following matters are not stated in the documents attached to the Notice of the Convocation of the General Meeting of Shareholders as they have been published on the Company’s website (<http://www.imhds.co.jp>) pursuant to laws and regulations and Article 16 of the Company’s Articles of Incorporation:
  - (1) Notes to consolidated accounting; and
  - (2) Notes to non-consolidated accounting.The consolidated financial statements and non-consolidated financial statements audited by the Corporate Auditors and the Accounting Auditor consist of the notes to the consolidated financial statements and the notes to the non-consolidated financial statements on the Company’s website as well as the documents included with this notice of convocation.
- \* In the event of any modification, it will be announced via the Company Internet website (<http://www.imhds.co.jp/>). If there is no modification, nothing will be displayed.

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To Our Shareholders

*Marching toward the world's foremost retail services group*

On March 31, 2013, Isetan Mitsukoshi Holdings Ltd. prepared its fifth financial statements, which we hereby submit to you in this report. We encourage you to read it.

During the fiscal year under review, against a backdrop of slowdown in the global economy, the strength of economic recovery remained weak, including a decline in exports and production, and challenging conditions also persisted in the area of consumption.

Despite such circumstances, the Group offered high-quality products and services by connecting deeply with the lifestyle of each individual customer with our spirit of hospitality in a comfortable environment, thereby improving customer satisfaction.

In April 2013 it was five years since the management integration of Mitsukoshi Ltd. and Isetan Co. Ltd. During this time, the Group has worked to build a more efficient business operating structure, and we have largely managed to establish the infrastructure for sustainable growth. In the future, the Group is committed to achieving results which will increase the value we deliver to all of our shareholders.

The consumption environment will remain challenging and competition will intensify in all business types and categories. Despite such difficulties, the Group will continue to constantly create and deliver to our customers high quality, new lifestyles, aiming to achieve the Group's vision to become "the world's foremost retail services group."

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

Kunio Ishizuka

Chairman and Representative Director

Hiroshi Onishi

President and Representative Director

## **Isetan Mitsukoshi Group Corporate Philosophy**

### **Group Slogan**

“Interfacing with Excellence”

### **Group Philosophy**

Striving to interface with integrity, flexibility and dynamism

- We strive to interface with every customer. We wholeheartedly respond to customer needs and expectations through our focus on superlative service.
- We strive to interface with coworkers. We enhance our knowledge and skills together to create new value.
- We strive to interface with our shareholders. We faithfully respond to shareholder expectations by pursuing ambitious targets and practicing fair and transparent management.
- We strive to interface with our partners. We cultivate the optimum partnerships for achieving our shared goal of delivering customer satisfaction.
- We strive to interface with communities, society and the Earth. We contribute to the fulfillment of aspirations.

Cultivating irreplaceable relationships of trust far into the future

### **Group Vision**

To be “my indispensable department store” for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in their many different roles in life. By doing so, we aim to be the world’s foremost retail services group with high profitability and sustained growth.

## Business Report

(From April 1, 2012 to March 31, 2013)

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

#### (1) Business developments and results

During the consolidated fiscal year under review, Japan's economy as a whole remained weak. Amidst the prevailing sense of uncertainty about the future of the global economy against the backdrop of the European debt problem and the slowdown in the Chinese economy, production, at exporters especially, was sluggish although some improvement in sentiment due to rising stock prices was seen in the final stages of the fiscal year.

Conditions in the retail industry overall continued to fluctuate. Despite a trend toward recovery in consumption with the improvement in economic sentiment in some sectors, the tendency of consumers to curb their consumption and to be budget-minded remained strong in the absence of marked improvements in the income and employment environment.

The Group optimized the strengths and management resources of the Group companies, thereby strengthening sales activities and improving business efficiency, toward achieving the Group's vision: to become "the world's foremost retail services group."

#### Department stores

In the department store business, we further increased the effects of the integration of Mitsukoshi and Isetan and accelerated structural reforms to leverage Group capabilities.

At Isetan Mitsukoshi Ltd., which operates department stores in the Tokyo metropolitan area, we strove to improve customer satisfaction by interfacing with customers daily and consistently delivering a high level of "customer value."

Specifically, we made distinctive product proposals by expanding the Isetan Mitsukoshi Group's special "Only MI" brand extensively across all areas of food, clothing and homewares. At the same time, in JAPAN SENSES, a project introducing the concept of *monodukuri* (production of value-added products), we reaffirmed the quality of Japan's proud aesthetic sense, techniques and traditions, and introduced new added value that is suited to current lifestyles. We also initiated reforms in our merchandise purchasing structure and strove to create the value that customers seek by establishing a consistent operational flow by ourselves from developing distinctive products in collaboration with materials manufacturers and sewing plants to

undertaking sales.

Furthermore, our efforts to restructure our sales system included trying to make the timing of price markdowns regular to ensure a full product assortment of the merchandise that customers want when they want it as well as reviewing opening hours to provide customers with even higher quality treatment and service.

At the Isetan Shinjuku store, we have been working on large-sale renovations based on the concept of “the world’s best fashion museum” since May 2012, and we held a grand opening on March 6, 2013. The aim of the store is to create a “museum” that perceives fashion as art and constantly disseminates fresh information through distinctive collections as well as fusing diverse presentation settings and service to create a gratifying sensory environment for customers. Moreover, with the store itself providing an entertainment function, it has also become an attractive destination where customers naturally get together and can feel inspired, not only for the purpose of shopping. As a result, a large number of customers have visited the store since the opening, and sales have continued to outperform forecasts.

At the Mitsukoshi Nihonbashi store, we deepened our relationships of trust with customers by consistently providing high quality goods and services. At the same time, we worked on preparations for the reconstruction of the store aimed at creating a “prestige store appropriately symbolizing Mitsukoshi” in order to precisely meet the demands of customers who require even higher quality.

At the Mitsukoshi Ginza store, by offering products and services featuring and emphasizing Ginza as a new “Ginza style,” the age groups of the customers who visited the store expanded, and sales were healthy. In October 2012 and March 2013, we held Ginza Fashion Week jointly with Matsuya Ginza, proactively striving to attract more customers to the Ginza area as a whole.

At our Isetan Mitsukoshi Ltd. branch stores and regional department store companies, we have steadily improved the earning potential of each store by further increasing the precision of the business operating system by leveraging the Group’s capabilities as well as promoting the introduction of “Unit Shops,” which have standardized business operations.

Meanwhile, in the overseas department store business, we strove to open up and cultivate markets in China and Southeast Asia, which are experiencing marked growth, and we worked to build an earnings base capable of contributing to the entire Group. During the fiscal year under

review, sales at some stores in China underperformed the previous year in some quarters due to such factors as the slowdown in economic growth in China. However, overall sales were firm with a general trend of recovery from the beginning of 2013 onward as well as a large number of stores in Southeast Asia with healthy sales.

With regard to the stores we opened during the fiscal year under review, in Malaysia we had a Grand Opening for the One Utama store inside a shopping center near Kuala Lumpur in May 2012. This store is the Group's fourth in Malaysia, building a store structure that extensively covers the Kuala Lumpur trading area. In China, we held a Grand Opening for our second store in Tianjin in January this year, and we aim to expand earnings by leveraging the know-how we acquired through our pioneer store openings in China.

In the future, we plan to open our sixth store in Singapore as a core store in a shopping center scheduled to open in Jurong East at the end of this year. In China as well, we are planning to open our second store in Chengdu as the core store of a shopping mall with opening targeted for the end of 2014.

We hereby report that Shenyang Isetan Co. Ltd., which had operated a department store in Shenyang, China since February 2008, ceased trading and went into liquidation in May this year as a result of the rationalization of our China operations.

Next, in our growth business initiatives, by leveraging the capabilities we have cultivated in our department stores, we strove to open small-scale stores outside our department stores to expand our interaction with customers. At the same time, we worked to strengthen our Internet business to meet the diverse needs of customers by drawing on the product assortment and distinctive sales service that only a department store can provide.

Since opening our first small-scale store ISETAN MIRROR Make&Cosmetics based on the concept of "a luxury cosmetics shop where you can buy what you want, how you want, when you want" at the LUMINE Shinjuku 2 in March 2012, we have now opened outlets at LUMINE Omiya, CELEO Hachioji, LUMINE Kitasenju, LUMINE Yokohama, and PARCO Kichijoji. Drawing on the sales and product procurement expertise of the Isetan Shinjuku store, which is strong in the area of luxurious cosmetics, these stores are being used by a large number of new customers and sales have been solid.

In April 2012, we opened the ISETAN HANEDA STORE at the Haneda Airport Terminal 1 for



domestic passenger routes. This store mainly offers a variety of business trip essentials and leisurewear as well as a coffee shop and bar, and has received positive feedback from customers who are on their way to destinations.

Meanwhile, in our Internet business, we established Fashion Headline, Ltd., a joint venture with IID Inc., and set up FASHION HEADLINE, a comprehensive fashion news site to create an ideal for the dissemination of new information over the Internet by department stores in December, 2012. We have also begun some unique ventures in response to our rapidly changing networked society, including the opening of “ISETAN PARK net” a website to deliver live news about the store’s people, products and events to customers using social media to coincide with the large-scale refurbishment of the Isetan Shinjuku store.

As a result of all the above measures, our department store business posted net sales of ¥1,122.4 billion (99.5% of the previous year’s net sales) and operating income of ¥18.6 billion (103.4% of the previous year’s operating income).

#### Credit, finance and customer organization management

In the credit, finance and customer organization management businesses, we streamlined the Group operation system for credit cards, insurance and customer organization management in order to improve convenience for our Group customers and to build a higher earnings base.

Specifically, MICARD Co., Ltd. began taking registrations for a service that applies the most favourable interest rate granted within a family to all the family members in August 2012, aiming to receive constant patronage for the Group’s card across several generations of a family.

In the Group’s overall Tomonokai customer organization management business, MI TOMONOKAI Co., Ltd. endeavored to enhance the convenience of Tomonokai shopping cards.

With regard to customer organization management, MI TOMONOKAI Co., Ltd. extended the area of use of the customer organization management shopping cards to the direct shopping field, thereby improving customer convenience.

Under the circumstances outlined above, our credit, finance and customer organization management business booked net sales of ¥30.9 billion (108.4% of the previous year’s net sales) and operating income of ¥3.7 billion (139.3% of the previous year’s net sales).

### Other retail & specialty stores

In our other retail & specialty stores business, Isetan Mitsukoshi Food Service Ltd. strove to streamline operations relating to the marketing, production and wholesaling of foods and improve product capability.

Queen's Isetan, the supermarket operated by the company, opened the Fujimino store in June 2012 and the Musashisakai store in May 2013, and, featuring a high quality product assortment focused on food that guarantees safety, comfort and health, including "Green Q," which pursues greater quality, has been well accepted by local customers. We plan to open a new store at JR Yamanote Mejiro Station in Toshima-ku, Tokyo in fall 2014.

Meanwhile, at Isetan Mitsukoshi Direct Shopping Ltd. we delivered the distinctive product assortment and high-quality service that only the Group can offer through catalog, TV shopping sales and door-to-door delivery services as well as working to build the infrastructure to meet the diverse needs of customers.

In January 2013, the Group and JAPAN POST Co., Ltd., agreed to begin preparations to establish a new company, which will draw on the strengths of both of our companies to procure merchandise and produce catalogs together. We are now working to give concrete shape to the details for individual projects.

Although we adopted diverse strategies to develop new areas of the other retail and specialty store business, competition between stores and business categories was more challenging than expected. As a result, the other retail & speciality store business booked net sales of some ¥85.7 billion (97.8% of the previous year's net sales) and recorded an operating loss of some ¥0.5 billion.

### Real estate business

In the real estate business, Isetan Mitsukoshi Building Management Ltd., which operates a building management business, streamlined the Group's overall operational support services as well as promoting energy conservation and cost reductions through such measures as standardizing the environment at the Group's department stores. As a result, the real estate business posted net sales of ¥32.7 billion (137.5% of the previous year's net sales) and operating income of ¥3.5 billion (391.7% of the previous year's operating income).

### Other businesses

In other businesses, such as Isetan Mitsukoshi System Solutions Ltd., an information processing service business operator; Isetan Mitsukoshi Business Support Ltd., a logistics business operator; and Isetan Mitsukoshi Human Solutions Ltd., a human resource service operator optimized management resources within the Group as well as striving to streamline operational support services.

As a result, other businesses together posted net sales of ¥72.7 billion (96.6% of the previous year's net sales) and operating income of ¥1.1 billion (67.4% of the previous year's operating income).

As we reported in October 2012, West Japan Railway Isetan, an equity method subsidiary, recorded an extraordinary loss because business results at the JR Osaka Mitsukoshi Isetan Department Store operated by the company underperformed initial projections. As a result, the Group recorded the amount proportionate to its equity holding as a loss on equity investments.

West Japan Railway Company and West Japan Railway Isetan Ltd. are both making the utmost efforts to restructure the store and achieve profitability in the near future.

As a result of all above operations, for the consolidated fiscal year under review the Group posted net sales of some ¥1,236.3 billion (99.7% of the previous year's net sales), operating income of some ¥26.6 billion (111.8% of the previous year's operating income), ordinary income of some ¥34.2 billion (89.0% of the previous year's ordinary income) and net income of some ¥25.2 billion (42.9% of the previous year's net income).

Net sales of Isetan Mitsukoshi Ltd. for the fiscal year under review (from April 1, 2012 through March 31, 2013) were some ¥627.9 billion (98.5% of the previous year's net sales) with operating income of some ¥17.8 billion (107.5% of the previous year's operating income).

### (2) Capital expenditures

Our capital expenditures during the consolidated fiscal year under review totaled ¥30.4 billion, which consisted principally of ¥19.7 billion for renovations of the Isetan Mitsukoshi Group stores.

### (3) Fund-raising matters

There were no significant matters to report during the consolidated fiscal year under review.

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

The future economic environment is expected to see a gradual improvement in the employment and income environment as the new Japanese government implements fully fledged policies aimed at reviving Japan's economy and escaping the prolonged appreciation of the yen and deflationary recession in the near future. Nevertheless, given the impact of future reforms planned for the tax system and an aging population combined with a low birthrate, the operating environment surrounding the Group will continue to be severe.

This is why the Group aims to become “my indispensable department store” that is always chosen by our customers by steadily carrying out its role in the retail industry to “provide customers with what they want, when they want it” and “inspire customers” over and over again, which is a role that does not change with the times.

To this end, the Group will promote the following specific strategies.

The first strategy is to realize the Mitsukoshi Nihonbashi store, the Mitsukoshi Ginza store and the Isetan Shinjuku store as the Group's core department stores in the Tokyo Metropolitan Area, serving not only as flagship stores for the Group but as examples of the ideal department store for the retail industry. In addition, to increase our ability to identify the true needs of customers swiftly and accurately and to provide the right products at the right time at a price that matches value, we will strongly promote distinctive structural reforms in the area of the Group's merchandise purchasing.

So that customers can have close and convenient access to products and services that draw on the know-how of our department stores, we will deeply penetrate areas where customers are active in their daily lives by accelerating the opening of small-scale stores outside of our department stores as well as further strengthening our supermarket business and direct shopping business, including the online and catalog sales businesses.

Furthermore, in the Group's credit card business, which forms our shared information infrastructure, we will build a management base capable of strongly promoting Group strategies by further enhancing MI Card, the Group card.

Meanwhile, in the overseas department store business, we will carefully examine the locations and terms and conditions for the opening of stores in the future, primarily in China and

Southeast Asia, and actively look into opening new stores.

The Group will steadily promote the above strategies, aiming to improve customer satisfaction and strengthen earning capacity thereby building the foundations for achieving sustainable and perpetual growth in the future.

We strive to enhance our long-term corporate value so as to offer greater value to shareholders.

We take this opportunity to express our heartfelt gratitude for all the support and goodwill rendered to us over the past years and request that you kindly continue to support and encourage us in the future.

## Segment information

(Millions of yen)

|  | Report Segments     |   |   |                |           | Other<br>Businesses<br>(Note 1) | Total     | Adjustments<br>(Note 2) | Amount<br>Posted in<br>Consolidated<br>Statutory<br>Reports<br>(Note 3) |
|--|---------------------|---|---|----------------|-----------|---------------------------------|-----------|-------------------------|---|
|  | Department<br>Store | Credit &<br>Finance /<br>Customer<br>Organiza-<br>tion<br>Manage-<br>ment | Other<br>Retail &<br>Specialty<br>Store | Real<br>Estate | Total     |                                 |           |                         |   |
| Net Sales  |                     |   |   |                |           |                                 |           |                         |   |
| Outside customers                                  | 1,120,924           | 14,088  | 71,592                                  | 15,587         | 1,222,192 | 14,141                          | 1,236,333 | -                       | 1,236,333   |
| Inter-segment sales                                | 1,525               | 16,858  | 14,152                                  | 17,148         | 49,684    | 58,597                          | 108,282   | (108,282)               | -   |
| Total  | 1,122,449           | 30,947  | 85,745                                  | 32,735         | 1,271,877 | 72,738                          | 1,344,616 | (108,282)               | 1,236,333   |
| Segment profit/ loss                               | 18,685              | 3,710   | (532)                                   | 3,526          | 25,390    | 1,109                           | 26,499    | 139                     | 26,639  |
| Segment assets                                     | 1,025,356           | 208,110   | 23,984                                  | 162,585        | 1,420,036 | 31,541                          | 1,451,578 | (227,900)               | 1,223,677   |
| Others   |                     |   |   |                |           |                                 |           |                         |   |
| Depreciation                                       | 15,085              | 2,788   | 719                                     | 1,066          | 19,659    | 4,007                           | 23,666    | (306)                   | 23,360  |
| Impairment loss                                    | 6,061               | -   | 327                                     | -              | 6,388     | 9                               | 6,398     | -                       | 6,398   |
| Investment in equity<br>method affiliates          | 33,146              | -   | 3,358                                   | 16,793         | 53,298    | 71                              | 53,370    | -                       | 53,370  |
| Increase in<br>tangible/intangible<br>fixed assets | 21,597              | 1,392   | 1,217                                   | 1,475          | 25,683    | 5,032                           | 30,716    | (217)                   | 30,499  |

- Notes: 1. "Other Businesses" is not included in Report Segments and includes services of manufacturing, exporting, importing, wholesaling, distribution, temporary personnel, and data processing, etc.
2. Adjustments are as follows:
- (1) Adjustment of segment profit of ¥139 million is the amount of inter-segment unrealized profit and others.
  - (2) Adjustment of segment assets minus ¥227,900 million is the offset amount of inter-segment receivables and payables.
  - (3) Adjustment of segment depreciation of minus ¥306 million is the amount of inter-segment-unrealized profit.
  - (4) Adjustment of increase in tangible/intangible fixed assets of minus ¥217 million is largely inter-segment unrealized profit.
3. Segment profit/loss is adjusted with Operating income in the Consolidated Statement of Income.

Net sales by domestic department store

(By company and store)

| Company & Store Name                   |                             | Amount<br>(Millions of yen) | Percentage of<br>Total (%) | Year-on-year<br>Comparison (%) |
|--|-----------------------------|-----------------------------|----------------------------|--------------------------------|
| Isetan Mitsukoshi Ltd.                 | Mitsukoshi Nihonbashi store | 163,181                     | 26.0                       | 98.8                           |
|  | Mitsukoshi Ginza store      | 61,267                      | 9.8                        | 106.5                          |
|  | Mitsukoshi Chiba store      | 17,343                      | 2.8                        | 94.3                           |
|  | Isetan Shinjuku store       | 236,841                     | 37.7                       | 100.8                          |
|  | Isetan Tachikawa store      | 38,768                      | 6.2                        | 102.8                          |
|  | Isetan Matsudo store        | 21,406                      | 3.4                        | 97.1                           |
|  | Isetan Urawa store          | 42,964                      | 6.8                        | 99.0                           |
|  | Isetan Sagamihara store     | 25,708                      | 4.1                        | 97.1                           |
|  | Isetan Fuchu store          | 20,504                      | 3.3                        | 98.9                           |
|  | <b>Total (Note 1)</b>       | <b>627,984</b>              | <b>100.0</b>               | <b>98.5</b>                    |
| Sapporo Marui Mitsukoshi Ltd.          | 64,865                      | —                           | 98.4                       |                                |
| Hakodate Marui Imai Ltd.               | 9,716                       | —                           | 97.0                       |                                |
| Sendai Mitsukoshi Ltd.                 | 34,778                      | —                           | 104.6                      |                                |
| Niigata Mitsukoshi Isetan Ltd          | 47,584                      | —                           | 100.3                      |                                |
| Shizuoka Isetan Co., Ltd.              | 20,457                      | —                           | 98.2                       |                                |
| Nagoya Mitsukoshi Ltd.                 | 67,516                      | —                           | 96.9                       |                                |
| Hiroshima Mitsukoshi Ltd.              | 16,074                      | —                           | 105.1                      |                                |
| Takamatsu Mitsukoshi Ltd.              | 21,519                      | —                           | 101.2                      |                                |
| Matsuyama Mitsukoshi Ltd.              | 15,993                      | —                           | 99.7                       |                                |
| Iwataya Mitsukoshi Ltd.                | 113,105                     | —                           | 99.5                       |                                |
| West Japan Railway Isetan Ltd.(Note 2) | 94,299                      | —                           | 98.6                       |                                |

Notes: 1. The previous year's net sales total for Isetan Mitsukoshi Ltd. includes ¥11,304 million in net sales for Shinjuku Mitsukoshi ALCOTT, which closed on March 31, 2012.

2. Our equity method affiliate.

Net sales by product of Isetan Mitsukoshi Ltd.

| Product         | Amount<br>(Millions of yen) | Percentage of Total<br>(%) | Year-on-year<br>Comparison (%) |
|-----------------|-----------------------------|----------------------------|--------------------------------|
| Apparel         | 235,594                     | 37.5                       | 97.9                           |
| Accessories     | 70,339                      | 11.2                       | 94.0                           |
| Sundry goods    | 94,087                      | 15.0                       | 105.2                          |
| Household goods | 33,873                      | 5.4                        | 97.0                           |
| Foods           | 146,294                     | 23.3                       | 98.8                           |
| Others          | 47,794                      | 7.6                        | 95.5                           |
| <b>Total</b>    | <b>627,984</b>              | <b>100.0</b>               | <b>98.5</b>                    |



## (5) Change in assets and earnings

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

| Item \ Fiscal Year              | 2nd Term Fiscal 2009<br>(From April 1, 2009 to March 31, 2010) | 3rd Term Fiscal 2010<br>(From April 1, 2010 to March 31, 2011) | 4th Term Fiscal 2011<br>(From April 1, 2011 to March 31, 2012) | 5th Term Fiscal 2012<br>(From April 1, 2012 to March 31, 2013)<br>Consolidated fiscal year under review |
|---------------------------------|--|--|--|---|
| Net sales (Million yen)         | 1,291,617  | 1,220,772  | 1,239,921  | 1,236,333   |
| Operating income (Million yen)  | 4,177  | 10,993   | 23,834   | 26,639  |
| Ordinary income (Million yen)   | 19,730   | 27,093   | 38,452   | 34,217  |
| Net income/loss (Million yen)   | (63,521)   | 2,640  | 58,891   | 25,292  |
| Net income/loss per share (Yen) | (162.51)   | 6.69   | 149.28   | 64.11   |
| Total assets (Million yen)      | 1,238,006  | 1,237,775  | 1,227,947  | 1,223,677   |
| Net assets (Million yen)        | 425,120  | 418,152  | 468,479  | 505,127   |
| Net assets per share (Yen)      | 1,049.09   | 1,030.60   | 1,157.37   | 1,244.54  |
| Capital-to-asset ratio (%)      | 33.43  | 32.84  | 37.18  | 40.13   |

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

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

| Item \ Fiscal Term               | 2nd Term Fiscal 2009<br>(From April 1, 2009 to March 31, 2010) | 3rd Term Fiscal 2010<br>(From April 1, 2010 to March 31, 2011) | 4th Term Fiscal 2011<br>(From April 1, 2011 to March 31, 2012) | 5th Term Fiscal 2012<br>(From April 1, 2012 to March 31, 2013)<br>Fiscal year under review |
|----------------------------------|--|--|--|--|
| Operating revenues (Million yen) | 12,072   | 8,334  | 16,091   | 22,320   |
| Operating income (Million yen)   | 6,577  | 3,601  | 10,502   | 17,293   |
| Ordinary income (Million yen)    | 6,584  | 3,724  | 10,592   | 17,312   |
| Net income (Million yen)         | 6,209  | 2,728  | 3,102  | 4,585  |
| Net income per share (Yen)       | 15.89  | 6.92   | 7.86   | 11.62  |
| Total assets (Million yen)       | 458,309  | 767,846  | 777,383  | 759,074  |
| Net assets (Million yen)         | 457,389  | 456,103  | 456,675  | 457,533  |
| Net assets per share (Yen)       | 1,156.96   | 1,153.53   | 1,154.36   | 1,155.96   |
| Capital-to-asset ratio (%)       | 99.59  | 59.26  | 58.58  | 60.09  |

Note: Net income 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, 2013)

1) Status of subsidiaries

| Company Name   | Paid-in Capital     | Ownership Percentage by the Company (%) | Location of Main Store            | Line of Business                                    |
|--|---------------------|---|-----------------------------------|---|
| Isetan Mitsukoshi Ltd.                                   | ¥10,000 mln.        | 100.0                                   | Shinjuku-ku, Tokyo                | Department store                                    |
| Sapporo Marui Mitsukoshi Ltd.                            | ¥100 mln.           | 100.0                                   | Chuo-ku, Sapporo-shi, Hokkaido    | Department store                                    |
| Hakodate Marui Imai Ltd.                                 | ¥50 mln.            | 100.0                                   | Hakodate-shi, Hokkaido            | Department store                                    |
| Sendai Mitsukoshi Ltd.                                   | ¥50 mln.            | 100.0                                   | Aoba-ku, Sendai-shi, Miyagi       | Department store                                    |
| Niigata Isetan Mitsukoshi Ltd.                           | ¥100 mln.           | 100.0                                   | Chuo-ku, Niigata-shi, Niigata     | Department store                                    |
| Shizuoka Isetan Co. Ltd                                  | ¥100 mln.           | 100.0                                   | Aoi-ku Shizuoka-shi, Shizuoka     | Department store                                    |
| Nagoya Mitsukoshi Ltd.                                   | ¥50 mln.            | 100.0                                   | Naka-ku, Nagoya-shi, Aichi        | Department store                                    |
| Hiroshima Mitsukoshi Ltd.                                | ¥50 mln.            | 100.0                                   | Naka-ku, Hiroshima-shi, Hiroshima | Department store                                    |
| Takamatsu Mitsukoshi Ltd.                                | ¥50 mln.            | 100.0                                   | Takamatsu-shi, Kagawa             | Department store                                    |
| Matsuyama Mitsukoshi Ltd.                                | ¥50 mln.            | 100.0                                   | Matsuyama-shi, Ehime              | Department store                                    |
| Iwataya Mitsukoshi Co. Ltd.                              | ¥100 mln.           | 100.0                                   | Chuo-ku, Fukuoka-shi, Fukuoka     | Department store                                    |
| Isetan (China) Investment Co., Ltd.                      | US\$60,371 thou     | 100.0                                   | Shanghai, PRC                     | Department store                                    |
| Shanghai Mei Long Zhen Isetan Department Store Co., Ltd. | US\$5,000 thou      | 80.0                                    | Shanghai, PRC                     | Department store                                    |
| Tianjin Isetan Co., Ltd.                                 | US\$2,100 thou      | 90.0                                    | Tianjin, PRC                      | Department store                                    |
| Chengdu Isetan Co., Ltd.                                 | US\$14,990 thou     | 100.0                                   | Chengdu, Sichuan Prov., PRC       | Department store                                    |
| Isetan (Singapore) Ltd.                                  | S\$20,625 thou      | 52.7                                    | Singapore City, Singapore         | Department store                                    |
| Isetan (Thailand) Co., Ltd.                              | 290,000 thou bahts  | 49.0                                    | Bangkok, Thailand                 | Department store                                    |
| Isetan of Japan Sdn. Bhd.                                | 20,000 thou ringgit | 51.0                                    | Kuala Lumpur, Malaysia            | Department store                                    |
| Mitsukoshi (U.S.A.) Inc.                                 | US\$25,000 thou     | 100.0                                   | Orlando, U.S.A.                   | Department store                                    |
| MICARD Co. Ltd.  | ¥1,100 mln.         | 100.0                                   | Shinjuku-ku, Tokyo                | Credit & finance / customer organization management |
| Isetan Mitsukoshi Food Service, Ltd.                     | ¥100 mln.           | 100.0                                   | Chuo-ku, Tokyo                    | Other retail & specialty store                      |

Note: The Company has a direct ownership in Isetan Mitsukoshi Ltd., Sapporo Marui Mitsukoshi Ltd., Hakodate Marui Imai Ltd., Sendai Mitsukoshi Ltd., Niigata Isetan Mitsukoshi Ltd., Shizuoka Isetan Co. Ltd., Nagoya Mitsukoshi Ltd., Hiroshima Mitsukoshi Ltd., Takamatsu Mitsukoshi Ltd., Matsuyama Mitsukoshi Ltd., Iwataya Mitsukoshi Co. Ltd, and MICARD Co. Ltd., and an indirect ownership in all other companies.

2) Status of affiliates accounted for by the equity method

| Company Name   | Paid-in Capital            | Ownership Percentage by the Company (%) | Location of Main Store        | Line of Business |
|--|----------------------------|---|-------------------------------|------------------|
| West Japan Railway Isetan Ltd.                           | ¥12,000 mln.               | 40.0                                    | Shimogyo-ku, Kyoto-shi, Kyoto | Department store |
| Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan) | 11,326 mln. Taiwan dollars | 43.4                                    | Taipei, Taiwan                | Department store |

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

(7) Principal lines of business (As of March 31, 2013)

The Isetan Mitsukoshi Group engages in five businesses—Department store business; Credit, finance and customer organization management; Other retail & specialty stores; Real estate business; and Other businesses.

## (8) Principal sales and business establishments (As of March 31, 2013)

## 1) Department store

&lt;Domestic&gt;

| Company & Store Name           |                               | Location  |
|--------------------------------|-------------------------------|---|
| Isetan Mitsukoshi Ltd.         | Mitsukoshi Nihonbashi store   | 1-4-1, Nihonbashi Muromachi, Chuo-ku, Tokyo   |
|                                | Mitsukoshi Ginza store        | 4-6-16, Ginza, Chuo-ku, Tokyo   |
|                                | Mitsukoshi Chiba store        | 2-6-1, Fujimi, Chuo-ku, Chiba-shi, Chiba  |
|                                | Isetan Shinjuku store         | 3-14-1 Shinjuku, Shinjuku-ku, Tokyo   |
|                                | Isetan Tachikawa store        | 2-5-1, Akebono-cho, tachikawa-shi, Tokyo  |
|                                | Isetan Matsudo store          | 1307-1, Matsudo, matsudo-shi, Chiba   |
|                                | Isetan Urawa store            | 1-15-1 takasago, Urawa-ku, saitama-shi, Saitama                                       |
|                                | Isetan Sagamihara store       | 4-4-3 Sagamioono, Minami-ku, Sagamihara-shi, Kanagawa                                 |
|                                | Isetan Fuchu store            | 1-41-2, Miya-machi, Fuchu-shi, Tokyo  |
| Sapporo Marui Mitsukoshi Ltd.  | Sapporo Marui Imai main store | 2-11, Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido                             |
|                                | Sapporo Mitsukoshi store      | 3-8, Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido                              |
| Hakodate Marui Imai Ltd.       |                               | 32-15, Hon-cho, Hakodate-shi, Hokkaido  |
| Sendai Mitsukoshi Ltd.         |                               | 4-8-15, Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi                                      |
| Niigata Isetan Mitsukoshi Ltd. | Niigata Mitsukoshi store      | 866 Nishiboridori Goban-cho, Chuo-ku, Niigata-shi, Niigata                            |
|                                | Niigata Isetan store          | 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 Co., 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 |
|                                | JR Osaka Mitsukoshi Isetan    | 3-1-3, Umeda, Kita-ku, Osaka-shi, Osaka   |

<Overseas>

| Company Name   | Location                    |
|--|-----------------------------|
| Shanghai Mei Long Zhen Isetan Department Store Co., Ltd. | Shanghai, PRC               |
| Tianjin Isetan Co., Ltd.                                 | Tianjin, PRC                |
| Chengdu Isetan Co., Ltd.                                 | Chengdu, Sichuan Prov., PRC |
| Isetan (Singapore) Ltd.                                  | Singapore City, Singapore   |
| Isetan (Thailand) Co., Ltd.                              | Bangkok, Thailand           |
| Isetan of Japan Sdn. Bhd.                                | Kuala Lumpur, Malaysia      |
| Mitsukoshi (U.S.A.) Inc.                                 | Orlando , U.S.A.            |
| Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan) | Taipei, Taiwan              |

2) Credit & finance / customer organization management

| Company Name           | Location                             |
|------------------------|--------------------------------------|
| MICARD Co. Ltd.        | 5-17-18 Shinjuku, Shinjuku-ku, Tokyo |
| MI TOMONOKAI Co., Ltd. | 2-6-2 Otemachi, Chiyoda-ku, Tokyo    |

3) Other retail & specialty store

| Company Name                         | Location                       |
|--------------------------------------|--------------------------------|
| Isetan Mitsukoshi Food Service, Ltd. | 3-16 Toyomicho, Chuo-ku, Tokyo |

4) Real Estate

| Company Name                     | Location                             |
|----------------------------------|--------------------------------------|
| Mitsukoshi Real Estate Co., Ltd. | 5-17-18 Shinjuku, Shinjuku-ku, Tokyo |

(9) Employees (As of March 31, 2013)

Employees of the Company and its subsidiaries

|   | Number of Employees | Change from the end of previous fiscal year |
|---|---------------------|---|
| Department store                                    | 10,243              | 482 decrease                                |
| Credit & finance / customer organization management | 370                 | 33 decrease                                 |
| Other retail & specialty store                      | 764                 | 31 decrease                                 |
| Real estate   | 360                 | 22 increase                                 |
| Others  | 985                 | 157 decrease                                |
| <b>Total</b>  | <b>12,722</b>       | <b>681 decrease</b>                         |

Note: The figures do not include temporary staff or moonlighters.

(10) Principal lenders and borrowings (As of March 31, 2013)

Borrowing made by the Company and its subsidiaries

| Lenders                                      | Amounts borrowed (¥ million) |
|--|------------------------------|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.       | 21,000                       |
| Sumitomo Mitsui Banking Corporation          | 21,000                       |
| Development Bank of Japan, Inc.              | 20,000                       |
| Mitsubishi UFJ Trust and Banking Corporation | 18,000                       |
| Sumitomo Mitsui Trust Bank, Limited.         | 18,000                       |

## 2. Matters related to the Company shares (As of March 31, 2013)

(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, 2013 | 394,787,494                             |
| Change from the end of previous fiscal year        | +36,000                                 |

Notes: 1.The above figures include 232,025 treasury shares.  
2.The increase in common stock issued resulted from the exercise of stock acquisition rights during the fiscal year under review.

(3) Number of shareholders

|  | Number of Shareholders |
|--|------------------------|
| At the end of the fiscal year ended March 31, 2013 | 164,628                |
| Change from the end of previous fiscal year        | +7,615                 |

(4) Major shareholders

| Name of Shareholders                                       | Number of Shares Held | Voting Rights Percentage (%) |
|--|-----------------------|------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust account)       | 19,734,600            | 5.00                         |
| Japan Trustee Services Bank, Ltd. (Trust account)          | 16,021,300            | 4.06                         |
| The Mitsukoshi Health and Welfare Foundation               | 13,667,832            | 3.46                         |
| Isetan Mitsukoshi Group's partner holding companies        | 8,893,578             | 2.25                         |
| SHIMIZU CORPORATION  | 6,200,000             | 1.57                         |
| Meiji Yasuda Life Insurance Company                        | 5,697,279             | 1.44                         |
| Isetan Mitsukoshi Group Employees Shareholding Association | 5,478,686             | 1.39                         |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.                     | 5,342,995             | 1.35                         |
| Mitsui Sumitomo Insurance Company, Limited                 | 5,299,805             | 1.34                         |
| NORTHERN TRUST CO.AVFC RE U.S. TAX EXEMPTED PENSION FUNDS  | 4,899,360             | 1.24                         |

Note: Treasury stock (232,025 shares) is deducted from Voting Rights Percentage.

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

(1) Stock acquisition rights issued and outstanding held by the Company's Directors and Corporate Auditors as of the end of the fiscal year under review

|   | Name of stock acquisition rights | No. of stock acquisition rights issued | No. of holders |
|---|----------------------------------|--|----------------|
| Directors (not including Outside Directors)         | 5th Stock Acquisition Rights     | 149                                    | 1              |
|   | 6th Stock Acquisition Rights     | 210                                    | 2              |
|   | 9th Stock Acquisition Rights     | 8                                      | 1              |
|   | 10th Stock Acquisition Rights    | 8                                      | 1              |
|   | 11th Stock Acquisition Rights    | 12                                     | 1              |
|   | 12th Stock Acquisition Rights    | 6                                      | 1              |
|   | 13th Stock Acquisition Rights    | 51                                     | 1              |
|   | 14th Stock Acquisition Rights    | 299                                    | 2              |
|   | 15th Stock Acquisition Rights    | 433                                    | 4              |
|   | 16th Stock Acquisition Rights    | 147                                    | 2              |
|   | 17th Stock Acquisition Rights    | 785                                    | 5              |
|   | 18th Stock Acquisition Rights    | 89                                     | 1              |
|   | 19th Stock Acquisition Rights    | 808                                    | 6              |
| Directors (Outside Directors)                       | N/A                              |  |                |
| Corporate Auditors (not including Outside Auditors) | 5th Stock Acquisition Rights     | 173                                    | 1              |
|   | 6th Stock Acquisition Rights     | 259                                    | 1              |
|   | 13th Stock Acquisition Rights    | 42                                     | 1              |
|   | 15th Stock Acquisition Rights    | 165                                    | 2              |
|   | 17th Stock Acquisition Rights    | 152                                    | 1              |
| Auditors (Outside Auditors)                         | N/A                              |  |                |

The outline of particulars of the stock acquisition rights issued by the Company are described below. The stock acquisition rights issued by Mitsukoshi, Ltd. and Isetan Co., Ltd. were extinguished as of April 1, 2008, whereupon on the same day the Company delivered to their holders stock acquisition rights issued by the Company in their place.



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5th Stock Acquisition Rights (issued on April 1, 2008)

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|  |   |
|--|---|
| Number of the stock acquisition rights issued<br>(as of the date issued)                                       | 6,356   |
| Type and number of shares issuable upon<br>exercise of the stock acquisition rights (as of the<br>date issued) | 635,600 common shares (100 shares per stock<br>acquisition right)   |
| Price payable for each stock acquisition right   | Zero  |
| Price payable for capitalization upon exercise of<br>each stock acquisition right                              | ¥182,900 per unit (¥1,829 per share)  |
| Period for exercising the stock acquisition rights   | August 9, 2008 through August 8, 2013   |
| Restrictions on acquisition of the stock<br>acquisition rights by assignment                                   | Directors and executive officers of the<br>Company or of Isetan Co., Ltd. may not<br>exercise unexercised stock acquisition rights<br>when two years have passed losing the<br>position of director or executive officer or<br>when the “period for exercising the stock<br>acquisition rights” has expired |

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6th Stock Acquisition Rights (issued on April 1, 2008)

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|  |   |
|--|---|
| Number of the stock acquisition rights issued (as<br>of the date issued)                                       | 7,510   |
| Type and number of shares issuable upon<br>exercise of the stock acquisition rights (as of the<br>date issued) | 751,000 common shares (100 shares per stock<br>acquisition right)   |
| Price payable for each stock acquisition right   | Zero  |
| Price payable for capitalization upon exercise of<br>each stock acquisition right                              | ¥195,200 per unit (¥1,952 per share)  |
| Period for exercising the stock acquisition rights   | August 8, 2009 through August 7, 2014   |
| Restrictions on acquisition of the stock<br>acquisition rights by assignment                                   | Directors and executive officers of the<br>Company or of Isetan Co., Ltd. may not<br>exercise unexercised stock acquisition rights<br>when two years have passed losing the<br>position of director or executive officer or<br>when the “period for exercising the stock<br>acquisition rights” has expired |

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9th Stock Acquisition Rights (issued on April 1, 2008)

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|  |  |
|--|--|
| Number of the stock acquisition rights issued (as of the date issued)                                    | 86   |
| Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued) | 29,240 common shares (340 shares per stock acquisition right)  |
| Price payable for each stock acquisition right   | Zero   |
| Price payable for capitalization upon exercise of each stock acquisition right                           | ¥340 per unit (¥1.00 per share)  |
| Period for exercising the stock acquisition rights   | April 1, 2008 through May 31, 2014   |
| Restrictions on acquisition of the stock acquisition rights by assignment                                | Persons who resigned as a director, executive officer or corporate auditor of Mitsukoshi, Ltd. prior to June 1, 2005 due to expiry of their term of office may not exercise stock acquisition rights when five years have passed since the date of their resignation |

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10th Stock Acquisition Rights (issued on April 1, 2008)

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|  |  |
|--|--|
| Number of the stock acquisition rights issued (as of the date issued)                                    | 114  |
| Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued) | 38,760 common shares (340 shares per stock acquisition right)  |
| Price payable for each stock acquisition right   | Zero   |
| Price payable for capitalization upon exercise of each stock acquisition right                           | ¥340 per unit (¥1.00 per share)  |
| Period for exercising the stock acquisition rights   | April 1, 2008 through May 31, 2015   |
| Restrictions on acquisition of the stock acquisition rights by assignment                                | Persons who resigned as a director, executive officer or corporate auditor of Mitsukoshi, Ltd. prior to June 1, 2006 due to expiry of their term of office may not exercise stock acquisition rights when five years have passed since the date of their resignation |

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11th Stock Acquisition Rights (issued on April 1, 2008)

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|   |    |
|---|----|
| Number of the stock acquisition rights issued (as of the date issued) | 54 |
|---|----|

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|  |  |
|--|--|
| of the date issued)  |  |
| Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued) | 18,360 common shares (340 shares per stock acquisition right)  |
| Price payable for each stock acquisition right   | ¥506,000 per unit  |
| Price payable for capitalization upon exercise of each stock acquisition right                           | ¥340 per unit (¥1.00 per share)  |
| Period for exercising the stock acquisition rights   | April 1, 2008 through May 31, 2016   |
| Restrictions on acquisition of the stock acquisition rights by assignment                                | Stock acquisition rights may not be exercised while holding the position of director, executive officer or corporate auditor at the Company or at any of the Company's subsidiaries. In the event that the relevant position has not been lost by May 31, 2015 and the stock acquisition rights cannot be exercised, the stock acquisition rights may be exercised between June 1, 2015 and May 31, 2016 |

#### 12th Stock Acquisition Rights (issued on April 1, 2008)

|  |   |
|--|---|
| Number of the stock acquisition rights issued (as of the date issued)                                    | 16  |
| Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued) | 5,440 common shares (340 shares per stock acquisition right)  |
| Price payable for each stock acquisition right   | Zero  |
| Price payable for capitalization upon exercise of each stock acquisition right                           | ¥340 per unit (¥1.00 per share)   |
| Period for exercising the stock acquisition rights   | April 1, 2008 through May 31, 2016  |
| Restrictions on acquisition of the stock acquisition rights by assignment                                | Stock acquisition rights may not be exercised while holding the position of director, executive officer or corporate auditor at the Company or at any of the Company's subsidiaries. In the event that the relevant position has not been lost by May 31, 2015 and the stock acquisition rights cannot be |

|  |  |
|--|--|
|  | exercised, the stock acquisition rights may be exercised between June 1, 2015 and May 31, 2016 |
|--|--|

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

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|  |   |
|--|---|
| Number of the stock acquisition rights issued (as of the date issued)                                    | 975   |
| Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued) | 97,500 common shares (100 shares per stock acquisition right)   |
| Price payable for each stock acquisition right   | ¥88,200 per unit (¥882 per share)   |
| Price payable for capitalization upon exercise of each stock acquisition right                           | ¥100 per unit (¥1.00 per share)   |
| Period for exercising the stock acquisition rights   | April 1, 2011 through February 26, 2026   |
| Restrictions on acquisition of the stock acquisition rights by assignment                                | Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant 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." |

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14th Stock Acquisition Rights (issued on February 26, 2010)

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|  |  |
|--|--|
| Number of the stock acquisition rights issued (as of the date issued)                                    | 2,426  |
| Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued) | 242,600 common shares (100 shares per stock acquisition right) |
| Price payable for each stock acquisition right   | ¥88,200 per unit (¥882 per share)                              |
| Price payable for capitalization upon exercise of each stock acquisition right                           | ¥100 per unit (¥1.00 per share)                                |
| Period for exercising the stock acquisition rights   | April 1, 2011 through February 26, 2026                        |
| Restrictions on acquisition of the stock   | Stock acquisition rights may be exercised                      |

|                                  |   |
|----------------------------------|---|
| acquisition rights by assignment | while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant 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." |
|----------------------------------|---|

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

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|  |   |
|--|---|
| Number of the stock acquisition rights issued (as of the date issued)                                    | 930   |
| Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued) | 93,000 common shares (100 shares per stock acquisition right)   |
| Price payable for each stock acquisition right   | ¥97,000 per unit (¥970 per share)   |
| Price payable for capitalization upon exercise of each stock acquisition right                           | ¥100 per unit (¥1.00 per share)   |
| Period for exercising the stock acquisition rights   | March 1, 2012 through February 15, 2027   |
| Restrictions on acquisition of the stock acquisition rights by assignment                                | Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant 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." |

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

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|  |  |
|--|--|
| Number of the stock acquisition rights issued (as of the date issued)                                    | 1,966  |
| Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued) | 196,600 common shares (100 shares per stock acquisition right) |

|  |   |
|--|---|
| date issued)   |   |
| Price payable for each stock acquisition right                                 | ¥97,000 per unit (¥970 per share)   |
| Price payable for capitalization upon exercise of each stock acquisition right | ¥100 per unit (¥1.00 per share)   |
| Period for exercising the stock acquisition rights                             | March 1, 2012 through February 15, 2027   |
| Restrictions on acquisition of the stock acquisition rights by assignment      | Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant 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." |

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

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|  |   |
|--|---|
| Number of the stock acquisition rights issued (as of the date issued)                                    | 2,450   |
| Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued) | 245,000 common shares (100 shares per stock acquisition right)  |
| Price payable for each stock acquisition right   | ¥84,500 per unit (¥845 per share)   |
| Price payable for capitalization upon exercise of each stock acquisition right                           | ¥100 per unit (¥1.00 per share)   |
| Period for exercising the stock acquisition rights   | March 1, 2013 through February 17, 2028   |
| Restrictions on acquisition of the stock acquisition rights by assignment                                | Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant 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." |

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

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

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

|  |  |
|--|--|
| Number of the stock acquisition rights issued (as of the date issued)                                    | 2,053  |
| Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued) | 205,300 common shares (100 shares per stock acquisition right)   |
| Price payable for each stock acquisition right   | ¥88,500 per unit (¥885 per share)  |
| Price payable for capitalization upon exercise of each stock acquisition right                           | ¥100 per unit (¥1.00 per share)  |
| Period for exercising the stock acquisition rights   | March 1, 2014 through February 15, 2029  |
| Restrictions on acquisition of the stock acquisition rights by assignment                                | Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant at the Company |

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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.”

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

The Company issued and delivered the stock acquisition rights whose details are outlined in (1) 19th Stock Acquisition Rights to executive officers and general managers of the Company during the fiscal year under review. In addition, the Company issued and delivered the stock acquisition rights (20th Stock Acquisition Rights), whose details are outlined below, to directors and executive officers and general managers of the Company’s subsidiaries during the fiscal year under review.

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

|   | Date of delivery  | Exercise price | Exercise period                         | No. of rights | No. of recipients |
|---|-------------------|----------------|---|---------------|-------------------|
| Executive officers and general managers of the Company (excluding persons serving concurrently as Directors of the Company)       | February 15, 2013 | 1              | From March 1, 2014 to February 15, 2029 | 1,245         | 15                |
| Directors of the subsidiaries   | February 15, 2013 | 1              | From March 1, 2014 to February 15, 2029 | 311           | 3                 |
| Executive officers and general managers of subsidiaries (excluding persons serving concurrently as Directors of the subsidiaries) | February 15, 2013 | 1              | From March 1, 2014 to February 15, 2029 | 1,229         | 15                |

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

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Number of the stock acquisition rights issued (as of the date issued) 1,540

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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)

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|  |   |
|--|---|
| Price payable for each stock acquisition right                                 | ¥88,500 per unit (¥885 per share)   |
| Price payable for capitalization upon exercise of each stock acquisition right | ¥100 per unit (¥1.00 per share)   |
| Period for exercising the stock acquisition rights                             | March 1, 2014 through February 15, 2029   |
| Restrictions on acquisition of the stock acquisition rights by assignment      | Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant 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, 2013)

(1) Name, Position at the Company and Areas of Responsibility or Representation at Other Companies, etc.

| Position                                    | Name             | Areas of responsibility, representation at other companies, etc.   |
|---|------------------|--|
| Chairman and Representative Director        | Kunio Ishizuka   | Chairman and Representative Director, Isetan Mitsukoshi Ltd.   |
| President and Representative Director       | Hiroshi Onishi   | President and Representative Director, Isetan Mitsukoshi Ltd.  |
| Director, Senior Managing Executive Officer | Tatsuo Otagaki   | President and Representative Director, Division Manager, Sales Division, Iwataya Mitsukoshi Co., Ltd.  |
| Director, Managing Executive Officer        | Ken Akamatsu     | General Manager, Administration Headquarters   |
| Director, Managing Executive Officer        | Toshihiko Sugie  | General Manager, Strategic Planning Headquarters   |
| Director, Executive Officer                 | Toshinori Shirai | General Manager, Business Planning Division, Strategic Planning Headquarters, Management Planning Department   |
| Director *1                                 | Nobuo Kuroyanagi | Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.<br>Director, Honda Motor Co., Ltd. *3<br>Director, Mitsubishi Research Institute, Inc. *3<br>Director, Tokio Marine & Nichido Fire Insurance Co., Ltd. *3<br>Auditor, Mitsubishi Heavy Industries, Ltd. *4 |
| Director *1                                 | Shimpei Miyamura | Advisor, MITSUI MINING & SMELTING CO., LTD.<br>Chairman, Powdertech Co., Ltd.  |
| Director *1                                 | Morio Ikeda      | Advisor, Shiseido Co., Ltd.<br>Director, Asahi Kasei Corporation *3<br>Director, WACOAL HOLDINGSCORP. *3<br>Chairman of the Board of Trustees Chancellor, Toyo Eiwa Jogakuin<br>Chairman, Shiseido Beauty Academy  |
| Full-time Corporate Auditor                 | Shinya Takada    | Corporate Auditor, Iwataya Mitsukoshi Co., Ltd.<br>Corporate Auditor, West Japan Railway Isetan Ltd.   |
| Full-time Corporate Auditor                 | Kosuke Kojima    | Corporate Auditor, Sapporo Marui Mitsukoshi Ltd.<br>Corporate Auditor, Nagoya Mitsukoshi Ltd.  |
| Corporate Auditor *2                        | Teisuke Kitayama | Chairman, Sumitomo Mitsui Banking Corporation<br>Director, FUJIFILM Holdings Corporation *3  |
| Corporate Auditor *2                        | Sumio Iijima     | Attorney, Tokyo Toranomon Law Office<br>Corporate Auditor, KITAGAWA INDUSTRIES CO., LTD. *4<br>Corporate Auditor, Mitsui O.S.K. Lines, Ltd. *4   |

Notes:

1. \*1 Outside Directors
2. \*2 Outside Corporate Auditors
3. \*3 Outside Directors at respective companies
4. \*4 Outside Corporate Auditors at respective companies

5. The position of Ken Akamatsu was changed from Director, Managing Executive Officer and General Manager, Administration Headquarters of Isetan Mitsukoshi Holdings Ltd. to Director and Managing Executive Officer and General Manager, Business Management Headquarters of Isetan Mitsukoshi Holdings Ltd. and Director, Managing Executive Officer and General Manager, Business Management Headquarters of Isetan Mitsukoshi Ltd. as of April 1, 2013.
6. The position of Toshihiko Sugie was changed from Director, Managing Executive Officer and General Manager, Corporate Strategy Headquarters of Isetan Mitsukoshi Holdings Ltd. to Director, Managing Executive Officer and General Manager, Corporate Strategy Headquarters of Isetan Mitsukoshi Holdings Ltd. and Director, Managing Executive Officer and General Manager, Corporate Strategy Headquarters of Isetan Mitsukoshi Ltd. as of April 1, 2013.
7. Shinya Takada has experience as Representative Director and Senior Managing Executive Officer in charge of corporate planning and accounting at Isetan Mitsukoshi Ltd., and has significant knowledge with respect to financial affairs and accounting.
8. The Company has designated Shimpei Miyamura, Outside Director, and Sumio Iijima, Outside Auditor, each as an independent officer based on the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has notified both stock exchanges thereof.

(2) Changes in Directors and Corporate Auditors during the Fiscal Year

1) New appointments <As of June 25, 2012>

|                                      |                  |
|--------------------------------------|------------------|
| Director, Managing Executive Officer | Toshihiko Sugie  |
| Director, Executive Officer          | Toshinori Shirai |
| Corporate Auditor                    | Shinya Takada    |

2) Resignation <As of June 25, 2012>

|   |               |
|---|---------------|
| Director, Senior Managing Executive Officer | Shinya Takada |
| Director, Managing Executive Officer        | Tomonari Sera |
| Corporate Auditor                           | Ikuo Nihei    |

3) Change in positions

There were the following changes in positions as of April 1, 2012.

|   |  |
|---|--|
| Director, Senior Managing Executive Officer | Shinya Takada<br>(Representative Director,<br>Senior Managing Executive Officer) |
| Director, Managing Executive Officer        | Tomonari Sera (Director, Executive Officer)                                      |

Note: The parentheses indicate the previous positions.

(3) Total Payments to Directors and Corporate Auditors

| Classification  | Fixed Compensation |                                     | Directors' Bonuses |                                     | Stock Option     |                                     |
|---|--------------------|-------------------------------------|--------------------|-------------------------------------|------------------|-------------------------------------|
|   | Number of Payees   | Amount of Payment (Millions of yen) | Number of Payees   | Amount of Payment (Millions of yen) | Number of Payees | Amount of Payment (Millions of yen) |
| Directors<br>(Outside Directors out of total)                   | 11<br>(3)          | 170<br>(32)                         | 6<br>(-)           | 59<br>(-)                           | 6<br>(-)         | 71<br>(-)                           |
| Corporate Auditors<br>(Outside Corporate Auditors out of total) | 5<br>(2)           | 63<br>(19)                          | -<br>(-)           | -<br>(-)                            | -<br>(-)         | -<br>(-)                            |
| Total   | 16<br>(5)          | 233<br>(51)                         | 6<br>(-)           | 59<br>(-)                           | 6<br>(-)         | 71<br>(-)                           |

Notes:

1. For Directors who also assume executive role, the amount of payment above does not include the salaries for the executive portion.
2. The directors' bonus above shows the amount scheduled to be paid conditional upon the approval as proposed of Proposal No. 3 (Payment of Directors' Bonus) on the Agenda of the Ordinary General Meeting of Shareholders.
3. In addition to the above, the Directors (excluding Outside Directors) received total payments of 16 million yen (number of payee: 1) from subsidiaries of the Company.
4. With regard to stock options, this is the aggregate fair value of stock acquisition rights for which rights were established and which were granted on February 15, 2013 by resolution of a meeting of the Board of Directors held on January 25, 2013, based on a resolution at the 1st Ordinary General Meeting of Shareholders held on June 29, 2009.

(4) Policies Concerning Compensation for Directors and Auditors or its Determination

It is the Company's basic policy of compensation for directors and auditors to encourage sharing a mutual interest between shareholders and directors, to enhance incentive effects to improve financial results and shareholder value, and to ensure objectivity and transparency in methods of performance evaluation and determining compensation.

The Company has also set up the "Nomination and Remuneration Committee" chaired by an Outside Director and comprising five (5) members that include three (3) Outside Directors, the President and Representative Director and the Chairman and Representative Director, designated by resolution of a meeting of the Board of Directors. The Committee's responsibilities include nomination of Directors (including Outside Directors), establishment of policies concerning Directors' compensation and the review of performance evaluation for individual Directors that will serve as the basis for compensation.

(5) Matters Concerning Outside Directors and Outside Corporate Auditors

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

|  | The Company's relationships with corporations where directors hold significant concurrent posts   | The Company's relationships with specially related business operators such as major suppliers |
|--|---|---|
| Nobuo Kuroyanagi,<br>Director          | The Bank of Tokyo-Mitsubishi UFJ, Ltd. is a major shareholder of the Company.<br>The Company and the Group have transactional relationships such as borrowings with The Bank of Tokyo-Mitsubishi UFJ, Ltd., and transactional relationships such as insurance contracts with Tokio Marine & Nichido Fire Insurance Co., Ltd. Furthermore, the Group does not have a special relationship with Honda Motor Co., Ltd., Mitsubishi Research Institute, Inc. or Mitsubishi Heavy Industries, Ltd. | Not applicable.   |
| Shimpei Miyamura,<br>Director          | The Group has no special relationship with MITSUI MINING & SMELTING CO., LTD. and Powdertech Co., Ltd.  | Not applicable.   |
| Morio Ikeda,<br>Director               | A subsidiary of the Company has a relationship based on trading of products, etc. with Shiseido Co., Ltd and a subsidiary of WACOAL Holdings Corp.<br>In addition, the Group has no special relationship with Asahi Kasei Corporation, Toyo Eiwa Jogakuin and Shiseido Beauty Academy.  | Not applicable.   |
| Teisuke Kitayama,<br>Corporate Auditor | The Company and the Group have a business relationship such as borrowing, etc. with Sumitomo Mitsui Banking Corporation.<br>In addition, the Group has no special relationship with FUJIFILM Holdings Corporation.  | Not applicable.   |
| Sumio Iijima,<br>Corporate Auditor     | The Group has no special relationship with Tokyo Toranomon Law Office, KITAGAWA INDUSTRIES CO., LTD. and Mitsui O.S.K. Lines, Ltd.  | Not applicable.   |

## 2) Major Activities in the Fiscal Year

| Position                  | Name             | Major Activities  |
|---------------------------|------------------|---|
| Outside Director          | Nobuo Kuroyanagi | He attended 13 meetings of the Board of Directors out of 14 meetings held during the fiscal year, and actively made necessary comments on discussion items and deliberation items based on his broad experience as executive officers in business.  |
| Outside Director          | Shimpei Miyamura | He attended 12 meetings of the Board of Directors out of 14 meetings held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate from his broad knowledge on developments in industrial sectors.   |
| Outside Director          | Morio Ikeda      | He attended 13 meetings of the Board of Directors out of 14 meetings held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate from objective standpoint on overall corporate management.  |
| Outside Corporate Auditor | Teisuke Kitayama | He attended all of the 14 meetings of the Board of Corporate Auditors and all of the 14 meetings of the Board of Directors held during the fiscal year, and made remarks on discussion items and deliberation items, as well as made necessary comments on audit matters as appropriate, based on his broad experience in the finance industry.               |
| Outside Corporate Auditor | Sumio Iijima     | He attended all of the 14 meetings of the Board of Corporate Auditors and all of the 14 meetings of the Board of Directors held during the fiscal year, and offered questions and opinions on discussion items and deliberation items, as well as made necessary comments on audit matters as appropriate, mainly from the standpoint of professional lawyer. |

## 3) Outline of Limited Liability Agreements

The Company has concluded agreements with the Outside Directors and the outside Corporate Auditors to limit their liabilities as provided in Article 423, Paragraph 1 of the Corporation Law of Japan, and the maximum amount of the liabilities in the agreements is set at the amount prescribed in the law.

## 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                   | ¥82 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. | ¥15 Million  |
| Total   | ¥97 Million  |
| 3) Total monetary and other financial benefits payable by the Company and its subsidiaries  | ¥269 Million |

Note: 1 The audit engagement agreements between the Company and the independent auditor does not distinguish between compensation and other fees for audits performed pursuant to the Corporation Law of Japan and compensation and other fees for audits performed pursuant to the Financial Instruments and Exchange Law, and since it is virtually impossible to make such a distinction, the above amount stated under classification 1) is the total figure for both audits.

2 Content of non-audit duties

The Company consigns the accounting auditor with non-audit duties, which are advisory, and other duties of the internal control related to financial reportings and pays the accounting auditor for such duties.

3 Of the Company's principal subsidiaries, Isetan (Singapore) Ltd., Isetan (Thailand) Ltd. and Isetan of Japan Sdn. Bhd. are audited by another auditor (PricewaterhouseCoopers) with regard to the statutory audit of Accounting Documents.

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

If the Board of Directors determines that dismissal or non-reappointment of the independent auditor is necessary, in such cases as it would be difficult for the independent auditor to perform its duties, the Board of Directors shall, with the agreement of Corporate Auditors or upon request from the Board of Corporate Auditors, make a motion with respect to dismissal or non-reappointment of the independent auditor to the General Meeting of Shareholders.

In the event that the circumstances set forth in any of the items of Article 340, Paragraph 1 of the Corporation Law of Japan apply to independent auditor, the Board of Corporate Auditors shall discharge the independent auditor upon a unanimous resolution by the Board of Corporate Auditors.

## **6. Matters Concerning the System to Ensure Appropriate Conduct of Business**

### **1. Compliance System**

“Systems to ensure that the performance of duties by the Directors and employees conform with laws and regulations, and the Company’s Articles of Incorporation”

- (1) The Board of Directors shall hold regular meetings once a month in accordance with the “Regulation of the Board of Directors” to promote communication between Directors, as well as to prevent violation against laws, regulations and the Company’s articles of incorporation through mutual oversight over performance of duties.
- (2) The Company shall establish the section and designate the person in charge of compliance oversight in the Administration Headquarters, to maintain and improve the systems of internal control and legal compliance.
- (3) Two or more Directors shall be Outside Directors to enhance legality, efficiency and adequacy of decision making in the Board of Directors.
- (4) The Company shall establish the Internal Audit Office as the independent section that specializes in internal audit. The internal audit should be performed by the Internal Audit Office in corporation with each division, to audit the legality and adequacy of the conduct of the business.
- (5) The Company shall establish “the Isetan Mitsukoshi Group Hotline” as the contact point for internal reporting and consultation for the entire Company Group to establish and implement corrective actions and preventive measures in response to reports and consultation from group employees from the viewpoint of compliance.

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

“Regulations and other systems concerning risk management against loss”

- (1) The Company shall identify, assess and analyze risks involved in the business, determine the risks that need to be addressed with high priority based on the analyses and assessment, and prevent the risk events before they materialize.
- (2) The Company shall establish cross departmental, enterprise risk management system that enables swift response in the event that the risks should materialize, to prevent the spread of damages and secondary damages, as well as to prevent the recurrence of the risk events.
- (3) The Company shall establish relevant regulations from the standpoint of recognition, assessment, and response to risks, and keep the entire Group well informed of these regulations.
- (4) Through inspections by the Internal Audit Division, the Company shall detect risks within the Company in the early stages and address these risks.
- (5) The Company shall not tolerate any relationship with antisocial groups, shall not accept any unlawful request and shall prevent damages from them.



### 3. Internal Control system for financial reporting

“System to ensure appropriateness of the financial reporting”

- (1) The Company shall specify company-wide policies and procedures to ensure adequate financial reporting, as well as maintain and implement them appropriately.
- (2) The Company shall appropriately evaluate and address the risks of misrepresentation of material items in financial reporting.
- (3) The Company shall appropriately maintain and implement the structures to mitigate the risks of misrepresentation of material items in financial reporting.
- (4) 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.
- (5) The Company shall maintain and implement monitoring system regarding financial reporting.
- (6) The Company shall maintain system to ensure timely and appropriate reporting of weaknesses (deficiencies) of the internal control identified through the monitoring.
- (7) The Company shall handle IT concerning internal control over financial reporting appropriately.

### 4. Data Retention and Management System

“System for retention and management of information relating to performance of duties by Directors”

- (1) The following documents related to performance of duties by Directors shall be recorded, retained and managed with related materials for prescribed periods in accordance with “Document Retention Policies”:
  - 1) Minutes of the General Meeting of Shareholders
  - 2) Minutes of the Meetings of the Board of Directors
  - 3) Minutes of the Meetings of the Strategic Management Committee
  - 4) Accounting Documents
  - 5) Copies of documents submitted to government offices and other public organizations, and stock exchanges
  - 6) Other Documents as determined by the Board of Directors
- (2) The Company shall establish regulations and rules such as “Information Retention Policies” regarding protection and management of such information as management information, trade secrets and personal information of customers and others that need to be managed as confidential information in accordance with laws and regulations such as the Corporation Law of Japan, the Financial Instruments and Exchange Act, etc., and the related Directors and employees shall observe these rules and regulations to protect securities of these information.

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

“System to ensure that Directors perform their duties efficiently”

- (1) The segregation of duties among Directors shall be determined and reviewed as appropriate.
- (2) The Board of Directors shall hold regular meetings once a month and extraordinary meetings as necessary to ensure that deliberations on important matters take place without delay. The Strategic Management Committee shall discuss the matters prior to the Board of Directors meeting, which then shall discuss the matters and make resolutions at the Board of Directors.
- (3) The Company shall adopt an executive officer system to streamline the business execution through clarification of the executive duties of executive officers.
- (4) The Company shall define details of duties, responsibilities and procedures in “Regulations of Duties and Authority”, “Regulations of the Conduct of the Business”, and “Regulations of Decision Making Process for the Group” for execution of duties that are based on the decisions by the Board of Directors.

#### 6. Framework of group corporate principles

“System to ensure the proper conduct of the business of the Company and the Corporate Group that comprises of the parent company and its subsidiaries”

- (1) The Group Principles shall be applied to all the group companies. Each group company shall establish its regulations and rules based on the principles.
- (2) The Company shall seek to centralize management of operations through implementation of integrated accounting systems and expansion of its coverage, manage group companies through the internal system that requires each group company to obtain approval from the Company in its decision-making and to report to the Company, and perform monitoring of group companies as necessary. The Company shall also pursue group-wide risk management and efficiencies by establishing rules under which group companies shall report important matters to, or consult with the Company in accordance with the “Regulations on Corporate Group Control”.
- (3) The Internal Audit Office of the Company shall conduct internal audit of the group companies and inspect legality and adequacy of the conduct of the business.

#### 7. Matters concerning audit staff

“Matters relating to employees who assist Corporate Auditors in the performance of their duties and the independence of those employees from the Directors”

- (1) For assistance of Corporate Auditors in their duties, upon consultations with Corporate Auditors, Audit Staffs can be established. Corporate Auditors can instruct the Audit Staffs on matters necessary for audit duties.
- (2) Audit Staffs shall be independent from business execution organizations. Decisions concerning matters such as transfer of personnel assigned as Audit Staffs, evaluations of such personnel and similar matters shall require confirmation with the Corporate Auditors.

#### 8. Framework for reporting to the Corporate Auditor

“System for Directors’ and employees’ reporting to Corporate Auditors and system relating to other reporting to Corporate Auditors”

- (1) The matters that require the Directors’ and employees’ reporting to the Corporate Auditors shall be defined in “The Corporate Audit Standards” with consultation of the Corporate Auditors, and the Directors and employees shall report important matters that would have impacts on operation or performance of the Company to the Corporate Auditors without delay. The Corporate Auditors shall nevertheless be able to require reporting from the Directors and employees at any time, as necessary.
- (2) The Company shall work in corporation with the Board of Corporate Auditors to ensure that adequate reporting system is in place for matters concerning violations of laws and regulations and other compliance related issues through implementation of internal hotline system and maintenance of appropriate operations of the system.

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

“Other system for ensuring the effective performance of audits by Corporate Auditors”

- (1) The Corporate Auditors shall hold meetings to exchange opinions with the Representative Directors and the Independent Auditor respectively on a regular basis in accordance with the “Corporate Audit Standards”.
- (2) The Internal Audit Division shall exchange information with and cooperate with the Corporate Auditors on such matters as establishment of internal audit plan, results of internal audits, etc.

## **7. Policies on Determination of Surplus Dividend**

The Company aims to return profits to shareholders, after comprehensively taking into account such factors as the management environment, business performance and the soundness of the financial position, while adopting the basic stance of maintaining a stable level of dividends while endeavoring to increase corporate value in the long term. However, in the near term, the Company intends to increase corporate value by allocating retained earnings to capital investment at major stores and the reduction of interest-bearing debt.

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

## Consolidated Balance Sheet

(As of March 31, 2013)

(Millions of yen)

| Account item                        | Amount           | Account item  | Amount           |
|-------------------------------------|------------------|---|------------------|
| <b>Assets</b>                       | <b>1,223,677</b> | <b>Liabilities</b>  | <b>718,550</b>   |
| <b>Current assets</b>               | <b>252,872</b>   | <b>Current liabilities</b>                                  | <b>426,627</b>   |
| Cash and deposits                   | 38,630           | Notes and accounts payable                                  | 115,474          |
| Notes and accounts receivable       | 110,793          | Current portion of bonds                                    | 12,000           |
| Marketable securities               | 159              | Short-term borrowings                                       | 43,463           |
| Inventories                         | 55,875           | Commercial paper  | 46,000           |
| Deferred tax assets                 | 15,917           | Income taxes payable  | 3,707            |
| Other                               | 34,379           | Gift certificates   | 82,532           |
| Allowance for doubtful accounts     | (2,882)          | Deferred tax liabilities                                    | 1                |
| <b>Fixed assets</b>                 | <b>970,769</b>   | Accrued bonuses   | 9,067            |
| <b>Tangible fixed assets</b>        | <b>728,679</b>   | Allowance for customer-discount points                      | 4,154            |
| Buildings and structures            | 177,841          | Allowance for redemption of gift certificates               | 21,306           |
| Land                                | 532,926          | Other   | 88,919           |
| Construction in progress            | 675              | <b>Long-term liabilities</b>                                | <b>291,923</b>   |
| Other                               | 17,236           | Corporate bonds   | 12,000           |
| <b>Intangible fixed assets</b>      | <b>50,429</b>    | Long-term debt  | 67,800           |
| Software                            | 13,430           | Deferred tax liabilities                                    | 152,698          |
| Other                               | 36,999           | Accrued employees' retirement benefits                      | 38,162           |
| <b>Investments and other assets</b> | <b>191,659</b>   | Liabilities from application of equity method               | 3,991            |
| Investment securities               | 94,026           | Other   | 17,270           |
| Long-term loans receivable          | 667              | <b>Net assets</b>   | <b>505,127</b>   |
| Guarantee deposits                  | 82,301           | <b>Shareholders' equity</b>                                 | <b>500,124</b>   |
| Deferred tax assets                 | 2,417            | <b>Common stock</b>   | <b>50,118</b>    |
| Other                               | 12,607           | <b>Capital surplus</b>                                      | <b>325,077</b>   |
| Allowance for doubtful accounts     | (361)            | <b>Retained earnings</b>                                    | <b>125,171</b>   |
| <b>Deferred assets</b>              | <b>35</b>        | <b>Treasury stock</b>                                       | <b>(243)</b>     |
| Corporate bond issuance cost        | 35               | <b>Accumulated other comprehensive income</b>               | <b>(9,122)</b>   |
|                                     |                  | Unrealized gain on other securities                         | (1,316)          |
|                                     |                  | Deferred gains/losses on hedge                              | 0                |
|                                     |                  | Foreign currency translation adjustments                    | (7,806)          |
|                                     |                  | Stock acquisition rights                                    | 1,441            |
|                                     |                  | Minority interests in consolidated companies                | 12,683           |
| <b>Total assets</b>                 | <b>1,223,677</b> | <b>Total liabilities, net assets and minority interests</b> | <b>1,223,677</b> |

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

**Consolidated Statement of Income**  
(From April 1, 2012 to March 31, 2013)

|   |         | (Millions of yen) |           |
|---|---------|-------------------|-----------|
| Account item  | Amount  |                   |           |
| Net sales   |         |                   | 1,236,333 |
| Cost of sales   |         |                   | 888,923   |
| Gross profit  |         |                   | 347,410   |
| Selling, general and administrative expenses                    |         |                   | 320,771   |
| Operating income  |         |                   | 26,639    |
| Nonoperating income   |         |                   |           |
| Interest and dividend income                                    | 1,654   |                   |           |
| Income on uncollected gift certificates                         | 4,345   |                   |           |
| Amortization of negative goodwill                               | 13,234  |                   |           |
| Gain on donation of fixed assets                                | 2,683   |                   |           |
| Other   | 1,594   | 23,513            |           |
| Nonoperating expenses   |         |                   |           |
| Interest expenses   | 1,469   |                   |           |
| Loss on retirement of fixed assets                              | 694     |                   |           |
| Equity in losses of affiliates                                  | 5,847   |                   |           |
| Transfer from allowance for loss on collected gift certificates | 3,178   |                   |           |
| Other   | 4,746   | 15,935            |           |
| Ordinary income   |         |                   | 34,217    |
| Extraordinary income  |         |                   |           |
| Gain on sales of fixed assets                                   | 31      |                   |           |
| Gain on sales of shares of affiliate                            | 500     | 531               |           |
| Extraordinary losses  |         |                   |           |
| Loss on sale of fixed assets                                    | 978     |                   |           |
| Loss on disposal of fixed assets                                | 3,537   |                   |           |
| Impairment loss   | 6,398   |                   |           |
| Valuation loss on sales of investment securities                | 39      |                   |           |
| Loss on liquidation of subsidiaries and affiliates              | 835     |                   |           |
| Other   | 407     | 12,197            |           |
| Income before income taxes and minority interests               |         |                   | 22,551    |
| Corporate taxes   | 4,420   |                   |           |
| Deferred taxes  | (7,772) | (3,352)           |           |
| Income before minority interests                                |         |                   | 25,903    |
| Minority interest in income of consolidated companies           |         |                   | 611       |
| Net income  |         |                   | 25,292    |

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

**Summary of Consolidated Statement of Cash Flow** [For Reference]  
 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

| Account item  | Amount          |
|---|-----------------|
| <b>Cash flow from operating activities</b>  | <b>4,438</b>    |
| <b>Cash flow from investment activities</b>   | <b>(26,312)</b> |
| <b>Cash flow from financing activities</b>  | <b>2,339</b>    |
| <b>Translation adjustments related to cash and cash equivalents</b>                         | <b>2,578</b>    |
| <b>Changes in cash and cash equivalents</b>   | <b>(16,955)</b> |
| <b>Beginning balance of cash and cash equivalents</b>                                       | <b>53,017</b>   |
| <b>Changes in cash and cash equivalents resulting from change of scope of consolidation</b> | <b>(279)</b>    |
| <b>Ending balance of cash and cash equivalents</b>  | <b>35,781</b>   |

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

## Consolidated Statement of Changes in Net Assets

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

| Account item  | Shareholders' equity |                 |                   |                |                            |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
|   | Common stock         | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| <b>Balance as of April 1, 2012</b>                                | <b>50,102</b>        | <b>325,061</b>  | <b>103,823</b>    | <b>(233)</b>   | <b>478,754</b>             |
| <b>Changes during current period</b>                              |                      |                 |                   |                |                            |
| Issuance of new shares  | 16                   | 16              |                   |                | 32                         |
| Allocation of retained earnings                                   |                      |                 | (3,945)           |                | (3,945)                    |
| Net income for current period                                     |                      |                 | 25,292            |                | 25,292                     |
| Acquisition of treasury stock                                     |                      |                 |                   | (12)           | (12)                       |
| Disposition of treasury stock                                     |                      | (0)             |                   | 2              | 2                          |
| Net changes other than shareholders' equity during current period |                      |                 |                   |                |                            |
| <b>Total change during current period</b>                         | <b>16</b>            | <b>15</b>       | <b>21,347</b>     | <b>(9)</b>     | <b>21,369</b>              |
| <b>Balance as of March 31, 2013</b>                               | <b>50,118</b>        | <b>325,077</b>  | <b>125,171</b>    | <b>(243)</b>   | <b>500,124</b>             |

(Millions of yen)

| Account item  | Accumulated other comprehensive income |                                |  |  | Stock acquisition rights | Minority interests in consolidated companies | Total net assets |
|---|--|--------------------------------|--|--|--------------------------|--|------------------|
|   | Unrealized gains on other securities   | Deferred gains/losses on hedge | Foreign currency translation adjustments | Total accumulated other comprehensive income |                          |  |                  |
| <b>Balance as of April 1, 2012</b>                                | <b>(5,604)</b>                         | <b>1</b>                       | <b>(16,567)</b>                          | <b>(22,170)</b>                              | <b>1,246</b>             | <b>10,648</b>                                | <b>468,479</b>   |
| <b>Changes during current period</b>                              |  |                                |  |  |                          |  |                  |
| Issuance of new shares  |  |                                |  |  |                          |  | 32               |
| Allocation of retained earnings                                   |  |                                |  |  |                          |  | (3,945)          |
| Net income for current period                                     |  |                                |  |  |                          |  | 25,292           |
| Acquisition of treasury stock                                     |  |                                |  |  |                          |  | (12)             |
| Disposition of treasury stock                                     |  |                                |  |  |                          |  | 2                |
| Net changes other than shareholders' equity during current period | 4,288                                  | (0)                            | 8,760                                    | 13,048                                       | 195                      | 2,035  | 15,278           |
| <b>Total changes during current period</b>                        | <b>4,288</b>                           | <b>(0)</b>                     | <b>8,760</b>                             | <b>13,048</b>                                | <b>195</b>               | <b>2,035</b>                                 | <b>36,647</b>    |
| <b>Balance as of March 31, 2013</b>                               | <b>(1,316)</b>                         | <b>0</b>                       | <b>(7,806)</b>                           | <b>(9,122)</b>                               | <b>1,441</b>             | <b>12,683</b>                                | <b>505,127</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: 40

(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 Mitsukoshi Isetan 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., Chengdu Isetan Co., Ltd., Isetan (Singapore) Ltd., Isetan (Thailand) Co., Ltd., Isetan of Japan Sdn. Bhd., Mitsukoshi (U.S.A.) Inc., MICARD Co. Ltd., Isetan Mitsukoshi Food Service Ltd.

Shenyang Isetan Co. Ltd., which was a consolidated subsidiary, has been excluded from the scope of consolidation from the end of the consolidated fiscal year under review because of the decision to cease trading and go into liquidation.

(3) Name of principal nonconsolidated subsidiaries

Mitsukoshi (U.K.) Ltd., Mitsukoshi Italia S.p.A., Isetan Soleil Co., Ltd., Aitasu Co., Ltd., Kyushu Communication Service Co., Ltd., Aiu Co., Ltd., Fashion Headline Ltd.

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

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

### 2. Application of equity method

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

Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), THE PRINTEMPS GINZA Co., Ltd., Usui Department Store Co., Ltd., West Japan Railway Isetan Ltd., ITM Clover Co., Ltd., Shinjuku Subnade Co., Ltd., JTB ISETAN TRAVEL SERVICE, INC., Mitsukoshi Kankyo Building Management Co., Ltd.

Centresta Co., Ltd., a former affiliate accounted for by the equity method, was excluded from the scope of application of the equity method following the sale of all of its shares held by Isetan Mitsukoshi, Ltd., effective March 29, 2013.

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

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

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

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

### 3. Closing date of consolidated subsidiaries

The fiscal year ends on December 31 for the following consolidated subsidiaries: Isetan (China) Investment Co., Ltd., Shanghai Mei Long Zhen Isetan Department Store Co., Ltd., Tianjin Isetan Co., Ltd., Chengdu Isetan Co., Ltd., Isetan (Singapore) Ltd., Isetan (Thailand) Co., Ltd., Isetan of Japan Sdn. Bhd., Mitsukoshi (U.S.A.) Inc., Isetan Mitsukoshi (Italia) S.r.l. and Lexim (Singapore) Pte. Ltd. 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 standards

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

##### Securities

##### 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 |
|---------------------------------|--|

##### Inventories

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

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

#### (2) Depreciation methods for significant depreciable assets

##### Tangible fixed assets (except Lease assets)

|           |                                    |
|-----------|------------------------------------|
| Buildings | Basically the straight-line method |
|-----------|------------------------------------|

|                             |                                    |
|-----------------------------|------------------------------------|
| Other tangible fixed assets | Basically the straight-line method |
|-----------------------------|------------------------------------|

|  |                      |
|--|----------------------|
| Intangible fixed assets<br>(except Lease 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.

(3) Accounting standards for significant allowances and accruals

Allowance for doubtful accounts

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

Accrued bonuses

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

Allowance for customer-discount points

In order to prepare for the issuances of customer-discount point money certificate, provision is made, according to the historical percentage of issued money certificates, for estimated amount of future issuances based on outstanding point amount.

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.

Accrued employees' retirement benefits

In order to prepare for the payment of employees' retirement benefits, provision is made for the amount calculated based on estimated retirement benefit obligations and pension assets as of the end of the current consolidated fiscal year.

Prior service costs are recognized on an accrual basis by the straight-line method over various periods (3 to 13 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 recognized in the following consolidated fiscal year by the straight-line method over various periods (8 to 13 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference.

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

1) Accounting for Deferred assets

Bond issue costs

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

redemption.

## 2) Significant Methods of Hedge Accounting

### Method of hedge accounting

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

### Means of hedging and hedged items

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

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

### Hedging policy

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

### Assessment of hedge effectiveness

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

## 3) Accounting for consumption taxes, etc.

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

## 5. Amortization of goodwill and negative goodwill

Goodwill is amortized using the straight-line method over the period during which the effect is expected to be realized. Negative goodwill accrued before March 31, 2010 is amortized using the straight-line method over 5 years as from the accrual. However, any goodwill of minor value is amortized in full at one time in the year of the accrual.

## 6. Change of presentation method

(Consolidated Statement of Income)

“Gain on donation of fixed assets”, which had been included in “Other” under “Non-operating income” in the previous consolidated fiscal year, has been presented separately from the fiscal year under review due to an increase in material significance.

Gain on donation of fixed assets in the previous consolidated fiscal year amounted to ¥1,158 million.

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets 343,821 million yen

2. Contingent liability

Guarantee liabilities

1) Loan guarantees for housing loans of employees 409 million yen

2) Commitments to provide guarantees for bank loans of subsidiaries and affiliates

Mitsukoshi (U.K.) Ltd. 8 million yen

3) Guarantee liabilities for bank loans of subsidiaries and affiliates

West Japan Railway Isetan Ltd. 8,008 million yen

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Total of guarantee liabilities 8,426 million yen

Note: The amounts recorded above state the amount of guarantee liabilities net of the amount accrued as a liability associated with application of the equity method.

3. Details of inventory assets

Finished goods 53,815 million yen

Semifinished goods 654 million yen

Work in process 58 million yen

Raw materials and stores 1,346 million yen

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Total 55,875 million yen

[Notes to Consolidated Statement of Income]

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

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

| Location  | Usage  | Item                       | Impairment losses<br>(Million yen) |
|---|--------|----------------------------|------------------------------------|
| Nagoya Mitsukoshi Ltd.<br>Sakae store (Nagoya-shi, Aichi) | Stores | Land<br>Buildings<br>other | 4,776                              |
| Hiroshima Mitsukoshi Ltd.<br>(Hiroshima-shi, Hiroshima)   | Stores | Land                       | 1,267                              |
| Other   | Stores | Buildings<br>other         | 353                                |

(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) Details of Impairment losses

|                 |                   |
|-----------------|-------------------|
| Buildings, etc. | 4,709 million yen |
| Land            | 1,689 million yen |
| Total           | 6,398 million yen |

(4) Methods of asset grouping

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

(5) Method of calculating recoverable amounts

Recoverable amounts for asset groups are estimated 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.

[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 394,787,494shares

2. Matters concerning dividend of surplus

(1) Amount of dividend payment

| Resolution                                  | Types of Stock | Total Dividend (Million yen) | Dividend per Share (Yen) | Base Date      | Effectuation Date |
|---|----------------|------------------------------|--------------------------|----------------|-------------------|
| Board of Directors Meeting<br>June 25, 2012 | Common stock   | 3,945                        | 10                       | March 31, 2012 | June 26, 2012     |

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

The following items regarding dividends on common stock are being proposed as a proposal for the Ordinary General Meeting of Shareholders scheduled for June 24, 2013.

| Resolution                                  | Types of Stock | Resource for Dividend | Total Dividend (Million yen) | Dividend per Share (Yen) | Base Date      | Effectuation Date |
|---|----------------|-----------------------|------------------------------|--------------------------|----------------|-------------------|
| Board of Directors Meeting<br>June 24, 2013 | Common stock   | Retained earnings     | 3,945                        | 10                       | March 31, 2013 | June 25, 2013     |

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

Common stock 1,557,680 shares

[Notes to Financial Instruments]

1. Status of financial instruments

(1) Policy for initiatives pertaining to financial instruments

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

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

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

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

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

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

Additionally, although trade payables and borrowings are exposed to liquidity risk, in addition to managing that risk through methods that include having each Group company prepare cash flow plans on a monthly basis, the Group has secured sufficient liquidity on



hand by establishing commitment line agreements and overdraft agreements with its principal transacting banks.

2. Market value, etc. of financial instruments

Amounts posted on the consolidated balance sheet as of March 31, 2013, market values, and the corresponding differences between the two are as follows.

(Millions of yen)

| Items                              | Amounts posted on the consolidated balance sheet (Note 1) | Price (Note 1) | Differences |
|------------------------------------|---|----------------|-------------|
| (1) Cash and deposits              | 38,680  | 38,630         | —           |
| (2) Notes and accounts receivable  | 110,793   | 110,793        | —           |
| (3) Marketable securities          | 159   | 159            | —           |
| (4) Investment securities          |   |                | —           |
| Available-for-sale securities      | 30,707  | 30,707         |             |
| (5) Guarantee deposits             | 82,301  | 77,674         | (4,626)     |
| (6) Notes and accounts payable     | (115,474)   | (115,474)      | —           |
| (7) Short-term borrowings (Note 2) | (28,963)  | (28,963)       | —           |
| (8) Commercial paper               | (46,000)  | (46,000)       | —           |
| (9) Corporate bonds                | (24,000)  | (24,230)       | (230)       |
| (10) Long-term debt (Note 2)       | (82,300)  | (82,772)       | (472)       |
| (11) Derivatives transaction       | —   | —              | —           |

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 (7) Short-term borrowings but in (10) Long-term debt.

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

- (1) Cash and deposits  
Cash and deposits are settled within a short time frame and therefore have a market value nearly equivalent to their book value. Consequently, these are posted according to their book value.
- (2) Notes and accounts receivable  
Notes and accounts receivable are settled within a short time frame and therefore have a market value nearly equivalent to their book value. Consequently, these are posted according to their book value.
- (3) Marketable securities (4) Investment securities  
Shares and bonds are based on their value on their respective exchanges.
- (5) Guarantee deposits  
The market value of guarantee deposits is computed according to their present value calculated by taking into account future cash flow that factors in potential collectability and discounting it by the yield on government bonds relative to their residual period and other factors.
- (6) Notes and accounts payable  
Because notes and accounts payable are settled in the short term, the fair

value is almost equivalent to the book value, therefore notes and accounts payable are based on the book value.

- (7) Short-term borrowings (8) Commercial paper  
Short-term borrowings and commercial paper are settled within a short time frame and therefore have a market value nearly equivalent to their book value. Consequently, these are posted according to their book value.
- (9) Corporate bonds  
The value of the corporate bonds is calculated according to the market value.
- (10) Long-term debt  
The market value of long-term debt is calculated by taking into account the total amount of principal and interest and discounting it by the assumed rate of interest when executing new borrowings. Long-term debt under a variable interest rate are subject to exceptional accounting treatment for interest swaps, in which the total amount of principal and interest, which is treated as one with the interest swap in question, is discounted by a logically estimated rate of interest that would be applied in the event similar borrowings are conducted. This yields the market value of such long-term debt.
- (11) Derivative transactions  
Derivative transactions conducted through exceptional accounting treatment of interest swaps are treated as being one with the long-term debt under the relevant hedge. As such, the market value of such transactions is presented as being included in the market value for the long-term debt concerned. (Please refer to (10) above.)

Note 4: Non-listed shares and shares in subsidiaries and affiliates, etc. (posted as 63,319 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 “(4) Investment and Available-for-sale securities” above.

[Notes to lease properties and other real estate]

1. Status of rental properties and other real estate

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

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

(Millions of yen)

|   | Amounts posted on the consolidated balance sheet | Market value as of the end of the consolidated fiscal year under review |
|---|--|---|
| Rental properties and other real estate | 140,031  | 138,251   |

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

Note 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 asset per share  | 1,244.54 yen |
| 2. Net income per share | 64.11 yen    |

[Notes to Significant Post-balance Sheet Events]

Not applicable.

INDEPENDENT AUDITOR'S REPORT

May 7, 2013

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young  
ShinNihon LLC  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Takashi Nagasaka

Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Hirokazu Sekiguchi

Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Osamu Suwabe

Pursuant to Article 444, Section 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") applicable to the fiscal year from April 1, 2012 through March 31, 2013.

Management's Responsibility 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 presentation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

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 Holdings Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2013 in conformity with accounting principles generally accepted in Japan.

#### Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## **Nonconsolidated Balance Sheet**

(As of March 31, 2013)

(Millions of yen)

| Account item   | Amount         | Account item  | Amount         |
|--|----------------|---|----------------|
| <b>Assets</b>  | <b>759,074</b> | <b>Liabilities</b>  | <b>301,541</b> |
| <b>Current assets</b>  | <b>221,174</b> | <b>Current liabilities</b>                                    | <b>217,416</b> |
| Cash and deposits  | 5,367          | Current portion of bonds                                      | 12,000         |
| Deferred tax assets  | 228            | Short-term borrowings   | 41,200         |
| Short-term loans receivable from subsidiaries and affiliates | 213,353        | Short-term borrowings payable to subsidiaries and affiliates  | 116,860        |
| Corporate tax refund receivable, etc.                        | 3,420          | Commercial paper  | 46,000         |
| Accrued income   | 4,939          | Accounts payable  | 75             |
| Other  | 43             | Accrued expenses  | 852            |
| Allowance for doubtful accounts                              | (6,179)        | Accrued bonuses   | 117            |
| <b>Fixed assets</b>  | <b>537,864</b> | Accrued income tax  | 141            |
| <b>Tangible fixed assets</b>                                 | <b>1</b>       | Other   | 168            |
| Appliance and fixtures                                       | 1              | <b>Fixed Liabilities</b>                                      | <b>84,125</b>  |
| <b>Intangible fixed assets</b>                               | <b>0</b>       | Corporate bonds   | 12,000         |
| Software   | 0              | Long-term debt  | 67,800         |
| <b>Investments and other assets</b>                          | <b>537,862</b> | Provision for loss on business of subsidiaries and affiliates | 334            |
| Investment securities  | 227            | Provision for loss on guarantees                              | 3,991          |
| Stocks of subsidiaries and affiliates                        | 443,334        | <b>Net assets</b>   | <b>457,533</b> |
| Long-term loans receivable from subsidiaries and affiliates  | 94,300         | <b>Shareholders' equity</b>                                   | <b>456,091</b> |
| Other  | 0              | <b>Common stock</b>   | <b>50,118</b>  |
| <b>Deferred assets</b>                                       | <b>35</b>      | <b>Capital surplus</b>  | <b>397,887</b> |
| Corporate bond issuance cost                                 | 35             | Capital reserve   | 18,466         |
|  |                | Other capital surplus   | 379,421        |
|  |                | <b>Retained earnings</b>                                      | <b>8,304</b>   |
|  |                | Other retained earnings                                       | 8,304          |
|  |                | Retained earnings carried forward                             | 8,304          |
|  |                | <b>Treasury stock</b>   | <b>(219)</b>   |
|  |                | <b>Stock acquisition rights</b>                               | <b>1,441</b>   |
| <b>Total</b>   | <b>759,074</b> | <b>Total</b>  | <b>759,074</b> |

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

## **Nonconsolidated Statement of Income**

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

| Account item   | Amount |        |
|--|--------|--------|
| Operating revenues   |        |        |
| Dividend income  | 17,233 |        |
| Management service income                                  | 4,246  |        |
| Service revenue  | 840    | 22,320 |
| Selling, general and administrative costs                  |        | 5,027  |
| Operating income   |        | 17,293 |
| Nonoperating income  |        |        |
| Interest income  | 2,681  |        |
| Miscellaneous income                                       | 30     | 2,712  |
| Nonoperating expenses                                      |        |        |
| Interest expenses  | 2,208  |        |
| Miscellaneous expenses                                     | 485    | 2,693  |
| Ordinary income  |        | 17,312 |
| Extraordinary income                                       |        |        |
| Gain on reversal of stock acquisition rights               | 90     | 90     |
| Extraordinary losses                                       |        |        |
| Provision of allowance for doubtful accounts               | 686    |        |
| Loss on valuation of stocks of subsidiaries and affiliates | 7,999  |        |
| Provision for loss on guarantees                           | 3,991  | 12,677 |
| Income before income taxes                                 |        | 4,724  |
| Corporate tax, corporate inhabitant tax, business tax      | 124    |        |
| Deferred taxes   | 15     | 139    |
| Net income   |        | 4,585  |

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

## Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

| Account item  | Shareholders' equity |                 |                       |                                   |                         |                         |
|---|----------------------|-----------------|-----------------------|-----------------------------------|-------------------------|-------------------------|
|   | Common stock         | Capital surplus |                       |                                   | Retained earnings       |                         |
|   |                      | Capital reserve | Other capital surplus | Total capital surplus             | Other retained earnings | Total retained earnings |
|   |                      |                 |                       | Retained earnings carried forward |                         |                         |
| <b>Balance as of April 1, 2012</b>                                | <b>50,102</b>        | <b>18,450</b>   | <b>379,421</b>        | <b>397,871</b>                    | <b>7,664</b>            | <b>7,664</b>            |
| <b>Changes during current period</b>                              |                      |                 |                       |                                   |                         |                         |
| Issuance of new shares  | 16                   | 16              |                       | 16                                |                         |                         |
| Dividends from surplus  |                      |                 |                       |                                   | (3,945)                 | (3,945)                 |
| Net income for current period                                     |                      |                 |                       |                                   | 4,585                   | 4,585                   |
| Acquisition of treasury stock                                     |                      |                 |                       |                                   |                         |                         |
| Disposition of treasury stock                                     |                      |                 | (0)                   | (0)                               |                         |                         |
| Net changes other than shareholders' equity during current period |                      |                 |                       |                                   |                         |                         |
| <b>Total change during current period</b>                         | <b>16</b>            | <b>16</b>       | <b>(0)</b>            | <b>15</b>                         | <b>640</b>              | <b>640</b>              |
| <b>Balance as of March 31, 2013</b>                               | <b>50,118</b>        | <b>18,466</b>   | <b>379,421</b>        | <b>397,887</b>                    | <b>8,304</b>            | <b>8,304</b>            |

(Millions of yen)

| Account item  | Shareholders' equity |                            | Stock acquisition rights | Total net assets |
|---|----------------------|----------------------------|--------------------------|------------------|
|   | Treasury stock       | Total shareholders' equity |                          |                  |
| <b>Balance as of April 1, 2012</b>                                | <b>(209)</b>         | <b>455,429</b>             | <b>1,246</b>             | <b>456,675</b>   |
| <b>Changes during current period</b>                              |                      |                            |                          |                  |
| Issuance of new shares  |                      |                            | 32                       | 32               |
| Dividends from surplus  |                      |                            | (3,945)                  | (3,945)          |
| Net income for current period                                     |                      |                            | 4,585                    | 4,585            |
| Acquisition of treasury stock                                     | (12)                 |                            | (12)                     | (12)             |
| Disposition of treasury stock                                     | 2                    |                            | 2                        | 2                |
| Net changes other than shareholders' equity during current period |                      |                            | 195                      | 195              |
| <b>Total change during current period</b>                         | <b>(9)</b>           | <b>661</b>                 | <b>195</b>               | <b>857</b>       |
| <b>Balance as of March 31, 2013</b>                               | <b>(219)</b>         | <b>456,091</b>             | <b>1,441</b>             | <b>457,533</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

#### 2. Depreciation methods for fixed assets

##### Tangible fixed assets

Equipment and fixtures

Straight-line method.

#### 3. Standards of accounting for allowances and accruals

##### Allowance for doubtful accounts

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

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

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

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

##### Provision for loss of guarantee liabilities

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

#### 4. Other important accounting policies for preparation of financial documents

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

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

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

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

## 5. Change of presentation method

### (Balance Sheet)

“Accrued income”, which had been included in “Other” under “Current Assets” in the previous fiscal year, is presented separately from the fiscal year under review due to an increase in material significance.

Accrued income in the previous fiscal year amounted to ¥574 million.

[Notes to Nonconsolidated Balance Sheet]

|  |                   |
|--|-------------------|
| Accumulated depreciation of tangible fixed assets  | 0 million yen     |
| Guarantee liabilities  |                   |
| Guarantee liabilities in respect to funds borrowed by affiliates   |                   |
| West Japan Railway Isetan Ltd.   | 8,009 million yen |
| Note: The above figure shows the amount after deduction of the provision for loss of guarantee liabilities from the amount of guarantee liabilities. |                   |
| Short-term receivables from subsidiaries and affiliates  | 4,954 million yen |
| Short-term payables to subsidiaries and affiliates   | 594 million yen   |

[Notes to Nonconsolidated Statement of Income]

|   |                    |
|---|--------------------|
| Transactions with subsidiaries and affiliates |                    |
| Turnover based on operating transactions      |                    |
| Operating revenues                            | 22,320 million yen |
| Selling, general and administrative expenses  | 281 million yen    |
| Other revenues                                | 3,529 million yen  |

[Notes to Nonconsolidated Statement of Changes in Net Assets]

Matters concerning treasury stock (unit: shares)

| Type of Stock | Number of Shares as of the beginning of Current Term | Number of Shares Increased in Current Term | Number of Shares Decreased in Current Term | Number of Shares as of the End of Current Term |
|---------------|--|--|--|--|
| Common stock  | 220,866  | 13,656                                     | 2,497                                      | 232,025  |

Note 1: The increase is due to requests for redemption of odd-lot shares.

Note 2: The decrease is due to requests for the additional purchase of odd-lot shares.

[Notes to Tax Effect Accounting]

|   |                     |
|---|---------------------|
| Breakdown by major cause for deferred tax assets              |                     |
| (Deferred tax assets)   |                     |
| Accrued bonuses   | 181 million yen     |
| Accrued enterprise tax  | 43 million yen      |
| Stock option expenses   | 187 million yen     |
| Loss on valuation of stocks of subsidiaries and affiliates    | 3,761 million yen   |
| Provision for loss on business of subsidiaries and affiliates | 119 million yen     |
| Provision for loss on guarantees                              | 1,422 million yen   |
| Allowance for doubtful accounts                               | 2,202 million yen   |
| Other   | 3 million yen       |
| Sub-total deferred tax assets                                 | 7,921 million yen   |
| Valuation reserve   | (7,692) million yen |
| Total deferred tax assets                                     | 228 million yen     |

[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 guidance (Note 1) | 3,564              | Accrued expenses                       | 3,742            |
|              |                                |  |  | Accounting fees                            | 501                | —                                      | —                |
|              |                                |  |  | Lending of funds (Note 2)                  | 6,282              | Affiliates short-term loans receivable | 168,344          |
|              |                                |  |  | Receipt of interest (Note 3)               | 2,244              | Affiliates long-term loans receivable  | 94,300           |
|              |                                |  |  |  |                    | Accrued expenses                       | 234              |
| Subsidiaries | Iwataya Mitsukoshi Ltd.        | Direct: 100%   | Interlocking directorate Financial assistance                                  | Lending of funds (Note 3)                  | 3,000              | Affiliates short-term loans receivable | 27,000           |
| Subsidiaries | Sapporo Marui Imai Ltd.        | Direct: 100%   | Interlocking directorate Borrowing of Fund                                     | Lending of funds (Note 2, 3)               | 200                | Affiliates short-term loans receivable | 8,300            |
| Subsidiaries | MI TOMONOK AI Co., Ltd.        | Indirect: 100%   | Borrowing and Lending of Fund  | Borrowing of funds (Note 2)                | 1,726              | Affiliates short-term borrowings       | 82,761           |
|              |                                |  |  | Payment of Interest (Note 3)               | 720                |  |                  |
| Subsidiaries | MICARD Co. Ltd.                | Direct: 100%   | Borrowing and Lending of Fund  | Refund of funds (Note 2, 3)                | 26,725             | Affiliates short-term borrowings       | 11,831           |
| Affiliates   | West Japan Railway Isetan Ltd. | Direct 40%   | Interlocking directorate   | Guarantee liabilities (Note 4)             | 12,000             | Provision for loss on guarantees       | 3,991            |

Transaction conditions and decision policies thereof

Notes:

- (1) Proceeds from management guidance are determined based on contract conditions.
- (2) With respect to the borrowing and lending of fund, the Company has a cash management system (CMS) that manages funds within the Group in an integral manner.
- (3) The loans and borrowings interest rates are determined in a reasonable manner in a consideration of market interest rates.

(4) The Company has recorded a 3,991 million yen provision for loss of guarantee liabilities in regard to guarantee liabilities for West Japan Railway Isetan Ltd. The Company also recorded a 3,991 million yen transfer to the provision for loss of guarantee liabilities during the fiscal year under review.

(5) The above amounts do not include consumption and other taxes.

[Notes to Per-share Information]

|                         |              |
|-------------------------|--------------|
| 1. Net asset per share  | 1,155.96 yen |
| 2. Net income per share | 11.62 yen    |

[Notes to Significant Post-balance Sheet Events]

Not applicable.

INDEPENDENT AUDITOR'S REPORT

May 7, 2013

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young  
ShinNihon LLC  
Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Takashi Nagasaka

Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Hirokazu Sekiguchi

Designated Limited Partner  
Engagement Partner  
Certified Public Accountant  
Osamu Suwabe

Pursuant to Article 436, Section 2, Paragraph 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 notes to the financial statements and the related supplementary schedules of Isetan Mitsukoshi Holdings Ltd. (the "Company") applicable to the 5th fiscal year from April 1, 2012 through March 31, 2013.

*Management's Responsibility for the Financial Statements and the Related Supplementary Schedules*

Management is responsible for the preparation and fair presentation of the financial statements and the related 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 presentation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Isetan Mitsukoshi Holdings Ltd., applicable to the fiscal year ended March 31, 2013 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

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

### AUDIT REPORT

The Board of Corporate Auditors, following review and deliberations on the audit reports made by each Corporate Auditor concerning the execution of duties by Directors for the 5th fiscal term from April 1, 2012 to March 31, 2013, have prepared this Audit Report, and hereby submit it as follows:

1. Auditing Methods and Contents of Audit by Corporate Auditors and Board of Corporate Auditors  
Board of Corporate Auditors established the auditing policies and division of duties, received reports and explanations regarding the implementation status and results thereof from the respective Corporate Auditors, as well as reports and explanations regarding the status of the execution of duties from Directors and the Accounting Auditor, and requested explanations as necessary.

In accordance with the auditing standards for Corporate Auditors determined by the Board of Statutory Auditors and auditing policies and the division of duties, each Corporate Auditor made efforts to collect information and established auditing circumstances through communication with internal audit staff and other employees, and attended the Board of Directors' meeting and other important meetings to receive reports regarding execution of duties from directors and employees. Each Corporate Auditor also inspected the approved documents and examined the status of operations and conditions of assets at its head office and principal offices. With regard to the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the directors' duties described in the business report are performed in conformity of laws, regulations and the Articles of Incorporation of the Company as well as the establishment of the system necessary to ensure proper business operations of the company as set forth in Items 1 and 3 of Article 100 of Enforcement Regulations of the Corporation Law of Japan and the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Corporate Auditor also received reports on a regular basis from directors and employees regarding its status of developments and operations, and expressed their opinions. Corporate Auditors received from subsidiaries their reports as necessary through communication and information sharing with their directors and corporate auditors. In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules for the year ended on March 31, 2012.

Further, Corporate Auditors monitored and examined whether or not the Accounting Auditor is maintaining an independent position and conduct the audits appropriately, and also obtained reports 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). In accordance with the aforementioned procedures, the Corporate Auditors reviewed 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, 2013.



2. Results of Audit

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

- i) 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.
- ii) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation of the Company.
- iii) The contents of resolutions by the Board of Directors with regard to the internal control system are reasonable. Additionally, regarding the description of the relevant internal control system in the business report and the execution of duties by Directors under the relevant internal control system, there are no matters to be pointed out.

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

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

May 7, 2013

Board of Corporate Auditors of Isetan  
Mitsukoshi Holdings Ltd.

Full-time Corporate Auditor      Shinya Takada

Full-time Corporate Auditor      Kosuke Kojima

Outside Corporate Auditor      Teisuke Kitayama

Outside Corporate Auditor      Sumio Iijima

## Reference Documents for the General Meeting of Shareholders

### Proposal and References

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

The year-end dividend for the 5<sup>th</sup> term will be distributed as follows, as the Company comprehensively considers the maintenance of stable dividends as well as the proper securing of internal reserves that will be necessary for capital investment in major stores and the reduction of interest-bearing debt.

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 ¥10 per common share of the Company  
Total amount: ¥3,945,554,690
- (3) Effective date of dividend of surplus  
June 25, 2013

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

The terms of office of eight (8) Directors Kunio Ishizuka, Hiroshi Onishi, Tatsuo Otagaki, Ken Akamatsu, Toshihiko Sugie, Toshinori Shirai, Nobuo Kuroyanagi, and Shimpei Miyamura will expire at the conclusion of this meeting. Director Morio Ikeda passed away on May 20, 2013.

Accordingly, election of the following nine (9) Directors is proposed. The candidates for Directors are as follows:

| Candidate No. | Name<br>(Date of Birth)          | Summary of career, positions, responsibilities and significant posts concurrently held   | Number of Company shares owned |
|---------------|----------------------------------|--|--------------------------------|
| 1             | Kunio Ishizuka<br>(Sep 11, 1949) | <p>May 1972 Joined Mitsukoshi, Ltd.</p> <p>Feb 2003 Executive Officer, General Manager, Operations Department</p> <p>Mar 2004 Senior Executive Officer, General Manager, Corporate Planning Division</p> <p>Mar 2005 Managing Executive Officer, General Manager, Business Planning Division</p> <p>May 2005 President and Representative Director, General Manager, Business Planning Division</p> <p>Feb 2006 President and Representative Director</p> <p>Apr 2008 President and Representative Director, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jun 2008 Outside Director, Isetan Co., Ltd.</p> <p>Apr 2011 Chairman, Director, Executive Officer, Isetan Mitsukoshi Ltd.</p> <p>Feb 2012 Chairman, Representative Director, Executive Officer, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Apr 2012 Chairman, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. (to the present)</p> <p>(Significant posts concurrently held)<br/>Chairman, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd.</p> | 36,482                         |

| Candidate No. | Name (Date of Birth)             | Summary of career, positions, responsibilities and significant posts concurrently held  | Number of Company shares owned |
|---------------|----------------------------------|---|--------------------------------|
| 2             | Hiroshi Onishi (Jun 13, 1955)    | <p>Apr 1979 Joined Isetan Co., Ltd.</p> <p>Jun 2005 Executive Officer, Manager, General Planning Section, Management Planning Department</p> <p>Feb 2006 Executive Officer, General Manager/Manager, Sales Department, Tachikawa Store</p> <p>Mar 2008 Managing Executive Officer<br/>Managing Executive Officer; General Manager, MD Administration Department, Department Store Business Headquarters, Mitsukoshi, Ltd.</p> <p>Apr 2009 Director, Managing Executive Officer, General Manager, MD Administration Department/Planning Division, Department Store Business Headquarters</p> <p>Jun 2009 President, Representative Director, Executive Officer, Isetan Co., Ltd.</p> <p>Jan 2010 President, Representative Director, Executive Officer, Division Manager, Sales Division</p> <p>Mar 2010 Director, Mitsukoshi, Ltd.</p> <p>Jun 2010 Director, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2011 President, Representative Director, Executive Officer, Division Manager/Sales Division, Isetan Mitsukoshi Ltd.</p> <p>Feb 2012 President, Representative Director, Executive Officer, Isetan Mitsukoshi Holdings Ltd. (to the present)<br/>President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. (to the present)</p> <p>(Significant posts concurrently held)<br/>President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd.</p>   | 29,995                         |
| 3             | Toshihiko Nakagome (Mar 3, 1954) | <p>Apr 1976 Joined Isetan Co., Ltd.</p> <p>Jun 2004 Executive Officer, General Manager in charge of women's clothing in general, MD Administration Department, Sales Division, Isetan Co., Ltd.</p> <p>Feb 2006 Managing Executive Officer, General Manager, MD Administration Department, Sales Division</p> <p>Jun 2008 Director, Managing Executive Officer, General Manager, MD Administration Department, Sales Division</p> <p>Mar 2010 Senior Managing Executive Officer, Isetan Co., Ltd.<br/>Director, Senior Managing Executive Officer and General Manager, Department Store Business Headquarters, Mitsukoshi, Ltd.</p> <p>Apr 2011 Representative Director, Senior Managing Executive Officer, Deputy General Manager, Sales Division, Isetan Mitsukoshi Ltd.</p> <p>Feb 2012 Representative Director, Senior Managing Executive Officer, General Manager, Sales Division, Isetan Mitsukoshi Ltd.</p> <p>Apr 2013 Senior Managing Executive Officer, General Manager, Sales Division, Isetan Mitsukoshi Holdings Ltd. (to the present)<br/>Representative Director, Senior Managing Executive Officer, General Manager, Sales Division, General Manager, Flagship Store Business, Sales Division, Isetan Mitsukoshi Ltd. (to the present)</p> <p>(Significant posts concurrently held)<br/>Representative Director, Senior Managing Executive Officer, General Manager, Sales Division, General Manager, Flagship Store Business, Sales Division, Isetan Mitsukoshi Ltd.</p> | 24,841                         |

| Candidate No. | Name (Date of Birth)           | Summary of career, positions, responsibilities and significant posts concurrently held   | Number of Company shares owned |
|---------------|--------------------------------|--|--------------------------------|
| 4             | Ken Akamatsu (Sep 5, 1952)     | <p>Jun 1975 Joined Mitsukoshi, Ltd.</p> <p>Feb 2006 Executive Officer, General Manager, Operations Department</p> <p>Feb 2007 Executive Officer, General Manager, Group Operations Department</p> <p>May 2007 Director, Senior Executive Officer, General Manager, Group Operations Department</p> <p>Apr 2008 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd.<br/>Director, Mitsukoshi, Ltd.</p> <p>Apr 2009 Outside Director, Isetan Co., Ltd</p> <p>Apr 2013 Director, Managing Executive Officer, Operation General Manager, Isetan Mitsukoshi Holdings Ltd. (to the present), Director, Managing Executive Officer, General Manager, Operation headquarters Isetan Mitsukoshi Ltd. (to the present)</p> <p>(Significant posts concurrently held)<br/>Director, Managing Executive Officer, General Manager, Operation headquarters, Isetan Mitsukoshi Ltd.</p>                              | 15,894                         |
| 5             | Toshihiko Sugie (Feb 15, 1961) | <p>Apr 1983 Joined Isetan Co., Ltd.</p> <p>Apr 2009 Executive Officer, General Manager in charge of foods in general and food sales, MD Administration Department, Sales Division, Isetan Co., Ltd.</p> <p>Apr 2011 Executive Officer, General Manager in charge of foods in general, MD Administration Department, Sales Division, Isetan Mitsukoshi Ltd.</p> <p>Apr 2012 General Manager, Managing Executive Officer, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jun 2012 Director, General Manager, Managing Executive Officer, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.(to the present)</p> <p>Apr 2013 Director, General Manager, Managing Executive Officer, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd. (to the present)</p> <p>(Significant posts concurrently held)<br/>Director, General Manager, Managing Executive Officer, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.</p> | 14,100                         |

| Candidate No. | Name (Date of Birth)            | Summary of career, positions, responsibilities and significant posts concurrently held  | Number of Company shares owned |
|---------------|---------------------------------|---|--------------------------------|
| 6             | Hidenori Takeda (Jul 5, 1954)   | <p>Apr 1978 Joined Mitsui Bank</p> <p>May 2006 Executive Officer, General Manager in charge of Planning and Coordination, Corporate Planning Division, Mitsukoshi, Ltd</p> <p>Feb 2007 Executive Officer, General Manager, Business Planning Division, Department Store Business Headquarters, Mitsukoshi, Ltd</p> <p>Mar 2010 Executive Officer, President, MICARD Co. Ltd.</p> <p>Apr 2011 Executive Officer, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2013 Director, Managing Executive Officer, General Manager, Department Store Business Department, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Director, Managing Executive Officer, General Manager, Department Store Business Department, Isetan Mitsukoshi Ltd. (to the present)</p> <p>(Significant posts concurrently held)</p> <p>Director, Managing Executive Officer, General Manager, Department Store Business Department, Isetan Mitsukoshi Ltd.</p>   | 8,541                          |
| 7             | Nobuo Kuroyanagi (Dec 18, 1941) | <p>Apr 1965 Joined The Mitsubishi Bank, Limited (Mitsubishi Bank)</p> <p>Jun 1992 Director, Mitsubishi Bank</p> <p>Apr 1996 Director, The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>Jun 1996 Managing Director</p> <p>Jun 2001 Managing Executive Officer</p> <p>Jun 2002 Vice President</p> <p>Jun 2003 Director, Mitsubishi Tokyo Financial Group, Inc.</p> <p>Jun 2004 President &amp; CEO, Mitsubishi Tokyo Financial Group, Inc.<br/>President, The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>Oct 2005 President &amp; CEO, Mitsubishi UFJ Financial Group, Inc.</p> <p>Jan 2006 President of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Apr 2008 Chairman, The Bank of Tokyo-Mitsubishi UFJ, Ltd.<br/>Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Jun 2009 Outside Director, Honda Motor Co., Ltd. (to the present)<br/>Outside Statutory Auditor, Mitsubishi Heavy Industries, Ltd. (to the present)</p> <p>Dec 2009 Outside Director, Mitsubishi Research Institute, Inc. (to the present)</p> <p>Apr 2010 Director, Mitsubishi UFJ Financial Group, Inc.</p> <p>Jun 2011 Director, Tokyo Marine &amp; Nichido Fire Insurance Co., Ltd. (to the present)</p> <p>Apr 2012 Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (to the present)</p> <p>(Significant posts concurrently held)</p> <p>Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.<br/>Outside Director, Honda Motor Co., Ltd.<br/>Outside Director, Mitsubishi Research Institute, Inc.<br/>Director, Tokyo Marine &amp; Nichido Fire Insurance Co., Ltd.<br/>Outside Statutory Auditor, Mitsubishi Heavy Industries, Ltd.</p> | 9,892                          |

| Candidate No. | Name (Date of Birth)         | Summary of career, positions, responsibilities and significant posts concurrently held   | Number of Company shares owned |
|---------------|------------------------------|--|--------------------------------|
| 8             | Shouei Utsuda (Feb 12, 1943) | <p>Apr 1967 Joined MITSUI &amp; CO., LTD.<br/> Jun 1997 Director, MITSUI &amp; CO., LTD.<br/> Jun 2000 Representative Director, Managing Director, MITSUI &amp; CO., LTD.<br/> Apr 2002 Representative Director, Senior Managing Director, MITSUI &amp; CO., LTD.<br/> Oct 2002 Representative Director, President, MITSUI &amp; CO., LTD.<br/> Jun 2007 Director, Tokyo Broadcasting System Holdings, Inc. (to the present)<br/> Apr 2009 Chairman, MITSUI &amp; CO., LTD. (to the present)<br/> Director, Tokyo Broadcasting System, Inc. (to the present)<br/> May 2009 Chairman, The Japan – Vietnam Association (to the present)<br/> May 2010 Chairman, Japan Foreign Trade Council, Inc. (JFTC) (to the present)</p> <p>(Significant posts concurrently held)<br/> Chairman, MITSUI &amp; CO., LTD.<br/> Tokyo Broadcasting System Holdings, Inc.<br/> Director, Tokyo Broadcasting System, Inc.,<br/> Chairman, The Japan – Vietnam Association,<br/> Chairman, Japan Foreign Trade Council, Inc. (JFTC)</p> | 0                              |
| 9             | Yoshinori Ida (May 18, 1943) | <p>Apr 1966 Joined Isuzu Motors Limited<br/> Jan 1994 Director, Isuzu Motors Limited<br/> May 1996 Executive Director, Isuzu Motors Limited<br/> Apr 1999 Managing Director, Isuzu Motors Limited<br/> Dec 2000 President, Representative Director, COO, Isuzu Motors Limited<br/> Jun 2007 Chairman and Representative Director, Isuzu Motors Limited<br/> Feb 2009 Chairman and Director, Isuzu Motors Limited<br/> Jun 2011 Special Executive Advisor, Honorary Chairman, Isuzu Motors Limited<br/> Jun 2012 Special Executive Advisor, Isuzu Motors Limited (to the present)</p> <p>(Significant posts concurrently held)<br/> Special Executive Advisor, Isuzu Motors Limited</p>   | 0                              |

- (Notes)
1. Mr. Toshihiko Nakagome, Mr. Hidenori Takeda, Mr. Shouei Utsuda and Mr. Yoshinori Ida are newly appointed candidates.
  2. Mr. Nobuo Kuroyanagi, Mr. Shouei Utsuda and Mr. Yoshinori Ida are candidates for Outside Director.
  3. The Company's shares held by candidate Directors include their own personal holdings in the Isetan Mitsukoshi Holdings Executive Shareholding Association.
  4. Mr. Nobuo Kuroyanagi is Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is the main bank for transactions for the Company Group. There is no interest relationship with the other candidates.
  5. Mr. Nobuo Kuroyanagi has been engaged in the management of financial institutions for many years, and his election as an Outside Director is proposed from the viewpoint of benefiting from his insight and viewpoints cultivated in his experience toward the supervision of the management activities of the Company.

It shall be noted that The Senshu Ikeda Bank, Ltd., where Mr. Nobuo Kuroyanagi was serving as an Outside Director from May, 2010, experienced an incident in which its staff embezzled customer deposits and unduly disbursed funds by exploiting the customer overdraft limit. Although Mr. Nobuo Kuroyanagi had no prior knowledge of the facts of such incidents, he made various suggestions on compliance as a daily practice at the Company's Board of Directors meetings, and after these incidents came to light, he proactively gave advice on measures to prevent a recurrence of such incidents such as reinforcing monitoring systems and enhancing employee education.

6. Election of Mr. Shouei Utsuda and Mr. Yoshinori Ida as Outside Directors is proposed upon judgment that they can bring their abundant experience and insight as managers of companies to the management of the Company, and also provide advice and proposals for ensuring appropriate and reasonable decision-making of the Board of Directors of the Company from an independent status from the viewpoint of bringing in their insight and viewpoints cultivated in their experience for supervising the management activities of the Company. The sales division of the Performance Chemicals Business Unit at Mitsui & Co., Ltd., where Mr. Shoei Utsuda has served as Chairman of the Board of Directors since April 2009, conducted transactions with no actual sales as export trading transactions to Indonesia and other countries in Southeast Asia between April 2004 and August 2008. Tokyo Broadcasting System Television, Inc., where Mr. Shoei Utsuda serves as an outside director, has received a severe reprimand from Japan's Ministry of Internal Affairs and Communication for gross negligence in the editing of some programs aired during Mr. Utsuda's term of office as an outside director. Mr. Utsuda, who was an outside director, was not involved in the relevant programs, and has consistently made proposals from the perspective of compliance and called for the prevention of recurrence based on the investigation report following the incident.
7. The candidate Mr. Nobuo Kuroyanagi has concluded liability limitation agreements with the Company based on the provisions of the Articles of Incorporation, which shall limit the maximum amount of liability he may bear to the Company to the amount stipulated by laws. The Company intends to conclude similar agreements with Mr. Shoei Utsuda and Mr. Yoshinori Ida to limit their liabilities if their election is approved.
8. The candidate Mr. Nobuo Kuroyanagi is an Outside Directors of the Company at present, and the terms of office he has served as Outside Directors will be five years and two months as of the conclusion of this meeting.
9. If the Company designate Mr. Shouei Utsuda and Mr. Yoshinori Ida as an Independent Director based on the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, plans to notify both stock exchanges thereof.

**Proposal No. 3: Payment of Bonuses to Directors**

Taking into account the business performance for the year under review, we propose the payment of bonuses to six Directors (of the nine Directors, three Outside Directors are excluded), who are in office at the end of fiscal year under review, at a total amount of ¥59.93 million. As for the specific amount for each Director, we request that matter to be entrusted to the Board of Directors.



## **Guide for Procedures of Exercising Voting Rights via the Internet**

Please read the following items before exercising your voting rights via the Internet.

If attending on the day of meeting, neither exercising voting rights by mailing (Voting Rights Exercise Form) or via the Internet is necessary.

1. Website to use for exercising voting rights
  - (1) Exercise of voting rights via the Internet is only possible by accessing the website designed by the Company exclusively for the purpose of exercising voting rights (<http://www.evote.jp/>) via a personal computer, smartphone or mobile phone (i-mode, EZweb and Yahoo! Keitai).  
(Access is unavailable between 2:00 a.m. and 5:00 a.m. every day.)  
Note: i-mode, EZweb, Yahoo! Keitai are trademarks or registered trademarks of NTT DoCoMo, Inc., KDDI CORPORATION and Yahoo! Inc., respectively.
  - (2) Depending on their Internet user environments, shareholders using personal computers or smartphone may not be able to exercise their voting rights via the site for exercising voting rights, such as the case of using firewall for Internet connection, setting antivirus software, and using proxy server, etc.
  - (3) In order to exercise voting rights on a mobile phone, it is necessary to have the capability to use the i-mode, EZweb, or Yahoo! Keitai service. Even if they have access to one of the above services, some shareholders may not be able to use the service if their mobile phone models are incapable of sending information, or because of encrypted communication (SSL communication) to ensure security.
  - (4) Votes will be accepted via the Internet by Friday, June 21, 2013 at 8:00 p.m., however, you are cordially requested to exercise your voting rights rather early, and send any inquiries or questions to the Help Desk below.
2. How to exercise voting rights via the Internet
  - (1) Please access the website for exercising voting rights (<http://www.evote.jp/>), enter the “login ID” and “temporary password” recorded on the Voting Rights Exercise Form and then enter your vote for each proposal according to the instructions on the screen.
  - (2) To prevent people who are not shareholders (impostors) from illegally accessing the site and alteration of the content of your voting selections, we will ask shareholders who use the site to change their “temporary passwords” on the site for exercising voting rights.
  - (3) You will be provided with a new “login ID” and “temporary password” each time a General Meeting of Shareholders is convened.
3. How multiple votes for the same shareholder will be handled
  - (1) If we receive votes both by conventional mail and via the Internet, we will consider the Internet vote to be the valid vote.
  - (2) When exercising voting rights via the Internet multiple times, we will consider the last vote to be the valid vote. In case when exercising voting rights both by using personal computer, smartphone and mobile phone as well, we will consider the last vote to be the valid vote.

4. Costs arising from accessing the site for exercising voting rights  
Costs arising from accessing the site for exercising voting rights (Internet connection fees, phone fees, etc.) will be borne by the shareholder. When using a mobile phone to vote, there will be costs such as packet communication fees or other fees for using the mobile phone, and these fees will be borne by the shareholder.

**For Institutional Investors**

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

For inquiries concerning systems, etc. please contact:

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