

May 28, 2015

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 7th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 7th 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 in writing or via the Internet, etc., as described in “Guide to Exercising Voting Rights” on the next page. Please review the Reference Documents for the General Meeting of Shareholders in the following pages and exercise your voting rights by 8 p.m., Friday, June 19, 2015.

- 1. Date and Time:** Monday, June 22, 2015, at 10:00 a.m.
The reception is scheduled to begin at 9:00 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.
 - * As many shareholders are expected to attend the Meeting, another meeting venue has been prepared inside the Annex. Please be aware that some shareholders may be received at the Annex depending on the number of shareholders present.
- 3. Agenda of the Meeting:**
- Matters to be reported:**
1. The Business Report and the Consolidated Financial Statements for the 7th term (from April 1, 2014 to March 31, 2015) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
 2. The Nonconsolidated Financial Statements for the 7th term (from April 1, 2014 to March 31, 2015)

Proposals to be resolved:

- | | |
|------------------------|---|
| Proposal No. 1: | Appropriation of Surplus |
| Proposal No. 2: | Partial Amendments to the Articles of Incorporation |
| Proposal No. 3: | Election of Eight Directors |
| Proposal No. 4: | Election of One Corporate Auditor |
| Proposal No. 5: | Payment of Bonuses to Directors |

<Notice>

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

Guide to Exercising Voting Rights

Attending the General Meeting of Shareholders

Date and time of the Meeting: Monday, June 22, 2015, at 10 a.m.

(Reception starts at 9 a.m.)

Please submit the Voting Rights Exercise Form at the meeting venue reception desk. (An affixed seal is not required.)

Please bear in mind that non-shareholding proxies, persons accompanying you or anyone else who is not a shareholder (except for those accompanying any shareholders with disabilities) will NOT be allowed to enter the venue.

Exercising Voting Rights in Writing

Deadline: To arrive by no later than 8 p.m. Friday, June 19, 2015

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

Exercising Voting Rights via the Internet

Deadline: Exercised by no later than 8 p.m. Friday, June 19, 2015.

Please access the website (<http://www.evotep.jp/>), and enter your consent/dissent concerning each proposal by following the guidance on the screen. Please note that no dedicated website for mobile phones is established.

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

Guide to Exercising Voting Rights via the Internet

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 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.

Website for exercise of voting rights: <http://www.evotep.jp/>

Deadline for exercise of voting rights: Friday, June 19, 2015 at 8:00 p.m.

Handling of Passwords:

- (1) 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.
- (2) You will be provided with a new “login ID” and “temporary password” each time a General Meeting of Shareholders is convened.

Important Notes:

Depending on your Internet user environments, shareholders using personal computers or smartphone may not be able to exercise your 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.

In order to exercise voting rights on a mobile phone, it is necessary to have the capability to use i-mode, EZweb, or Yahoo! Keitai. Even if you have access to one of the above services, some shareholders may not be able to use the service if your mobile phone models are incapable of sending information, or because of encrypted communication (SSL communication) to ensure security.

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.

Costs arising from accessing the site for exercising voting rights (Internet connection 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.

If you have any questions on how to exercise your voting rights using a personal computer or some other means on the above website, please contact the department below.

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)

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To Our Shareholders

Marching toward the world's foremost retail services group

On March 31, 2015, Isetan Mitsukoshi Holdings Ltd. prepared its seventh financial statements, which we hereby submit to you in this report. We encourage you to read it.

During the fiscal year under review, the economic environment surrounding the Company changed significantly with such developments as the hike in the consumption tax rate, further depreciation of the yen, rising stock prices and an increase in the number of foreigners visiting Japan.

The Group proclaimed a corporate message “this is japan.” at the beginning of the 2015 calendar year to convey its determination in creating a new future-oriented Isetan Mitsubishi Group. We have been offering high-quality products and services that feature the Group’s identity by connecting deeply with the lifestyle of each individual customer through our spirit of hospitality in a comfortable environment, thereby improving customer satisfaction.

The Group will continue to promote initiatives for further corporate growth by continually creating new value beyond customers’ expectations that will touch each customer’s heart, aiming to achieve the Group’s vision of becoming “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.

Reference Documents for the General Meeting of Shareholders

Proposal and References

Proposal No. 1: Appropriation of Surplus

Comprehensively taking into account the maintenance of a stable dividend to shareholders along with appropriate internal reserves required to invest in existing and new businesses, the Company proposes to pay a year-end dividend for the 7th term as follows:

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 ¥11 per common share of the Company
Total amount: ¥4,335,584,638
- (3) Effective date of dividend of surplus
June 23, 2015

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

1. Reason for the amendments

Pursuant to the Act for Partial Revision of the Corporation Law of Japan (Act No. 90 of 2014), which took effect on May 1, 2015, the scope of Directors and Corporate Auditors with whom a limited liability agreement may be concluded has been modified, making it possible to execute a limited liability agreement with Directors who are not involved in the execution of duties and Corporate Auditors (excluding Outside Corporate Auditors). In compliance with this revision of the Corporation Law of Japan, the Company proposed that the provisions of Article 32 and Article 44 of the Articles of Incorporation be amended to ensure that such Directors and Corporate Auditors can adequately fulfill the roles expected of them.

The Company has obtained prior approval from each Corporate Auditor for the partial amendment of Article 32 of the Articles of Incorporation.

2. Details of amendments

The Company proposes the following amendments to the present Articles of Incorporation.

(Underlined parts are amended)

Current Articles of Incorporation	Proposed Amendments
<p>Article 32 (Limited Liability Agreement with <u>Outside Directors</u>)</p> <p>The Company may conclude an agreement to limit the liability for damages for negligence of his/her duties with each <u>Outside Director</u> pursuant to Article 427, Paragraph 1, of the Corporation Law of Japan. Provided, however, that the maximum amount of the liability under such agreement shall be the amount prescribed in the relevant laws and regulations.</p>	<p>Article 32 (Limited Liability Agreement with <u>Directors</u>)</p> <p>The Company may conclude an agreement to limit the liability for damages for negligence of his/her duties with each <u>Director (excluding executive directors, among others)</u> pursuant to Article 427, Paragraph 1, of the Corporation Law of Japan. Provided, however, that the maximum amount of the liability under such agreement shall be the amount prescribed in the relevant laws and regulations.</p>

Current Articles of Incorporation	Proposed Amendments
<p data-bbox="252 320 791 398">Article 44 (Limited Liability Agreement with <u>Outside Corporate Auditors</u>)</p> <p data-bbox="280 416 791 875">The Company may conclude an agreement to limit the liability for damages for negligence of his/her duties with each <u>Outside Corporate Auditor</u> pursuant to Article 427, Paragraph 1, of the Corporation Law of Japan. Provided, however, that the maximum amount of the liability under such agreement shall be the amount prescribed in the relevant laws and regulations.</p>	<p data-bbox="853 320 1342 398">Article 44 (Limited Liability Agreement with <u>Corporate Auditors</u>)</p> <p data-bbox="882 416 1342 920">The Company may conclude an agreement to limit the liability for damages for negligence of his/her duties with each <u>Corporate Auditor</u> pursuant to Article 427, Paragraph 1, of the Corporation Law of Japan. Provided, however, that the maximum amount of the liability under such agreement shall be the amount prescribed in the relevant laws and regulations.</p>

Proposal No. 3: Election of Eight Directors

The terms of office of nine (9) Directors Kunio Ishizuka, Hiroshi Onishi, Ken Akamatsu, Toshihiko Sugie, Hidenori Takeda, Takuya Matsuo, Shouei Utsuda, Yoshinori Ida and Katsunori Nagayasu will expire at the conclusion of this meeting.

Accordingly, the Company proposes the election of eight (8) Directors and nominates the following candidates:

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
1	Kunio Ishizuka (Sep 11, 1949) [Renominated]	May 1972 Joined Mitsukoshi, Ltd. Feb 2003 Executive Officer, General Manager, Operations Department Mar 2004 Senior Executive Officer, General Manager, Corporate Planning Division Mar 2005 Managing Executive Officer, General Manager, Business Planning Division May 2005 President and Representative Director, General Manager, Business Planning Division Feb 2006 President and Representative Director Apr 2008 President and Representative Director, Isetan Mitsukoshi Holdings Ltd. Jun 2008 Outside Director, Isetan Co., Ltd. Apr 2011 Chairman, Director, Executive Officer, Isetan Mitsukoshi Ltd. Feb 2012 Chairman, Representative Director, Executive Officer, Isetan Mitsukoshi Holdings Ltd. (to the present) Apr 2012 Chairman, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. (to the present) Jun 2013 Director, SEKISUI CHEMICAL CO., LTD. (to the present) Significant posts concurrently held Chairman, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. Director, SEKISUI CHEMICAL CO., LTD.	39,864

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) [Renominated]	<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 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) President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Significant posts concurrently held President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd.</p>	32,802
3	Takuya Matsuo (Dec 27, 1958) [Renominated]	<p>Apr 1982 Joined Isetan Co., Ltd.</p> <p>Mar 2008 Executive Officer, General Manager, Urawa Store</p> <p>Apr 2011 Managing Executive Officer, General Manager, MD Administration Department, Group Store Merchandising, Isetan Mitsukoshi Ltd.</p> <p>Apr 2013 Managing Executive Officer, Deputy General Manager, Sales Division/General Manager, Local & Branch Stores Division, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2014 Managing Executive Officer, General Manager, Sales Division Director, Managing Executive Officer, General Manager, Sales Division/General Manager, Flagship Store Business, Sales Division, Isetan Mitsukoshi Ltd.</p> <p>Jun 2014 Director, Managing Executive Officer, General Manager, Sales Division, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2015 Director, Senior Managing Executive Officer, General Manager, Sales Division (to the present) Director, Senior Managing Executive Officer, General Manager, Sales Division, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Significant posts concurrently held Director, Senior Managing Executive Officer, General Manager, Sales Division, Isetan Mitsukoshi Ltd.</p>	23,327

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) [Renominated]	<p>Jun 1975 Joined Mitsukoshi, Ltd.</p> <p>Feb 2006 Executive Officer, General Manager, Operations Department</p> <p>Feb 2007 Executive Officer, General Manager, Group Operations Department</p> <p>May 2007 Director, Senior Executive Officer, General Manager, Group Operations Department</p> <p>Apr 2008 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Mitsukoshi, Ltd.</p> <p>Apr 2009 Outside Director, Isetan Co., Ltd</p> <p>Apr 2013 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. (to the present) Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Significant posts concurrently held Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Ltd.</p>	15,895
5	Toshihiko Sugie (Feb 15, 1961) [Renominated]	<p>Apr 1983 Joined Isetan Co., Ltd.</p> <p>Apr 2009 Executive Officer, General Manager in charge of foods in general and food sales, MD Administration Department, 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 Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jun 2012 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters (to the present)</p> <p>Apr 2013 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Significant posts concurrently held Director, Managing Executive Officer, General Manager, 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	Shouei Utsuda (Feb 12, 1943) [Renominated] [Outside Director] [Independent Director]	<p>Apr 1967 Joined MITSUI & CO., LTD.</p> <p>Jun 1997 Director, MITSUI & CO., LTD.</p> <p>Jun 2000 Representative Director, Managing Director, MITSUI & CO., LTD.</p> <p>Apr 2002 Representative Director, Senior Managing Director, MITSUI & CO., LTD.</p> <p>Oct 2002 Representative Director, President, MITSUI & CO., LTD.</p> <p>Jun 2007 Director, Tokyo Broadcasting System Holdings, Inc. (to the present)</p> <p>Apr 2009 Chairman, MITSUI & CO., LTD. Director, Tokyo Broadcasting System, Inc. (to the present)</p> <p>May 2009 Chairman, The Japan – Vietnam Association (to the present)</p> <p>Jun 2013 Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Nov 2013 Director, Cool Japan Fund Inc. (to the present)</p> <p>Jun 2014 Member of the Board, Nomura Research Institute, Ltd. (to the present)</p> <p>Apr 2015 Director, MITSUI & CO., LTD. (to the present)</p> <p>Significant posts concurrently held Director, MITSUI & CO., LTD. Director, Tokyo Broadcasting System Holdings, Inc. Director, Tokyo Broadcasting System, Inc. Chairman, The Japan – Vietnam Association Director, Cool Japan Fund Inc. Member of the Board, Nomura Research Institute, Ltd.</p>	3,979
7	Yoshinori Ida (May 18, 1943) [Renominated] [Outside Director] [Independent Director]	<p>Apr 1966 Joined Isuzu Motors Limited</p> <p>Jan 1994 Director, Isuzu Motors Limited</p> <p>May 1996 Executive Director, Isuzu Motors Limited</p> <p>Apr 1999 Managing Director, Isuzu Motors Limited</p> <p>Dec 2000 President, Representative Director, COO, Isuzu Motors Limited</p> <p>Jun 2007 Chairman and Representative Director, Isuzu Motors Limited</p> <p>Feb 2009 Chairman and Director, Isuzu Motors Limited</p> <p>Jun 2011 Special Executive Advisor, Honorary Chairman, Isuzu Motors Limited</p> <p>Jun 2012 Special Executive Advisor, Isuzu Motors Limited (to the present)</p> <p>Jun 2013 Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Significant posts concurrently held Special Executive Advisor, Isuzu Motors Limited</p>	2,652

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
8	Katsunori Nagayasu (Apr 6, 1947) [Renominated] [Outside Director]	<p>May 1970 Joined The Mitsubishi Bank, Ltd.</p> <p>Jun 1997 Director, The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>Jun 2000 Managing Director, Nippon Trust Bank Ltd.</p> <p>Apr 2001 Director, Mitsubishi Tokyo Financial Group, Inc.</p> <p>Oct 2001 Managing Director, Mitsubishi Trust Bank</p> <p>Jun 2002 Managing Director, The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>Apr 2004 Director and Managing Executive Officer, Mitsubishi Tokyo Financial Group, Inc.</p> <p>Jan 2005 Senior Managing Director, The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>May 2005 Deputy President, The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>Oct 2005 Managing Executive Officer, Mitsubishi UFJ Financial Group, Inc.</p> <p>Jan 2006 Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Jun 2006 Deputy President, Mitsubishi UFJ Financial Group, Inc.</p> <p>Apr 2008 Director, Mitsubishi UFJ Financial Group, Inc.</p> <p>Apr 2010 President & CEO, Mitsubishi UFJ Financial Group, Inc.</p> <p>Apr 2012 Chairman, Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (to the present)</p> <p>Apr 2013 Director, Mitsubishi UFJ Financial Group, Inc.</p> <p>Jun 2013 Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation (to the present)</p> <p>Jun 2014 Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Audit & Supervisory Board Member, Mitsubishi Motors Corporation (to the present)</p> <p>Significant posts concurrently held Chairman, Representative Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation Audit & Supervisory Board Member, Mitsubishi Motors Corporation</p>	0

- (Notes)
1. Mr. Shouei Utsuda, Mr. Yoshinori Ida and Mr. Katsunori Nagayasu are candidates for Outside Director.
 2. The Company's shares held by the candidates for Director include their own personal holdings in the Isetan Mitsukoshi Holdings Executive Shareholding Association.
 3. Mr. Katsunori Nagayasu is the Chairman and Representative Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is the main bank of the Group. There is no particular relationship of interests between any of the other candidates and the Company.
 4. Mr. Katsunori Nagayasu 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 benefitting from his insight and viewpoints cultivated in his experience toward the supervision of the management activities of the Company.
 5. 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.

6. Mr. Shouei Utsuda, Mr. Yoshinori Ida and Mr. Katsunori Nagayasu have concluded limited liability agreement with the Company based on the provisions of the Articles of Incorporation, which shall limit the maximum amount of liability they may bear to the Company to the amount stipulated by laws and regulations.
7. Mr. Shouei Utsuda, Mr. Yoshinori Ida, and Mr. Katsunori Nagayasu are currently Outside Directors of the Company. As of the conclusion of this meeting, Mr. Utsuda and Mr. Ida will have served as Outside Directors of the Company for two (2) years, and Mr. Nagayasu will have served for one (1) year.
8. The Company designates Mr. Shouei Utsuda and Mr. Yoshinori Ida as Independent Directors according to the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has registered them with the two exchanges.

Proposal No. 4: Election of One Corporate Auditor

The term of Corporate Auditor Kosuke Kojima will expire at the conclusion of this meeting. Accordingly, election of the following Corporate Auditor is proposed.

The consent of the Board of Corporate Auditor has been obtained with respect to this Proposal.

Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
Hidenori Takeda (Jul 5, 1954) [Newly nominated]	Apr 1978 Joined Mitsui Bank May 2006 Executive Officer, General Manager in charge of Planning and Coordination, Corporate Planning Division, Mitsukoshi, Ltd Feb 2007 Executive Officer, General Manager, Business Planning Division, Department Store Business Headquarters, Mitsukoshi, Ltd Mar 2010 Executive Officer, President, MICARD Co. Ltd. Apr 2011 Executive Officer, Isetan Mitsukoshi Holdings Ltd. Apr 2013 Director, Managing Executive Officer, General Manager, Department Store Business Department, Isetan Mitsukoshi Holdings Ltd. Director, Managing Executive Officer, General Manager, Department Store Business Department, Isetan Mitsukoshi Ltd. Jun 2013 Director, Managing Executive Officer, General Manager, Department Store Business Department, Isetan Mitsukoshi Holdings Ltd. Apr 2015 Director, Managing Executive Officer, Affiliated Business Headquarters (to the present) Significant posts concurrently held None	21,303

- (Notes)
1. Mr. Hidenori Takeda is a newly nominated candidate.
 2. The Company's shares held by the candidate for Corporate Auditor include his own personal holdings in the Isetan Mitsukoshi Holdings Executive Shareholding Association.
 3. Mr. Hidenori Takeda has significant knowledge of finance and accounting based on his experience from working for a financial institution.
 4. Assuming approval of Proposal No. 2 (Partial Amendments to the Articles of Incorporation) and the election of Mr. Takeda as a Corporate Auditor, the Company intends to conclude a limited liability agreement with Mr. Takeda as per the revised Articles of Incorporation. This limited liability agreement shall limit the maximum amount of liability he may bear to the Company to the amount stipulated by relevant laws and regulations.

Proposal No. 5: Payment of Bonuses to Directors

Taking into account the business performance for the year under review, we propose the payment of bonuses to six (6) Directors (of the nine (9) Directors, three (3) Outside Directors are excluded), who are in office at the end of fiscal year under review, at a total amount of ¥68.86 million. As for the specific amount for each Director, we request that matter to be entrusted to the Board of Directors.

Business Report

(From April 1, 2014 to March 31, 2015)

1. Matters related to the Group's status

(1) Business developments and results

In the consolidated fiscal year ended March 31, 2015 (fiscal 2014), the global economy experienced a gradual recovery, primarily supported by the upturn in the U.S. economy, while the pace of growth slowed in China and the economies of resource-rich countries decelerated due to the fall in crude oil prices. As for the Japanese economy, corporate performance recovered, mainly with regard to production and exports, and the employment situation improved despite a drop in personal spending in the wake of the consumption tax rate hike in April 2014.

In the retail industry, the adverse effects of the increased consumption tax rate were heavier than previously predicted and the business climate of the industry remained harsh even in the second half of the fiscal year under review. Under these circumstances, the Group made steady efforts to achieve the Group vision: To be “my indispensable department store” for each individual customer throughout his or her life by continually creating new high-quality 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.

In March 2015, we renovated several upper floors of the Isetan Shinjuku store to offer new value to customers. At the Mitsukoshi Nihonbashi store, we promoted initiatives working with local communities in line with the Nihonbashi area redevelopment project. The Mitsukoshi Ginza store achieved excellent business performance partly due to the increased number of foreigners visiting Japan, recording sales results higher than those for the previous fiscal year, while many department stores had a hard time with challenging tasks.

Meanwhile, leveraging the advantages acquired through the department store business, we opened small to medium-sized stores in external commercial facilities and reinforced our Web-based business. At several affiliates of the Company, we promoted the efficiency of operational support services to the respective Group companies and strengthening of our external sales force.

As a result of all above operations, for the consolidated fiscal year under review, the Group posted net sales of some ¥1,272.1 billion (96.3% of the previous year's net sales), operating income of some ¥33.0 billion (95.5% of the previous year's operating income), ordinary income of some ¥34.5 billion (89.9% of the previous year's ordinary income) and net income of some ¥29.8 billion

(141.2% of the previous year's net income).

Department store

Percentage of net sales: 84.9%

Net sales: ¥1,172.8 billion (97.7% of the previous fiscal year's net sales)

Operating income: ¥21.4 billion (92.6% of the previous fiscal year's operating income)

In the department store business, we made consistent efforts to create and deliver “absolute” value unique to the Group in the pursuit of attaining “the ideal state of a department store.”

Specifically, the three flagship stores of Isetan Mitsukoshi Ltd., which constitute the core of the Group's department store business, carried out the following.

The Isetan Shinjuku store reopened in March 2015 after having completed renovations of the Living Floor, the Babies & Kids Floor and the Solution Floor, following the renovations of its floors for women's clothes and accessories conducted in 2013, aiming to create “the world's best fashion museum.” The store now enjoys popularity among a large number of customers every day.

The Mitsukoshi Nihonbashi store has become a focal point for Nihonbashi and the dissemination of its culture, using the concept of a “culture resort department store” with new offerings in addition to fashion. This began with the opening in March 2014 of the Hajimarino Café, a shop that allows customers to feel the joy of cultural experiences and new beginnings.

Located at the center of the world-famous Ginza, as a truly global department store, the Mitsukoshi Ginza store focused on expanding its duty-free counter, upgrading communication capacity by increasing the number of attendant staff especially to ensure the comfort of foreign customers shopping at the store. Furthermore, we established Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd., a joint venture, in September 2014, for the purpose of opening a duty-free shop inside the Ginza store during the fiscal year under review.

Leveraging the know-how acquired through the department store business, we opened small to medium-sized stores and reinforced our Web-based business to attain broader interface with customers.

Regarding the opening of small stores, we continued to open stores in a variety of formats. In June 2014, we opened the second store for men of the Isetan Haneda Store that offers clothes and

miscellaneous goods with lifestyle proposals focusing on travel, and the store for ladies in July. Also in July 2014, we opened a store of the Isetan Outlet Store in the Mitsui Outlet Park Kisarazu. In December 2014, we opened the 10th store of the ISETAN MiRROR Make & Cosmetics, a distinct lineup of luxury cosmetics shops, in Shonan T-SITE (Fujisawa City).

Since the opening of the Atsugi store in April 2014, we opened 11 stores nationwide in the MI PLAZA format, which is a small self-operated store that offers the Group's original lineup of products, including food, sundries and gifts, mainly for people who are highly conscious about lifestyles. By adding five stores since April 2015, these MI PLAZA format stores have been acclaimed by local customers.

New store opening projects are under way in Sapporo City, Nagoya City and Fukuoka City to maximize their regional potential. As a starter, we opened a specialty store, LACHIC FUKUOKA TENJIN, in September 2014 at the Fukuoka Mitsukoshi location.

We are also involved in the development of a medium-sized self-operated store that offers a distinctive lineup of selected items as a new store format. In April 2015, we opened the ISETAN SALONE in the Tokyo Midtown complex and will open a new store in the commercial zone of the Dai Nagoya Building that is scheduled to open in the spring of 2016.

For our department store business outside Japan, we plan to reopen the renovated ISETAN KUALA LUMPUR LOT 10 STORE in Malaysia in fiscal 2015 as a new overseas business model to showcase excellent Japan-originated goods and services in association with the Cool Japan Strategy of the Japanese government.

In our Web-based business, we renewed our websites in May 2014 and endeavored to upgrade the system infrastructure such as the settlement system. As a result, a hospitality card for shareholders, the MI Tomonokai Shopping Card, and MI card points have become available at both the Mitsukoshi and Isetan websites, in addition to shareable shopping carts for online sales. We thus worked to improve convenience for our customers.

Meanwhile, the Company's equity-method affiliate, JR Osaka Mitsukoshi Isetan, which had been operated by West Japan Railway Isetan Ltd., reopened under the name "LUCUA 1100" in April 2015, as a commercial complex that draws on both parties' strengths of department stores and specialty stores.

Credit & finance / customer organization management

Percentage of net sales: 2.5%

Net sales: ¥34.4 billion (103.0% of the previous fiscal year's net sales)

Operating income: ¥5.5 billion (107.4% of the previous fiscal year's operating income)

In the credit & finance business /customer organization management business, MICARD Co., Ltd., strove to increase the number of cardholder, run campaigns to enhance wider use, and extend the network of external member stores. Moreover, MICARD focused on improving convenience for customers and building a higher earnings base by starting the use of *Anshin Revo*, a pre-registration-type revolving service. In April 2016, we will revise the cardholders' benefits scheme to offer improved convenience for customers.

Other retail & specialty store

Percentage of net sales: 4.2%

Net sales: ¥57.8 billion (67.4% of the previous fiscal year's net sales)

Operating income: ¥(0.2) billion (Operating loss of ¥0.3 billion in the previous fiscal year)

In our other retail & specialty store business, Isetan Mitsukoshi Food Service Ltd. promoted its approach to meet local customers' expectations. Specifically, Queen's Isetan, the supermarket operated by Isetan Mitsukoshi Food Service, reopened the Shakuji-koen store in April 2014 after renovation and the Mejiro store in November 2014 in Toshima-ku, Tokyo, to increase the interface with customers.

In the catalog sales business, Isetan Mitsukoshi Direct Shopping Ltd. established, in April 2014, JP Mitsukoshi Merchandising Co., Ltd., a joint venture for merchandise procurement and catalog production with Japan Post Trading Service Co., Ltd., a subsidiary of Japan Post Co., Ltd., to cultivate new sales channels. With regard to the retail & specialty store business, despite efforts in various measures, our results came to an operating loss of some 200 million yen.

Real estate

Percentage of net sales: 3.1%

Net sales: ¥42.8 billion (107.7% of the previous fiscal year's net sales)

Operating income: ¥6.3 billion (98.8% of the previous fiscal year's operating income)

In the real estate business, as part of organizational restructuring of the Group's commercial-use real estate business, Isetan Mitsukoshi Building Management Ltd. took over in April 2014 the ALTA business of Isetan Mitsukoshi Ltd. and merged Mitsukoshi Parking Service, Ltd. Subsequently, Isetan Mitsukoshi Building Management changed its trade name to ISETAN MITSUKOSHI PROPERTY DESIGN LTD. and merged MITSUKOSHI KANKYO DESIGN CO., LTD. in October 2014. In March 2015, the HARAJUKU ALTA opened in Shibuya-ku, Tokyo.

Mitsukoshi Real Estate Co., Ltd., concluded a capital and business alliance agreement with Nomura Real Estate Development Co., Ltd., to promote its approach to condominium allotment sales business, in addition to the conventional real estate rental/lease operations. Mitsukoshi Real Estate changed its trade name to Isetan Mitsukoshi Real Estate Co., Ltd., in April 2015.

Other businesses

Percentage of net sales: 5.3%

Net sales: ¥73.4 billion (102.9% of the previous fiscal year's net sales)

Operating income: ¥55 million (Operating loss of ¥68 million in the previous fiscal year)

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, promoted measures to streamline the efficiency of operational support services to the respective Group companies and reinforce external sales. In addition, Isetan Mitsukoshi Travel Co., Ltd., was established in January 2015 aiming to start operations by July 2015. We also established a joint venture Smart Life Management Co., Ltd., in January 2015, in response to the rising needs for health maintenance and anti-aging cares.

(2) Capital expenditures

Our capital expenditures during the consolidated fiscal year under review totaled some ¥29.2 billion, which consisted principally of some ¥16.0 billion for renovations of the Isetan Mitsukoshi Group stores.

(3) Fund-raising matters

We raised funds of ¥24.0 billion as long-term debt to allocate them to the repayment of long-term debt and capital expenditures and so forth for the consolidated fiscal year under review.

(4) Issues that need to be addressed

As a milestone toward the achievement of the Group vision of becoming “the world’s foremost retail services group,” the Group is operating under a Medium-Term Management Plan that targets consolidated operating income of ¥50 billion for fiscal 2018.

With regard to the outlook for the economic environment, despite signs of recovery including higher equity prices, recovery in corporate earnings and higher wages, primarily seen in large corporations, plus growing inbound demand, there are still indications that we can by no means be optimistic, such as the consumption tax increase, higher prices as a result of the weaker yen, as well as delays in recovery of local economies. Against this backdrop, the Group will strengthen and expand its businesses with long-term growth potential to achieve “the ideal state of a department store” for continuous growth.

The Group’s main strengths are its three flagship stores, in Shinjuku, Nihonbashi, and Ginza. To further strengthen our overwhelmingly unique position and brand at these stores, we will concentrate management resources to provide value at a globally top-tier level.

In addition to the swift and accurate identification of customer preferences for the planning and development of unique, highly profitable products and services at our main department stores, we will also work to further expand earnings by aggressively pursuing global channels, customer contact, and business segments overseas and via small and medium-sized stores and the Internet.

In addition, to provide new value that addresses customers’ entire lifestyles, we will proactively consider tie-ups with outside companies while strengthening existing businesses and developing new businesses. We will also continue to invest in human resources and training to raise the profile of younger employees and women.

This year we announced a new corporate message: “this is japan.” Going forward we will promote new value in Japan and overseas via attractive Japanese products, services, art, and culture.

Through the steady pursuit of these strategies and the strengthening of our corporate governance, we aim to be “the world’s foremost retail services group,” creating unique, absolute value that contributes to the continuous future growth of communities and society.

We will also deal earnestly with shareholders and other stakeholders to build irreplaceable

relationships of trust. We take this opportunity to thank you for your support in the past, and ask for your continued support and encouragement going forward.

Segment information

(Millions of yen)

	Reporting segment					Other businesses (Note 1)	Total	Adjustments (Note 2)	Amount posted in Consolidated Financial Statements (Note 3)
	Department store	Credit & finance / customer organization management	Other retail & specialty store	Real estate	Total				
Net sales									
Outside customers	1,171,506	17,116	44,451	26,165	1,259,239	12,891	1,272,130	-	1,272,130
Inter-segment sales	1,380	17,376	13,383	16,704	48,844	60,552	109,396	(109,396)	-
Total	1,172,886	34,492	57,834	42,869	1,308,083	73,443	1,381,527	(109,396)	1,272,130
Segment profit/loss	21,488	5,578	(277)	6,382	33,173	55	33,228	(144)	33,083
Segment assets	1,097,271	227,411	23,529	146,881	1,495,093	34,613	1,529,706	(238,146)	1,291,560
Others									
Depreciation	16,770	1,515	559	1,040	19,886	5,004	24,890	(264)	24,625
Impairment loss	2,491	-	31	107	2,630	-	2,630	-	2,630
Investment in equity method affiliates	68,508	-	4,647	-	73,156	-	73,156	-	73,156
Increase in tangible/intangible fixed assets	17,640	3,483	996	1,871	23,991	5,725	29,717	(437)	29,279

- Notes: 1. "Other businesses" is not included in the reporting segment 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 minus ¥144 million is the amount of inter-segment unrealized profit and others.
 - (2) Adjustment of segment assets of minus ¥238,146 million is the offset amount of inter-segment receivables and payables.
 - (3) Adjustment of segment depreciation of minus ¥264 million is the amount of inter-segment-unrealized profit.
 - (4) Adjustment of increase in tangible/intangible fixed assets of minus ¥437 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 (Millions of yen)	Percentage of Total (%)	Year-on-year Comparison (%)
Isetan Mitsukoshi Ltd.	Mitsukoshi Nihonbashi store	165,560	25.2	95.3
	Mitsukoshi Ginza store	74,428	11.3	107.5
	Mitsukoshi Chiba store	13,584	2.1	87.5
	Isetan Shinjuku store	258,497	39.4	97.4
	Isetan Tachikawa store	38,539	5.9	97.2
	Isetan Matsudo store	19,796	3.0	92.8
	Isetan Urawa store	42,325	6.4	95.9
	Isetan Sagamihara store	24,039	3.7	94.3
	Isetan Fuchu store	19,592	3.0	93.9
	Total	656,363	100.0	97.2
Sapporo Marui Mitsukoshi Ltd.		63,441	—	93.9
Hakodate Marui Imai Ltd.		8,952	—	93.0
Sendai Mitsukoshi Ltd.		35,209	—	96.9
Niigata Isetan Mitsukoshi Ltd.		46,053	—	94.5
Shizuoka Isetan Co., Ltd.		20,253	—	96.6
Nagoya Mitsukoshi Ltd.		69,988	—	97.1
Hiroshima Mitsukoshi Ltd.		16,060	—	95.7
Takamatsu Mitsukoshi Ltd.		23,040	—	101.4
Matsuyama Mitsukoshi Ltd.		15,225	—	94.0
Iwataya Mitsukoshi Ltd.		113,035	—	96.0
West Japan Railway Isetan Ltd.*		79,127	—	83.0

* An equity-method affiliate of the Company

Net sales by product of Isetan Mitsukoshi Ltd.

Product	Amount (Millions of yen)	Percentage of Total (%)	Year-on-year Comparison (%)
Apparel	247,754	37.7	98.3
Accessories	80,490	12.3	100.2
Sundry goods	105,886	16.1	94.5
Household goods	30,764	4.7	91.2
Foods	148,072	22.6	99.1
Others	43,395	6.6	90.6
Total	656,363	100.0	97.2

(5) Change in assets and earnings

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

Item	Fiscal term	4th Term Fiscal 2011 (From April 1, 2011 to March 31, 2012)	5th Term Fiscal 2012 (From April 1, 2012 to March 31, 2013)	6th Term Fiscal 2013 (From April 1, 2013 to March 31, 2014)	7th Term Fiscal 2014 (From April 1, 2014 to March 31, 2015) Consolidated fiscal year under review
Net sales (Million yen)		1,239,921	1,236,333	1,321,512	1,272,130
Operating income (Million yen)		23,834	26,639	34,646	33,083
Ordinary income (Million yen)		38,452	34,217	38,440	34,563
Net income (Million yen)		58,891	25,292	21,166	29,886
Net income per share (Yen)		149.28	64.11	53.65	75.74
Total assets (Million yen)		1,227,947	1,223,677	1,284,658	1,291,560
Net assets (Million yen)		468,479	505,127	541,069	577,655
Net assets per share (Yen)		1,157.37	1,244.54	1,329.45	1,421.72
Capital-to-asset ratio (%)		37.18	40.13	40.84	43.39

Note: Net income 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	4th Term Fiscal 2011 (From April 1, 2011 to March 31, 2012)	5th Term Fiscal 2012 (From April 1, 2012 to March 31, 2013)	6th Term Fiscal 2013 (From April 1, 2013 to March 31, 2014)	7th Term Fiscal 2014 (From April 1, 2014 to March 31, 2015) Fiscal year under review
Operating revenues (Million yen)		16,091	22,320	14,563	18,831
Operating income (Million yen)		10,502	17,293	4,594	7,786
Ordinary income (Million yen)		10,592	17,312	5,183	7,898
Net income (Million yen)		3,102	4,585	5,012	6,081
Net income per share (Yen)		7.86	11.62	12.70	15.41
Total assets (Million yen)		777,383	759,074	750,922	743,333
Net assets (Million yen)		456,675	457,533	458,699	460,055
Net assets per share (Yen)		1,154.36	1,155.96	1,158.63	1,163.17
Capital-to-asset ratio (%)		58.58	60.09	60.89	61.68

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, 2015)

1) Status of subsidiaries

Company Name	Paid-in Capital	Ownership Percentage by the Company (%)	Location of Main Store	Line of Business
Isetan Mitsukoshi Ltd.	¥10,000 mln.	100.0	Shinjuku-ku, Tokyo	Department store
Sapporo Marui Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Sapporo-shi, Hokkaido	Department store
Hakodate Marui Imai Ltd.	¥50 mln.	100.0	Hakodate-shi, Hokkaido	Department store
Sendai Mitsukoshi Ltd.	¥50 mln.	100.0	Aoba-ku, Sendai-shi, Miyagi	Department store
Niigata Isetan Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Niigata-shi, Niigata	Department store
Shizuoka Isetan Co., Ltd.	¥100 mln.	100.0	Aoi-ku Shizuoka-shi, Shizuoka	Department store
Nagoya Mitsukoshi Ltd.	¥50 mln.	100.0	Naka-ku, Nagoya-shi, Aichi	Department store
Hiroshima Mitsukoshi Ltd.	¥50 mln.	100.0	Naka-ku, Hiroshima-shi, Hiroshima	Department store
Takamatsu Mitsukoshi Ltd.	¥50 mln.	100.0	Takamatsu-shi, Kagawa	Department store
Matsuyama Mitsukoshi Ltd.	¥50 mln.	100.0	Matsuyama-shi, Ehime	Department store
Iwataya Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Fukuoka-shi, Fukuoka	Department store
Isetan (China) Investment Co., Ltd.	US\$60,371 thou	100.0	Shanghai, 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	100.0	Tianjin, PRC	Department store
Tianjin Binhai New Area Isetan Co., Ltd.	US\$12,000 thou	100.0	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
Mitsukoshi Italia S.p.A.	5,118 thou euro	100.0	Rome, Italy	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 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.	¥14,000 mln.	40.0	Shimogyo-ku, Kyoto-shi, Kyoto	Department store
Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)	12,459 mln. Taiwan dollars	43.4	Taipei, Taiwan	Department store

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

(7) Principal lines of business (As of March 31, 2015)

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

(8) Principal sales and business establishments (As of March 31, 2015)

1) Department store

<Domestic>

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, Sagami-cho, 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, Minamiichizyouinishi, Chuo-ku, Sapporo-shi, Hokkaido
	Sapporo Mitsukoshi store	3-8, Minamiichizyouinishi, 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 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, Karasumadorishiokouj-kudaru, Shimogyo-ku, Kyoto-shi, Kyoto

<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
Tianjin Binhai New Area Isetan Co., Ltd	Tianjin, 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.
Mitsukoshi Italia S.p.A.	Rome, Italy
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.	3-14-1, Shinjuku, Shinjuku-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.	6-27-30, Shinjuku, Shinjuku-ku, Tokyo

Note: Mitsukoshi Real Estate Co., Ltd., changed its trade name to "Isetan Mitsukoshi Real Estate Co., Ltd.," on April 1, 2015.

(9) Employees (As of March 31, 2015)

Employees of the Company and its subsidiaries

	Number of employees	Change from the end of previous fiscal year
Department store	9,931	224 decrease
Credit & finance / customer organization management	349	1 decrease
Other retail & specialty store	549	172 decrease
Real estate	414	53 increase
Other businesses	1,043	27 increase
Total	12,286	317 decrease

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

(10) Principal lenders and borrowings (As of March 31, 2015)

Borrowing made by the Company and its subsidiaries

Lenders	Amounts borrowed (¥ million)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,420
Sumitomo Mitsui Banking Corporation	20,420
Development Bank of Japan, Inc.	20,000
Mitsubishi UFJ Trust and Banking Corporation	7,300
Sumitomo Mitsui Trust Bank, Limited	7,300
Syndicated loan	30,000

2. Matters related to the Company shares (As of March 31, 2015)

(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, 2015	394,958,394
Change from the end of previous fiscal year	+89,040

Notes: 1. The above figures include 814,336 treasury shares.

2. The increase in the number of shares issued and outstanding 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, 2015	170,489
Change from the end of previous fiscal year	-3,333

(4) Major shareholders

Name of Shareholders	Number of Shares Held	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	23,440,800	5.95
Japan Trustee Services Bank, Ltd. (Trust account)	18,198,300	4.62
The Mitsukoshi Health and Welfare Foundation	13,667,832	3.47
Isetan Mitsukoshi Group's partner holding companies	8,005,978	2.03
SHIMIZU CORPORATION	6,200,000	1.57
Meiji Yasuda Life Insurance Company	5,697,279	1.45
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,342,995	1.36
Mitsui Sumitomo Insurance Company, Limited	5,299,805	1.34
Isetan Mitsukoshi Group Employees Shareholding Association	4,602,086	1.17
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	4,396,960	1.12

Note: Treasury stock (814,336 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)	11th Stock Acquisition Rights	12	1
	13th Stock Acquisition Rights	51	1
	14th Stock Acquisition Rights	266	2
	15th Stock Acquisition Rights	373	3
	16th Stock Acquisition Rights	124	2
	17th Stock Acquisition Rights	558	3
	18th Stock Acquisition Rights	199	2
	19th Stock Acquisition Rights	592	4
	20th Stock Acquisition Rights	102	1
	21st Stock Acquisition Rights	529	6
	23rd Stock Acquisition Rights	446	6
Directors (Outside Directors)	N/A		
Corporate Auditors (not including Outside Auditors)	13th Stock Acquisition Rights	42	1
	15th Stock Acquisition Rights	165	2
	17th Stock Acquisition Rights	152	1
Corporate Auditors (Outside Auditors)	N/A		

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

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

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

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

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

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

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 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."

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

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

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

Number of the stock acquisition rights issued (as of the date issued)	1,966
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	196,600 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥97,000 per unit (¥970 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2012 through February 15, 2027
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, 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."

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

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

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 or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

Number of the stock acquisition rights issued (as of the date issued)	1,540
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	154,000 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥88,500 per unit (¥885 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2014 through February 15, 2029
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, 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."

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

Number of the stock acquisition rights issued (as of the date issued)	1,800
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	180,000 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥114,600 per unit (¥1,146 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2015 through February 14, 2030
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, 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."

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

Number of the stock acquisition rights issued (as of the date issued)	1,514
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	151,400 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥169,000 per unit (¥1,690 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2016 through February 17, 2031
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, 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."

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

The Company issued and delivered the stock acquisition rights whose details are outlined in (1) 23rd Stock Acquisition Rights to executive officers of the Company during the fiscal year under review. In addition, the Company issued and delivered the stock acquisition rights (24th Stock Acquisition Rights), whose details are outlined below, to executive officers of the Company's subsidiaries during the fiscal year under review.

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

	Date of delivery	Exercise price	Exercise period	No. of rights	No. of recipients
Executive officers and general managers of the Company (excluding persons serving concurrently as Directors of the Company)	February 17, 2015	¥1	From March 1, 2016 to February 17, 2031	1,068	23
Executive officers and general managers of subsidiaries (excluding persons serving concurrently as Directors of the subsidiaries)	February 17, 2015	¥1	From March 1, 2016 to February 17, 2031	516	12

24th Stock Acquisition Rights (Issued on February 17, 2015)

Number of the stock acquisition rights issued (as of the date issued)	516
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	51,600 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥169,000 per unit (¥1,690 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2016 through February 17, 2031
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, 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, 2015)

(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. Director, SEKISUI CHEMICAL CO., LTD. *3
President and Representative Director	Hiroshi Onishi	President and Representative Director, Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer	Ken Akamatsu	General Manager, Administration Headquarters Director, Managing Executive Officer, General Manager, Administration Headquarter, Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer	Toshihiko Sugie	General Manager, Strategic Planning Headquarters Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer	Hidenori Takeda	General Manager, Affiliated Business Headquarters Director, Managing Executive Officer, General Manager, Affiliated Business Headquarters, Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer	Takuya Matsuo	General Manager of Sales Division Director, Managing Executive Officer, General Manager of Sales Division and General Manager of Flagship Store Business, Sales Division, Isetan Mitsukoshi Ltd.
Director *1	Shouei Utsuda	Chairman, MITSUI & CO., LTD. Director, Tokyo Broadcasting System Holdings, Inc. *3 Director, Tokyo Broadcasting System Television, Inc. *3 Director, Cool Japan Fund Inc. *3 Member of the Board, Nomura Research Institute, Ltd. *3 Chairman, The Japan – Vietnam Association
Director *1	Yoshinori Ida	Special Executive Advisor, Isuzu Motors Limited
Director *1	Katsunori Nagayasu	Chairman, Representative Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation *4 Audit & Supervisory Board Member, Mitsubishi Motors Corporation *4
Full-time Corporate Auditor	Shinya Takada	Corporate Auditor, Iwataya Mitsukoshi Ltd. Corporate Auditor, West Japan Railway Isetan Ltd.
Full-time Corporate Auditor	Kosuke Kojima	Corporate Auditor, Sapporo Marui Mitsukoshi Ltd. Corporate Auditor, Nagoya Mitsukoshi Ltd.

Position	Name	Areas of responsibility, representation at other companies, etc.
Corporate Auditor *2	Teisuke Kitayama	Chairman, Sumitomo Mitsui Banking Corporation Director, FUJIFILM Holdings Corporation *3 Audit & Supervisory Board Member, Toyota Motor Corporation *4
Corporate Auditor *2	Sumio Iijima	Attorney, Tokyo Toranomon Law Office Corporate Auditor, KITAGAWA INDUSTRIES CO., 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. As of April 1, 2015, the post of Takuya Matsuo changed from Isetan Mitsukoshi Holdings (“IMH”) Director, Managing Executive Officer and General Manager of Sales Division, as well as Isetan Mitsukoshi (“IM”) Director, Managing Executive Officer, General Manager of Sales Division and General Manager of Flagship Store Business, Sales Division, to IMH Director, Senior Managing Executive Officer and General Manager of Retail Business Planning & Operation Headquarters, as well as IM Director, Senior Managing Executive Officer and General Manager of Retail Business Planning & Operation Headquarters.
6. As of April 1, 2015, the position of Hidenori Takeda has changed from Director, Managing Executive Officer, General Manager of Administration Headquarter of IMH and Director, Managing Executive Officer, General Manager of Administration Headquarter of IM, to Director, Managing Executive Officer, Administration Headquarters, IMH.
7. Shinya Takada has experience as Director and Senior Managing Executive Officer, General Manager of Management Planning Department and in charge of Accounting Department at IM, and has significant knowledge with respect to financial affairs and accounting.
8. The Company has designated Outside Directors Shouei Utsuda and Yoshinori Ida and Outside Auditor Sumio Iijima, 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 23, 2014>

Director, Managing Executive Officer	Takuya Matsuo
Director	Katsunori Nagayasu

2) Resignation

<As of June 23, 2014>

Director, Senior Managing Executive Officer	Toshihiko Nakagome
Director	Nobuo Kuroyanagi

(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 (Outside Directors out of total)	11 (4)	185 (32)	6 (-)	68 (-)	6 (-)	75 (-)
Corporate Auditors (Outside Corporate Auditors out of total)	4 (2)	63 (19)	- (-)	- (-)	- (-)	- (-)
Total	15 (6)	249 (51)	6 (-)	68 (-)	6 (-)	75 (-)

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' bonuses above show the amount scheduled to be paid conditional upon the approval as proposed of Proposal No. 5 (Payment of Bonuses to Directors) 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 4 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 17, 2015 by resolution of a meeting of the Board of Directors held on January 30, 2015, based on a resolution at the 1st Ordinary General Meeting of Shareholders held on June 29, 2009.

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

It is the Company's basic policy of compensation for directors and corporate 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
Shouei Utsuda, Director	<p>A subsidiary of the Company has a business relationship regarding commodities, etc., with MITSUI & CO., LTD., and its subsidiaries, but that transaction amount is negligible.</p> <p>The Group has no special relationship with Tokyo Broadcasting System Holdings, Inc., Tokyo Broadcasting System, inc., Nomura Research Institute, Ltd., The Japan – Vietnam Association and Japan Foreign Trade Council, Inc.</p> <p>In addition, the Company invests in Cool Japan Fund Inc.</p>
Yoshinori Ida, Director	<p>The Group has no special relationship with Isuzu Motors Limited.</p>
Katsunori Nagayasu, Director	<p>The Bank of Tokyo-Mitsubishi UFJ, Ltd., is a major shareholder of the Company.</p> <p>The Company and the Group have transactional relationships such as borrowings with The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>The Group has no special relationship with Nippon Steel & Sumitomo Metal Corporation and Mitsubishi Motors Corporation.</p>
Teisuke Kitayama, Corporate Auditor	<p>The Company and the Group have a business relationship such as borrowing, etc., with Sumitomo Mitsui Banking Corporation.</p> <p>In addition, the Group has no special relationship with FUJIFILM Holdings Corporation and Toyota Motor Corporation.</p>
Sumio Iijima, Corporate Auditor	<p>The Group has no special relationship with Tokyo Toranomon Law Office and KITAGAWA INDUSTRIES CO., LTD.</p>

2) Major activities in the fiscal year

Position	Name	Major Activities
Outside Director	Shouei Utsuda	He attended 13 meetings of the Board of Directors out of the 14 meetings held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate from his objective standpoint on overall corporate management.
Outside Director	Yoshinori Ida	He attended all of 14 meetings of the Board of Directors 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	Katsunori Nagayasu	He attended 10 meetings of the Board of Directors out of 12 meetings held during the fiscal year since he assumed the office of Outside Director, and made necessary comments on discussion items and deliberation items based on his broad experience as executive officers in business.
Outside Corporate Auditor	Teisuke Kitayama	He attended all of the 13 meetings of the Board of Corporate Auditors and 13 meetings of the Board of Directors out of the 14 meetings 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 13 meetings of the Board of Corporate Auditors and all of 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 laws and regulations.

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.	¥7 Million
Total	¥89 Million
3) Total monetary and other financial benefits payable by the Company and its subsidiaries	¥262 Million

Notes:

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

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

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

6. 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 based on a comprehensive consideration of the management environment, business performance, and the soundness of the Group's financial position, while adopting the basic stance of maintaining a stable level of dividends while endeavoring to increase corporate value in the long term. With regard to retained earnings, the Company intends to increase corporate value by allocating retained earnings primarily for investment at existing and new businesses.

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, 2015)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets	1,291,560	Liabilities	713,905
Current assets	296,258	Current liabilities	403,498
Cash and deposits	58,855	Notes and accounts payable	123,836
Notes and accounts receivable	126,024	Current portion of bonds	12,000
Marketable securities	1,652	Short-term borrowings	40,301
Inventories	59,724	Commercial paper	10,000
Deferred tax assets	16,561	Income taxes payable	4,658
Other	36,399	Gift certificates	83,023
Allowance for doubtful accounts	(2,959)	Deferred tax liabilities	0
Fixed assets	995,210	Accrued bonuses	10,549
Tangible fixed assets	731,095	Allowance for customer-discount points	5,736
Buildings and structures	176,633	Allowance for redemption of gift certificates	24,897
Land	530,970	Other	88,493
Construction in progress	1,881	Long-term liabilities	310,407
Other	21,610	Corporate bonds	20,000
Intangible fixed assets	55,653	Long-term debt	78,300
Software	18,551	Deferred tax liabilities	150,823
Other	37,101	Net defined benefit liability	39,967
Investments and other assets	208,461	Provision for loss on business of subsidiaries and affiliates	19
Investment securities	118,408	Liabilities from application of equity method	4,067
Long-term loans receivable	503	Other	17,229
Guarantee deposits	75,318	Net assets	577,655
Net defined benefit asset	3,399	Shareholders' equity	539,242
Deferred tax assets	2,625	Common stock	50,198
Other	8,476	Capital surplus	325,171
Allowance for doubtful accounts	(270)	Retained earnings	165,131
Deferred assets	91	Treasury stock	(1,258)
Corporate bond issuance cost	91	Accumulated other comprehensive income	21,119
		Unrealized gain on other securities	6,749
		Deferred gains/losses on hedge	(1)
		Foreign currency translation adjustments	14,287
		Remeasurements of defined benefit plans	83
		Stock acquisition rights	1,599
		Minority interests in consolidated companies	15,694
Total assets	1,291,560	Total liabilities, net assets and minority interests	1,291,560

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

Consolidated Statement of Income
(From April 1, 2014 to March 31, 2015)

		(Millions of yen)	
Account item	Amount		
Net sales	1,272,130		
Cost of sales	916,673		
Gross profit	355,456		
Selling, general and administrative expenses	322,372		
Operating income	33,083		
Nonoperating income			
Interest and dividend income	1,706		
Share of profit of entities accounted for using equity method	2,234		
Income on uncollected gift certificates	5,377		
Gain on donation of fixed assets	1,968		
Other	2,757		14,045
Nonoperating expenses			
Interest expenses	1,243		
Loss on retirement of fixed assets	1,060		
Transfer from allowance for loss on collected gift certificates	6,423		
Other	3,838		12,565
Ordinary income	34,563		
Extraordinary income			
Gain on sales of investments securities	53		
Gain on sales of shares of affiliate	34		
Gain on bargain purchase	316		405
Extraordinary losses			
Loss on sale of fixed assets	330		
Loss on disposal of fixed assets	2,171		
Impairment loss	2,630		
Loss on sales of shares of affiliate	114		
Loss on valuation of stocks of subsidiaries and affiliates	153		
Business structure improvement expenses	284		
Loss on business withdrawal	735		
Other	706		7,127
Income before income taxes and minority interests	27,841		
Corporate taxes	5,876		
Deferred taxes	(7,876)		(2,000)
Income before minority interests	29,841		
Minority interest in income of consolidated companies	(44)		
Net income	29,886		

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

Summary of Consolidated Statement of Cash Flow [For Reference]
 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

Account item	Amount
Cash flow from operating activities	49,448
Cash flow from investment activities	(34,374)
Cash flow from financing activities	(17,372)
Translation adjustments related to cash and cash equivalents	1,986
Changes in cash and cash equivalents	(312)
Beginning balance of cash and cash equivalents	50,601
Increase in cash and cash equivalents resulting from mergers with nonconsolidated subsidiaries	10
Ending balance of cash and cash equivalents	50,299

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

Consolidated Statement of Changes in Net Assets

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

Account item	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2014	50,157	325,116	142,110	(266)	517,117
Cumulative effects of changes in accounting policies	–	–	(2,484)	–	(2,484)
Restated balance	50,157	325,116	139,625	(266)	514,632
Changes during current period					
Issuance of new shares	41	41	–	–	82
Allocation of retained earnings	–	–	(4,340)	–	(4,340)
Net income for current period	–	–	29,886	–	29,886
Acquisition of treasury stock	–	–	–	(1,019)	(1,019)
Disposition of treasury stock	–	13	–	27	41
Change of scope of consolidation	–	–	(40)	–	(40)
Net changes other than shareholders' equity during current period	–	–	–	–	–
Total change during current period	41	54	25,505	(991)	24,610
Balance as of March 31, 2015	50,198	325,171	165,131	(1,258)	539,242

(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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2014	1,249	0	6,526	(302)	7,474	1,480	14,997	541,069
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	(2,484)
Restated balance	1,249	0	6,526	(302)	7,474	1,480	14,997	538,585
Changes during current period								
Issuance of new shares	–	–	–	–	–	–	–	82
Allocation of retained earnings	–	–	–	–	–	–	–	(4,340)
Net income for current period	–	–	–	–	–	–	–	29,886
Acquisition of treasury stock	–	–	–	–	–	–	–	(1,019)
Disposition of treasury stock	–	–	–	–	–	–	–	41
Change of scope of consolidation	–	–	–	–	–	–	–	(40)
Net changes other than shareholders' equity during current period	5,499	(1)	7,760	386	13,645	118	696	14,460
Total changes during current period	5,499	(1)	7,760	386	13,645	118	696	39,070
Balance as of March 31, 2015	6,749	(1)	14,287	83	21,119	1,599	15,694	577,655

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: 37

(2) Name of principal consolidated subsidiaries:

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

On October 1, 2014, consolidated subsidiary Mitsukoshi Kankyo Design Co., Ltd., was absorbed by ISETAN MITSUKOSHI PROPERTY DESIGN LTD., and was therefore removed from the scope of consolidation.

(3) Name of principal nonconsolidated subsidiaries

Mitsukoshi (U.K.) Ltd., 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., West Japan Railway Isetan Ltd., ITM Clover Co., Ltd., Shinjuku Subnade Co., Ltd., JP Mitsukoshi Merchandising Co., Ltd., JTB ISETAN TRAVEL SERVICE, INC., Mitsukoshi Kankyo Building Management Co., Ltd.

JP Mitsukoshi Merchandising Co., Ltd., newly established via an equity investment on April 1, 2014, is included in the scope of equity method application.

In addition, Usui Department Store Co., Ltd., which was previously included in the scope of equity method application, was removed from the scope of equity method application at the end of the fiscal year under review, as a result of the partial sale of shares held by the Company on March 25, 2015.

(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., Tianjin Binhai New Area Isetan Co., Ltd., Chengdu Isetan Co., Ltd., Isetan (Singapore) Ltd., Isetan (Thailand) Co., Ltd., Isetan of Japan Sdn. Bhd., Mitsukoshi (U.S.A.) Inc., Mitsukoshi Italia S.p.A., and Isetan Mitsukoshi (Italia) S.r.l. Financial documents as of the closing date of the respective companies were used in preparing the consolidated statutory reports.

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

4. Accounting standards

(1) Standards and methods for evaluation of significant assets

Securities

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

Inventories

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

(2) Depreciation methods for significant depreciable assets

Tangible fixed assets (except Lease assets)

Basically the straight-line method

Intangible fixed assets (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.

Provision for loss on business of subsidiaries and affiliates

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

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

1) Accounting for Deferred assets

Bond issue costs

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

2) Significant Methods of Hedge Accounting

Method of hedge accounting

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

Means of hedging and hedged items

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

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

Hedging policy

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

Assessment of hedge effectiveness

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

3) Accounting for employees’ retirement benefits

Method for attributing the estimated employees’ retirement benefits to periods

To calculate retirement benefit obligations, the benefit formula method is adopted as a method for attributing the estimated retirement benefits to the periods up to the end of the fiscal year under review.

Amortization of actuarial difference and prior service costs

Prior service costs are recognized on an accrual basis by the straight-line method over various periods (8 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) Accounting for consumption taxes, etc.

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

5. Changes of accounting policies

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26; May 17, 2012; the “Retirement Benefits Accounting Standard”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25; March 26, 2015; the “Guidance on Retirement Benefits”) are being applied from the fiscal year under review, in accordance with provisions of Article 35 of the Retirement Benefits Accounting Standard and Article 67 of the Guidance on Retirement Benefits. Accordingly, the Company has revised the calculation methods for retirement benefit obligations and current service costs, changing the method of attributing expected benefit to periods from the straight-line method to a benefit formula basis, and changing the method for determining the discount rate from one based on

the number of years approximate to the average remaining service period of employees as the basis of determination, to a single weighted average discount rate that reflects the period of expected payments of retirement benefits and the expected amount of retirement benefits to be paid in each period.

With the application of the Retirement Benefits Accounting Standard as per the transitional measure stipulated under Article No. 37 of the Retirement Benefits Accounting Standard, the effects of the changes in calculation method for retirement benefit obligations and current service costs were added to or deducted from retained earnings at the beginning of the fiscal year under review.

As a result, net defined benefit liability as of the beginning of the fiscal year increased by ¥3,842 million, and ¥2,484 million was deducted from retained earnings. The effect of these changes on operating income, ordinary income, and income before income taxes and minority interests for the fiscal year was negligible.

The effect of this change on Per-share Information is disclosed in the relevant note.

6. Additional Information

(Revision of deferred tax assets and deferred tax liabilities from changes in the corporate tax rate, etc.)

As per the Act for Partial Revision of the Income Tax Act, etc., and the Act for the Partial Revision of the Local Tax Act, etc., promulgated on March 31, 2015, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities for the fiscal year under review (limited to those expiring on or after April 1, 2015) was changed from the 35.6% used in the previous fiscal year to 33.1% for those assets or liabilities expected to be collected or paid between April 1, 2015, and March 31, 2016, and to 32.3% for those expected to be collected or paid on or after April 1, 2016.

As a result, the amount of deferred tax liabilities (net of deferred tax assets) was reduced by ¥13,050 million, the amount of deferred taxes for the fiscal year under review was reduced by ¥12,652 million, and unrealized gains on other securities increased by ¥397 million.

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets	362,108 million yen
2. Contingent liability	
Guarantee liabilities	
Loan guarantees for housing loans of employees	222 million yen
Guarantee liabilities for accounts payable of subsidiaries and affiliates	
CLUB21 JAPAN	12 million yen
Guarantee liabilities for bank loans of subsidiaries and affiliates	
West Japan Railway Isetan Ltd.	(Note) 10,373 million yen
Total of guarantee liabilities	10,608 million yen
Note: The amounts shown above are the loan guarantee amount minus the liability corresponding to the application of equity method accounting.	
3. Details of inventory assets	
Finished goods	58,155 million yen
Semifinished goods	609 million yen
Work in process	122 million yen
Raw materials and stores	835 million yen
Total	59,724 million yen

[Notes to Consolidated Statement of Income]

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

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

Usage	Item	Impairment losses (Million yen)	Location
Stores	Buildings and structures	887	Isetan Matsudo store (Matsudo-shi, Chiba)
	Other	236	
Stores	Buildings and structures	262	Mitsukoshi Chiba store (Chiba-shi, Chiba)
	Land	384	
	Other	109	
Stores	Buildings and structures	255	Fukuoka Mitsukoshi store (Fukuoka-shi, Fukuoka)
	Other	79	
Stores	Buildings and structures	30	Saitama-shi, Saitama and others
	Other	1	
Other	Buildings and structures	371	Saitama-shi, Saitama and others
	Land	10	
	Other	2	
	Total	2,630	

(2) Circumstances leading to recognition of impairment losses

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

(3) Methods of asset grouping

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

(4) Method of calculating recoverable amounts

Recoverable amounts for asset groups are estimated based on their net realizable value. 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 394,958,394 shares

2. Matters concerning dividend of surplus

(1) Amount of dividend payment

Resolution	Types of stock	Total dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effectuation date
Board of Directors' Meeting June 23, 2014	Common stock	4,340	11.00	March 31, 2014	June 24, 2014

(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 22, 2015.

Resolution	Types of stock	Resource for dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effectuation date
Board of Directors' Meeting June 22, 2015	Common stock	Retained earnings	4,335	11.00	March 31, 2015	June 23, 2015

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 1,338,960 shares

[Notes to Financial Instruments]

1. Status of financial instruments

(1) Policy for initiatives pertaining to financial instruments

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

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

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

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

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

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

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

2. Market value, etc. of financial instruments

Amounts posted on the consolidated balance sheet as of March 31, 2015, 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	58,855	58,855	—
(2) Notes and accounts receivable	126,024	126,024	—
(3) Marketable securities	1,652	1,652	—
(4) Investment securities			
Bonds held to maturity	546	546	0
Available-for-sale securities	39,010	39,010	—
(5) Guarantee deposits	75,318	71,441	-3,876
(6) Notes and accounts payable	(123,836)	(123,836)	—
(7) Short-term borrowings (Note 2)	(35,301)	(35,301)	—
(8) Commercial paper	(10,000)	(10,000)	—
(9) Corporate bonds	(32,000)	(32,565)	565
(10) Long-term debt (Note 2)	(83,300)	(83,020)	-279
(11) Derivatives transaction	-1	-1	—

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

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

(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 78,851 million yen on the consolidated balance sheet) have no market price, their future cash flow cannot be estimated, and it is recognized that ascertaining their market value is extremely difficult. Accordingly, these items are not included in “Available-for-sale securities” under (4) Investment securities above.

[Notes to lease properties and other real estate]

1. Status of rental properties and other real estate

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

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

(Millions of yen)

	Amounts posted on the consolidated balance sheet	Market value as of the end of the consolidated fiscal year under review
Rental properties and other real estate	138,880	144,313

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

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

[Notes to Per-share Information]

1. Net asset per share	1,421.72 yen
2. Net income per share	75.74 yen

Note: As stated in the “Changes of accounting policies,” we follow the transitional treatment provided for in Article 37 of the Retirement Benefits Accounting Standard. This change decreased the net asset per share for the period under review by 5.75 yen. The impact on net income per share is negligible.

[Notes to Significant Post-balance Sheet Events]

Not applicable.

INDEPENDENT AUDITOR'S REPORT

May 8, 2015

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young
ShinNihon LLC
Designated Limited Partner
Engagement Partner
Certified Public Accountant
Seiji Hoshino

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Koichi Nagasawa

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, 2014 through March 31, 2015.

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, 2015 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, 2015)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets	743,333	Liabilities	283,278
Current assets	199,263	Current liabilities	180,496
Cash and deposits	22,948	Current portion of bonds	12,000
Deferred tax assets	534	Short-term borrowings	37,700
Short-term loans receivable from subsidiaries and affiliates	169,041	Short-term borrowings payable to subsidiaries and affiliates	117,547
Corporate tax refund receivable, etc.	1,366	Commercial paper	10,000
Accrued income	11,499	Accounts payable	75
Other	83	Accrued expenses	2,303
Allowance for doubtful accounts	(6,210)	Accrued bonuses	188
Fixed assets	543,986	Accrued income tax	170
Tangible fixed assets	1	Other	510
Appliance and fixtures	1	Fixed Liabilities	102,781
Intangible fixed assets	0	Corporate bonds	20,000
Software	0	Long-term debt	78,300
Investments and other assets	543,984	Deferred tax liabilities	210
Investment securities	1,943	Provision for loss on business of subsidiaries and affiliates	204
Stocks of subsidiaries and affiliates	443,738	Provision for loss on guarantees	4,067
Long-term loans receivable from subsidiaries and affiliates	98,300	Net assets	460,055
Other	2	Shareholders' equity	458,016
Deferred assets	84	Common stock	50,198
Corporate bond issuance cost	84	Capital surplus	397,968
		Capital reserve	18,546
		Other capital surplus	379,421
		Retained earnings	11,112
		Other retained earnings	11,112
		Retained earnings carried forward	11,112
		Treasury stock	(1,261)
		Valuation and translation adjustments	439
		Unrealized gain on other securities	439
		Stock acquisition rights	1,599
Total	743,333	Total	743,333

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

Nonconsolidated Statement of Income

(From April 1, 2014 to March 31, 2015)

(Millions of yen)

Account item	Amount	
Operating revenues		
Dividend income	7,621	
Management service income	10,346	
Service revenue	863	18,831
Selling, general and administrative costs		11,044
Operating income		7,786
Nonoperating income		
Interest income	2,316	
Miscellaneous income	31	2,348
Nonoperating expenses		
Interest expenses	1,878	
Miscellaneous expenses	358	2,237
Ordinary income		7,898
Extraordinary income		
Gain on reversal of stock acquisition rights	142	142
Extraordinary losses		
Provision for loss on guarantees	1,651	1,651
Income before income taxes		6,389
Corporate tax, corporate inhabitant tax, business tax	293	
Deferred taxes	14	307
Net income		6,081

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

Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2014 to March 31, 2015)

(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		
Balance as of April 1, 2014	50,157	18,505	379,421	397,926	9,371	9,371
Changes during current period						
Issuance of new shares	41	41	–	41	–	–
Dividends from surplus	–	–	–	–	(4,340)	(4,340)
Net income for current period	–	–	–	–	6,081	6,081
Acquisition of treasury stock	–	–	–	–	–	–
Disposition of treasury stock	–	–	0	0	–	–
Net changes other than shareholders' equity during current period	–	–	–	–	–	–
Total change during current period	41	41	0	41	1,741	1,741
Balance as of March 31, 2015	50,198	18,546	379,421	397,968	11,112	11,112

(Millions of yen)

Account item	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Total valuation and translation adjustments		
Balance as of April 1, 2014	(242)	457,212	6	6	1,480	458,699
Changes during current period						
Issuance of new shares	–	82	–	–	–	82
Dividends from surplus	–	(4,340)	–	–	–	(4,340)
Net income for current period	–	6,081	–	–	–	6,081
Acquisition of treasury stock	(1,019)	(1,019)	–	–	–	(1,019)
Disposition of treasury stock	0	1	–	–	–	1
Net changes other than shareholders' equity during current period	–	–	433	433	118	551
Total change during current period	(1,018)	804	433	433	118	1,356
Balance as of March 31, 2015	(1,261)	458,016	439	439	1,599	460,055

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

Notes to Nonconsolidated Financial Statements

[Significant Accounting Policies]

1. Standards and methods of valuation of assets

Securities

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

Available-for-sale securities

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

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

Investments in investment limited partnerships and similar associations (investments deemed to be securities pursuant to Article 2, Paragraph 2, of the Financial Instruments and Exchange Act) are stated at the net value of the equities based on the most recent financial statements available prepared according to the financial reporting dates specified in the respective partnership agreements.

2. Standards of accounting for allowances and accruals

Allowance for doubtful accounts

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

Accrued bonuses

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

Provision for loss on business of subsidiaries and affiliates

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

Provision for loss of guarantee liabilities

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

3. Other important accounting policies for preparation of financial documents

1) Accounting method for deferred assets

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

2) Accounting for consumption taxes, etc.

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

[Notes to Nonconsolidated Balance Sheet]

Accumulated depreciation of tangible fixed assets 0 million yen

Guarantee liabilities

Guarantee liabilities in respect to funds borrowed by affiliates

West Japan Railway Isetan Ltd. 10,373 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 11,513 million yen

Short-term payables to subsidiaries and affiliates 1,942 million yen

[Notes to Nonconsolidated Statement of Income]

Transactions with subsidiaries and affiliates

Turnover based on operating transactions

Operating revenues 18,831 million yen

Selling, general and administrative expenses 653 million yen

Other revenues 3,248 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	248,177	566,887	728	814,336

Notes: 1. The increase consists of 553,700 shares of treasury stock acquired based on resolutions of the Board of Directors, and 13,187 shares acquired in response to requests for the redemption of odd-lot shares.

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

[Notes to Tax Effect Accounting]

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

(Deferred tax assets)

Accrued bonuses	62 million yen
Accounts payable	418 million yen
Accrued enterprise tax	40 million yen
Stock option expenses	300 million yen
Loss on valuation of stocks of subsidiaries and affiliates	3,930 million yen
Provision for loss on business of subsidiaries and affiliates	66 million yen
Provision for loss on guarantees	1,314 million yen
Allowance for doubtful accounts	2,008 million yen
<u>Other</u>	<u>12 million yen</u>
Sub-total deferred tax assets	8,154 million yen
<u>Valuation reserve</u>	<u>(7,619) million yen</u>
Total deferred tax assets	534 million yen

(Deferred tax liabilities)

<u>Unrealized gain on other securities</u>	<u>(210) million yen</u>
<u>Total deferred tax liabilities</u>	<u>(210) million yen</u>

Deferred tax assets (liabilities), net 324 million yen

[Notes to Transactions with Related Parties]

Subsidiaries and affiliates, etc.

(Millions of yen)

Attributes	Name of companies, etc.	Ratio of holding of voting rights, etc. (or Ratio of voting rights held) (%)	Relationship with the related parties	Contents of transactions	Transaction amount	Account item	Term-end balance
Subsidiaries	Isetan Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Business administration Borrowing and Lending of Fund	Proceeds from management guidance (Note 1)	9,439	Accrued income	10,195
				Accounting fees	483	—	—
				Receipt of funds (Note 2)	19,211	Affiliates short-term loans receivable	130,295
				Receipt of interest (Note 3)	2,001	Affiliates long-term loans receivable	98,300
				Payment of personnel expenses for loaned employees (Note 4)	6,932	Accrued income	145
Subsidiaries	Iwataya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Financial assistance	Receipt of funds (Note 3)	2,000	Affiliates short-term loans receivable	20,000
Subsidiaries	MI TOMONO-KAI Co., Ltd.	Indirect: 100%	Borrowing and Lending of Fund	Borrowing of funds (Note 2)	1,130	Affiliates short-term borrowings	85,603
				Payment of Interest (Note 3)	651		
Subsidiaries	MICARD Co. Ltd.	Direct: 100%	Borrowing and Lending of Fund	Refund of funds (Note 2, 3)	500	Affiliates short-term borrowings	10,750
Affiliates	West Japan Railway Isetan Ltd.	Direct 40%	Interlocking directorate	Guarantee liabilities (Note 5)	14,440	Provision for loss on guarantees	4,067

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 personnel expenses for loaned employees paid by Isetan Mitsukoshi Ltd. were settled at cost.
5. The Company has recorded a 4,067 million yen provision for loss of guarantee liabilities in regard to guarantee liabilities for West Japan Railway Isetan Ltd. In addition, a 1,651 million yen provision for loss on guarantees was recorded in the fiscal year under review.
6. The above amounts do not include consumption and other taxes.

[Notes to Per-share Information]

1. Net asset per share	1,163.17 yen
2. Net income per share	15.41 yen

[Notes to Significant Post-balance Sheet Events]

Not applicable.

INDEPENDENT AUDITOR'S REPORT

May 8, 2015

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young
ShinNihon LLC
Designated Limited Partner
Engagement Partner
Certified Public Accountant
Seiji Hoshino

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Kouichi Nagasawa

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 7th fiscal year from April 1, 2014 through March 31, 2015.

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, 2015 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 7th fiscal term from April 1, 2014 to March 31, 2015, 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, 2015.

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, 2015.

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 8, 2015

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