

May 26, 2016

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 8TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 8th 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 17, 2016.

- 1. Date and Time:** Monday, June 20, 2016, at 10:00 a.m.  
The reception is scheduled to begin at 9:00 a.m.
- 2. Place:** Palais Royal, B1F, GRAND PACIFIC LE DAIBA  
2-6-1, Daiba, Minato-ku, Tokyo, Japan
- \* The meeting venue is different from the previous year, so please refer to “The Venue Information for the Ordinary General Meeting of Shareholders” (Japanese Only) at the back of this document.
  - \* Please be aware that if Palais Royal is full, you will be shown to a second meeting room.
- 3. Agenda of the Meeting:**
- Matters to be reported:**
1. The Business Report and the Consolidated Financial Statements for the 8th term (from April 1, 2015 to March 31, 2016) 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 8th term (from April 1, 2015 to March 31, 2016)

**Proposals to be resolved:**

- |                        |                                      |
|------------------------|--------------------------------------|
| <b>Proposal No. 1:</b> | Appropriation of Surplus             |
| <b>Proposal No. 2:</b> | Election of Eight Directors          |
| <b>Proposal No. 3:</b> | Election of Three Corporate Auditors |
| <b>Proposal No. 4:</b> | 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 20, 2016, 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 17, 2016**

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 17, 2016.**

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 17, 2016 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 (TLS 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*

Isetan Mitsukoshi Holdings Ltd. prepared its eighth financial statements as of March 31, 2016,, which we hereby submit to you in this report for your perusal.

During the fiscal year under review, although there were increases in areas such as inbound consumption (visitors from abroad), personal consumption was stagnant overall due to the effects of factors such as a drop in natural resource prices and a decline in stock prices.

The Group announced a corporate message “this is japan.” to convey its determination in creating a new future-oriented Isetan Mitsubishi Group. Not to mention product selection, the Group will work to respond to the wishes of its customers by providing new value that makes use of the five senses fostered by the seasons of Japan with the spirit of hospitality and sincerity.

Without being contented with its current state, the Group will continue to aim for 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 8th 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 ¥6 per common share of the Company  
Total amount: ¥2,349,924,078
- (3) Effective date of dividend of surplus  
June 21, 2016

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

The terms of office of eight (8) Directors Kunio Ishizuka, Hiroshi Onishi, Takuya Matsuo, Ken Akamatsu, Toshihiko Sugie, 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	Positions and responsibilities concurrently held at the Company	Attendance status Rate of attendance at meetings of Board of Directors
1	[Renominated] Kunio Ishizuka	Chairman, Representative Director, Executive Officer	15 out of 15 100%
2	[Renominated] Hiroshi Onishi	President, Representative Director, Executive Officer	15 out of 15 100%
3	[Renominated] Takuya Matsuo	Director, Senior Managing Executive Officer, General Manager, Department Store Business Planning & Operation Headquarters	15 out of 15 100%
4	[Renominated] Toshihiko Sugie	Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters	15 out of 15 100%
5	[Newly nominated] Hideharu Wada	Managing Executive Officer, General Manager, Administration Headquarters/General Manager, Administration of Property Division	—
6	[Renominated] [Outside Director] [Independent Director] Shouei Utsuda	Outside Director	14 out of 15 93.3%
7	[Renominated] [Outside Director] [Independent Director] Yoshinori Ida	Outside Director	15 out of 15 100%
8	[Renominated] [Outside Director] Katsunori Nagayasu	Outside Director	15 out of 15 100%

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]	<p>May 1972 Joined Mitsukoshi, Ltd.</p> <p>Feb 2003 Executive Officer, General Manager, Operations Department</p> <p>Mar 2004 Senior Executive Officer, General Manager, Corporate Planning Division</p> <p>Mar 2005 Managing Executive Officer, General Manager, Business Planning Division</p> <p>May 2005 President and Representative Director, General Manager, Business Planning Division</p> <p>Feb 2006 President and Representative Director</p> <p>Apr 2008 President and Representative Director, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jun 2008 Outside Director, Isetan Co., Ltd.</p> <p>Apr 2011 Chairman, Director, Executive Officer, Isetan Mitsukoshi Ltd.</p> <p>Feb 2012 Chairman, Representative Director, Executive Officer, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Apr 2012 Chairman, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Jun 2013 Director, SEKISUI CHEMICAL CO., LTD. (to the present)</p> <p>Significant posts concurrently held Chairman, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. Director, SEKISUI CHEMICAL CO., LTD.</p>	45,279
<p style="text-align: center;">Reasons for selecting the candidate for Director</p> <p>Serving as President and Representative Director at the Company's founding in 2008 and assuming the position of Chairman, Representative Director, Executive Officer in 2012, Mr. Kunio Ishizuka has created the management foundation by placing the Company on the right track after its merger as top management, and restructuring Group companies significantly ahead of the initial schedule. As his abundant knowledge and leadership on management is judged to make additional contribution to improvement of corporate value of the Group, he is reappointed as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
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/Department Store Business Planning &amp; Operation Headquarters, 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>May 2016 Chairman, Japan Department Stores Association (to the present)</p> <p>Significant posts concurrently held President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. Chairman, Japan Department Stores Association</p>	33,470
<p style="text-align: center;">Reasons for selecting the candidate for Director</p> <p>Mr. Hiroshi Onishi was the President, Representative Director, Executive Officer of Isetan Mitsukoshi Ltd., the Department Store Business company, at its founding in 2011, and assumed the position of President, Representative Director, Executive Officer of the Company in 2012. He is leading the Group by promoting measures toward the Group's growth, such as reforms in the procurement structure and new businesses. As his abundant knowledge and leadership on management is judged to make additional contribution to improvement of corporate value of the Group, he is reappointed as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
3	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, Department Store Business Planning &amp; Operation Headquarters/General Manager, Local &amp; Branch Stores Division, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2014 Managing Executive Officer, General Manager, Department Store Business Planning &amp; Operation Headquarters Director, Managing Executive Officer, General Manager, Department Store Business Planning &amp; Operation Headquarters/General Manager, Flagship Store Business, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Jun 2014 Director, Managing Executive Officer, General Manager, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2015 Director, Senior Managing Executive Officer, General Manager, Department Store Business Planning &amp; Operation Headquarters (to the present) Director, Senior Managing Executive Officer, General Manager, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Significant posts concurrently held Director, Senior Managing Executive Officer, General Manager, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p>	23,327
<p style="text-align: center;">Reasons for selecting the candidate for Director</p> <p>Since joining the Company, Mr. Takuya Matsuo has engaged primarily in sales departments, and assumed the position of Director, Managing Executive Officer, General Manager, Department Store Business Planning &amp; Operation Headquarters of the Company in 2014. He has mastery of the Department Store Business, which is the core of the Group. In particular, as he has high expertise and abundant experience in the Department Store Business through initiatives such as reforms in branches and regional stores and active advancement of opening new small to medium-sized stores, he is judged to make additional contribution to improvement of corporate value of the Group, he is reappointed as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
4	Toshihiko Sugie (Feb 15, 1961) [Renominated]	<p>Apr 1983 Joined Isetan Co., Ltd.</p> <p>Apr 2009 Executive Officer, General Manager in charge of foods in general and food sales, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Co., Ltd.</p> <p>Apr 2011 Executive Officer, General Manager in charge of foods in general, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2012 Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jun 2012 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters</p> <p>Apr 2013 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2016 Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters (to the present) Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Significant posts concurrently held Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.</p>	14,100
<p>Reasons for selecting the candidate for Director</p> <p>Since joining the Company, Mr. Toshihiko Sugie has engaged primarily in both sales departments and back office departments, and after assuming the position of Executive Officer, he has served in a wide range of management positions, including Executive Officer, General Manager in charge of foods in general, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters of Isetan Co., Ltd. in 2009 and Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters of the Company since 2012. As his abundant experience in the Department Store Business and ability in widely mastering the overall business of the Group is judged to make additional contribution to improvement of corporate value of the Group, he is reappointed as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
5	Hideharu Wada (Jan 4, 1956) [Newly nominated]	<p>Jun 1978 Joined Mitsukoshi, Ltd.</p> <p>Feb 2007 Executive Officer, General Manager, Corporate Planning Division</p> <p>Sep 2007 Executive Officer, General Manager, Corporate Planning Division/Deputy General Manager, Integration Preparation Office</p> <p>Mar 2008 Executive Officer</p> <p>Apr 2008 Executive Officer, General Manager, Business Planning Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2011 Executive Officer, General Manager, Operations Division, Administration Headquarters</p> <p>Apr 2013 Executive Officer, General Manager, Business Coordination Division, Administration Headquarters</p> <p>Apr 2016 Managing Executive Officer, General Manager, Administration Headquarters/General Manager, Administration of Property Division (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>	10,080
<p style="text-align: center;">Reasons for selecting the candidate for Director</p> <p>Since joining the Company, Mr. Hideharu Wada has engaged in primarily corporate planning, and assumed the position of Executive Officer, General Manager, Business Planning Division at the Company's founding in 2008, and from 2011, has contributed to infrastructure development and cost structure reforms as the person responsible for the department that oversees property and logistics. From the year under review, he has been involved in management from a wide viewpoint as the Managing Executive Officer, General Manager, Administration Headquarters. As he is judged to make additional contribution to improvement of corporate value of the Group, he is appointed as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
6	Shouei Utsuda (Feb 12, 1943) [Renominated] [Outside Director] [Independent Director]	<p>Apr 1967 Joined MITSUI &amp; CO., LTD.</p> <p>Jun 1997 Director, MITSUI &amp; CO., LTD.</p> <p>Jun 2000 Representative Director, Managing Director, MITSUI &amp; CO., LTD.</p> <p>Apr 2002 Representative Director, Senior Managing Director, MITSUI &amp; CO., LTD.</p> <p>Oct 2002 Representative Director, President, MITSUI &amp; CO., LTD.</p> <p>Jun 2007 Director, Tokyo Broadcasting System Holdings, Inc. (to the present)</p> <p>Apr 2009 Chairman, MITSUI &amp; 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 &amp; CO., LTD.</p> <p>Jun 2015 Counselor, MITSUI &amp; CO., LTD. (to the present)</p> <p>Significant posts concurrently held</p> <p>Counselor, MITSUI &amp; CO., LTD.</p> <p>Director, Tokyo Broadcasting System Holdings, Inc.</p> <p>Director, Tokyo Broadcasting System, Inc.</p> <p>Chairman, The Japan – Vietnam Association</p> <p>Director, Cool Japan Fund Inc.</p> <p>Member of the Board, Nomura Research Institute, Ltd.</p>	5,982
<p style="text-align: center;">Reasons for selecting the candidate for Director</p> <p>As a manager of a business corporation, Mr. Shouei Utsuda has achievements in creating thorough awareness and systemic reform for internal compliance and improving business results. As it is judged that he can bring his abundant experience and insight 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, he is reappointed as a candidate for Director.</p>			



Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
7	Yoshinori Ida (May 18, 1943) [Renominated] [Outside Director] [Independent Director]	Apr 1966 Joined Isuzu Motors Limited Jan 1994 Director, Isuzu Motors Limited May 1996 Executive Director, Isuzu Motors Limited Apr 1999 Managing Director, Isuzu Motors Limited Dec 2000 President, Representative Director, COO, Isuzu Motors Limited Jun 2007 Chairman and Representative Director, Isuzu Motors Limited Feb 2009 Chairman and Director, Isuzu Motors Limited Jun 2011 Special Executive Advisor, Honorary Chairman, Isuzu Motors Limited Jun 2012 Special Executive Advisor, Isuzu Motors Limited (to the present) Jun 2013 Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Significant posts concurrently held Special Executive Advisor, Isuzu Motors Limited	3,987
<p style="text-align: center;">Reasons for selecting the candidate for Director</p> <p>As a manager of a business corporation, Mr. Yoshinori Ida has worked on fundamental restructuring and has achievements in significantly improving business results. As it is judged that he can bring his abundant experience and insight 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, he is reappointed as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
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. President, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Apr 2010 President &amp; CEO, Mitsubishi UFJ Financial Group, Inc.</p> <p>Apr 2012 Chairman, Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Apr 2013 Director, Mitsubishi UFJ Financial Group, Inc.</p> <p>Jun 2013 Audit &amp; Supervisory Board Member, Nippon Steel &amp; Sumitomo Metal Corporation (to the present)</p> <p>Jun 2014 Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Audit &amp; Supervisory Board Member, Mitsubishi Motors Corporation (to the present)</p> <p>Mar 2016 Director, Kirin Holdings Company, Limited (to the present)</p> <p>Apr 2016 Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (to the present)</p> <p>Significant posts concurrently held</p> <p>Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Audit &amp; Supervisory Board Member, Nippon Steel &amp; Sumitomo Metal Corporation</p> <p>Audit &amp; Supervisory Board Member, Mitsubishi Motors Corporation</p> <p>Director, Kirin Holdings Company, Limited</p>	0
<p>Reasons for selecting the candidate for Director</p> <p>Mr. Katsunori Nagayasu has abundant experience and knowledge regarding finance as manager of financial institutions for many years, which can be brought to the management of the Company. As his wide insight has been judged to enable providing advice and proposals for ensuring appropriate and reasonable decision-making of the Board of Directors of the Company, he is reappointed as a candidate for Director.</p>			

- (Notes)
1. The Company's shares held by the candidates for Director include their own personal holdings in the Isetan Mitsukoshi Holdings Executive Shareholding Association.
  2. Mr. Katsunori Nagayasu is the Advisor 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.
  3. At Mitsubishi Motors Corporation, where Mr. Katsunori Nagayasu concurrently serves as Outside Audit & Supervisory Board Member, it was discovered in April 2016 that in acquiring approval for certain models of minicars manufactured by Mitsubishi Motors Corporation, fraudulent means were used to cause fuel

efficiency to appear better than reality, and testing methods were used that did not comply with those defined by domestic laws and regulations. Although he was not aware of these facts in advance, he has provided advice to the Board of Directors on a regular basis from the viewpoint of legal compliance. After the facts were revealed, he has been fulfilling his duties by implementing thorough investigation and measures to prevent recurrence regarding the above facts.

4. 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.
5. 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 three (3) years, and Mr. Nagayasu will have served for two (2) years.
6. 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. 3: Election of Three Corporate Auditors**

The term of three (3) Corporate Auditors Shinya Takada, Teisuke Kitayama and Sumio Iijima will expire at the conclusion of this meeting.

Accordingly, election of the following three (3) Corporate Auditors is proposed.

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

Candidate No.	Name (Date of Birth)	Summary of career, positions and significant posts concurrently held	Number of Company shares owned
1	Yoshio Takino (May 11, 1956) [Newly nominated]	<p>Apr 1981 Joined Isetan Co., Ltd.</p> <p>Mar 2008 Executive Officer, appointed to Isetan Mitsukoshi Holdings Ltd. Preparation Office, Isetan Co., Ltd.</p> <p>Apr 2008 Executive Officer, General Manager, Store Operation Division, Business Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Mar 2010 Executive Officer, General Manager, Sales Planning Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Co., Ltd.</p> <p>Apr 2011 Executive Officer, General Manager, Isetan Tachikawa store, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2013 Managing Executive Officer, General Manager, Isetan Shinjuku store, General Manager, Flagship Store Business, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2014 Managing Executive Officer, General Manager, Risk Management Office</p> <p>Apr 2016 Managing Executive Officer, Assistant to the President (to the present)</p> <p>Significant posts concurrently held None</p>	7,759
<p>Reasons for selecting the candidate for Corporate Auditor</p> <p>Since joining the Company, Mr. Yoshio Takino has engaged primarily in operations regarding sales planning and store operations of department stores, and after serving as Managing Executive Officer, General Manager, Isetan Shinjuku store of Isetan Mitsukoshi Ltd. in 2013, he assumed the position of Managing Executive Officer, General Manager, Risk Management Office of the Company in 2014. As he has abundant experience regarding compliance and risk management from the sides of both sales and management, and mastery of the Group's business, he has been appointed as a candidate for Corporate Auditor.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions and significant posts concurrently held	Number of Company shares owned
2	Koichi Miyata (Nov 16, 1953) [Newly nominated] [Outside Corporate Auditor]	<p>Apr 1976 Joined The Mitsui Bank, Ltd.</p> <p>Jun 2003 Executive Officer, Sumitomo Mitsui Banking Corporation</p> <p>Oct 2006 Managing Executive Officer, Sumitomo Mitsui Banking Corporation</p> <p>Apr 2009 Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation</p> <p>Apr 2010 Senior Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc.</p> <p>Jun 2010 Director, Sumitomo Mitsui Financial Group, Inc.</p> <p>Apr 2011 Director and President, Sumitomo Mitsui Financial Group, Inc. (to the present)</p> <p>Director, Sumitomo Mitsui Banking Corporation (to the present)</p> <p>Jun 2014 Director, Sony Corporation (to the present)</p> <p>Apr 2016 Director, MITSUI LIFE INSURANCE COMPANY LIMITED (to the present)</p> <p>Significant posts concurrently held</p> <p>Director and President, Sumitomo Mitsui Financial Group, Inc.</p> <p>Director, Sumitomo Mitsui Banking Corporation</p> <p>Director, Sony Corporation</p> <p>Director, MITSUI LIFE INSURANCE COMPANY LIMITED</p>	0
<p>Reasons for selecting the candidate for Corporate Auditor</p> <p>Mr. Koichi Miyata has abundant experience and knowledge regarding finance as manager of financial institutions, which can be brought to the audit of the Company. As his wide range of insights have been judged to enable providing advice and proposals for ensuring appropriate and reasonable decision-making of the Board of Directors of the Company, he has been appointed as a candidate for Corporate Auditor.</p>			
3	Hiroataka Fujiwara (May 21, 1954) [Newly nominated] [Outside corporate Auditor] [Independent Auditor]	<p>Apr 1985 Joined Law Offices of Iijima and Yamada</p> <p>Apr 1995 Founded Hikari Sogoh Law Offices</p> <p>Apr 2007 Part-time Lecturer at Keio University Law School (to the present)</p> <p>Jan 2015 Founded legal counsel corporation Hikari Sogoh Law Offices, Representative Attorney (to the present)</p> <p>Significant posts concurrently held</p> <p>Representative Attorney, Hikari Sogoh Law Offices</p>	0
<p>Reasons for selecting the candidate for Corporate Auditor</p> <p>Mr. Hiroataka Fujiwara has a high level of insight fostered by his activities as attorney for many years, and while utilizing these to create and maintain the audit and compliance structures of the Company. As it is judged that he can provide advice and proposals for ensuring appropriate and reasonable decision-making of the Board of Directors of the Company from an independent status, he is appointed as a candidate for Corporate Auditor.</p>			

- (Notes)
1. The Company's shares held by the candidates for Corporate Auditor include their own personal holdings in the Isetan Mitsukoshi Holdings Executive Shareholding Association.
  2. Mr. Koichi Miyata is the Director of Sumitomo Mitsui Banking Corporation, which is the main bank of the Group. There is no particular relationship of interests between any of the other candidates and the Company.
  3. Assuming approval of the election of Mr. Koichi Miyata and Mr. Hiroataka Fujiwara, the Company intends to conclude a limited liability agreement with them as per the Articles of Incorporation. This limited liability agreement shall limit the maximum amount of liability they may bear to the Company to the amount stipulated by relevant laws and regulations.

4. Assuming approval of the election of Mr. Hirotaka Fujiwara, the Company plans to designate him as an Independent Auditor based on the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and plans to notify both stock exchanges thereof.

**Proposal No. 4: Payment of Bonuses to Directors**

Taking into account the business performance for the year under review, we propose the payment of bonuses to five (5) Directors (of the eight (8) Directors, three (3) Outside Directors are excluded), who are in office at the end of fiscal year under review, at a total amount of ¥58.26 million. As for the specific amount for each Director, we request that matter to be entrusted to the Board of Directors.

The basic policy and procedures for determining compensation for Directors of the Company is stated on page 43 of the Business Report.

## **Business Report**

(From April 1, 2015 to March 31, 2016)

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

#### (1) Business developments and results

In the consolidated fiscal year ended March 31, 2016 (fiscal 2015), the global economy overall lacked impetus. While the first half showed a trend toward moderate recovery, the second half was weighed down by the risk of terrorism in Europe and credit risk in financial markets, and by heightened concerns of deceleration in not only China and other emerging countries but also the U.S. In Japan, although corporate earnings held firm, internal and external demand trends remained anemic and the national economy continued to tread water. In the retail industry, consumer sentiment took a hit from falling stock prices and other asset values, and personal spending was stagnant.

Against this backdrop, the Group focused its resources and know-how it has built up over many years in working toward the goal of “becoming the 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; and by so doing, becoming the world’s foremost retail and services group with high profitability and sustained growth.” From 2011, we engaged in JAPAN SENSES, which provides Japan’s best traditions and culture as new value, and from last year, we took a step further by defining “this is japan.” as our corporate message. We continued to develop the originality of our products and services, and to take measures to create new value capable of gaining worldwide recognition.

As a result, consolidated net sales for the fiscal year amounted to ¥1,287.2 billion, an increase of 1.2% from the previous fiscal year, operating income amounted to ¥33.1 billion, an increase of 0.1%, recurring income was ¥36.7 billion, an increase of 6.2%, and net income attributable to parent company shareholders was ¥26.5 billion, a decrease of 11.3%.

#### Department store

Percentage of net sales: 84.8%

Net sales: ¥1,187.3 billion (101.2% of the previous fiscal year’s net sales)

Operating income: ¥21.5 billion (100.4% of the previous fiscal year’s operating income)

In the department store business, with the aim of realizing our aspired image as a department store, we took measures to offer new value embodying the spirit of the Isetan Mitsukoshi Group. Below is a discussion of initiatives at the three flagship stores, the key to the growth of the Group.



The Isetan Shinjuku Main Store aims to realize the “world’s greatest fashion museum” concept by delivering new value through continually evolving digital technologies to cater to various customer needs. Through new shopping experience aids such as the smartphone app “ISETAN NAVI,” which quickly pinpoints information and services based on customer location, and the “SENSY” fashion styling app, developed by COLORFUL BOARD Inc., that uses artificial intelligence to select outfits, and through events that harness advanced technologies of external partner companies and groups, we propose more affluent lifestyles that enrich daily living.

At the Mitsukoshi Nihombashi main store, we advanced measures to relay the Japanese sense of beauty as a base for spreading Japanese culture under our “Culture Resort Department Store” concept. In February 2016, we also opened the Japan-themed luxury brand SEKItoWA outlet on the first floor of the main store, along with the “Gallery LIFE MINING” promotional space on the fifth floor, where we offer products that bring color to customers’ lives and showcase the beauty of daily life and culture in Japan. Furthermore, in March 2016, we opened the Jiyuan corner on the first basement floor of the main store, where customers can engage all five senses in experiencing Japanese culinary culture.

We completed a large-scale remodeling of the Mitsukoshi Ginza store in fall 2015, ahead of a project to develop it into a global, seasonally focused store. Each floor is to have a “global message,” acting as a base of information while unveiling the most-seasonal trends in a limited-edition promotional style. In January 2016, we also opened the Japan Duty Free GINZA shop, Japan's first airport-style duty-free store outside Okinawa where overseas customers can find global brands and lineups of traditionally Japanese items.

Turning to regional department stores, in September 2015 we reopened the Marui Imai and Sapporo Mitsukoshi stores after remodeling, with improved product, brand and service offerings.

Additionally, in April 2016, after the Mitsukoshi Ginza store, we opened the medium-scale airport-style duty-free store FUKUOKA DUTY FREE TENJIN at Fukuoka Mitsukoshi.

We continue to open small to medium-size stores, in measures to expand customer contact points by developing our strength in organization and opening up new marketing channels and areas. We opened 10 stores all over Japan under the self-coordinated MI PLAZA format, beginning with MI Plaza Fujimi in April 2015. And as of March 2016, we have opened a total of 26 stores.

In April 2015, we opened an ISETAN SALONE select fashion store in Roppongi. In Marunouchi in December 2015, we opened the composite ISETAN SALONE MEN'S outlet, and an Isetan House in Nagoya in March 2016.

We opened the luxury cosmetics outlet ISETAN MiRROR Make & Cosmetics in fall 2015 at the Tokyu Plaza Omotesando Harajuku store and Lusca Chigasaki store, and in April 2016, we opened the Atré Ebisu store, our 13th store in this format. We also opened the Isetan Mitsukoshi Group's first overseas ISETAN BEAUTY cosmetics retail outlet, in Shanghai in January 2016. While tailoring product lineups to the Chinese market, we provide the customer reassurance and product safety that Japan is famous for.

In our online business, one year has passed since our overhaul of the website. Aiming at a fusion of online and bricks-and-mortar retailing, we improved customer convenience by increasing the number of campaigns organized jointly with the three flagship stores, and expanding the number of products offered.

In our overseas business, we have set up efforts in Kuala Lumpur in cooperation with the Cool Japan Fund, and opened a store in Paris, France, advancing the global expansion of Japanese culture and products.

#### Credit & finance / customer organization management

Percentage of net sales: 2.6%

Net sales: ¥36.2 billion (105.0% of the previous fiscal year's net sales)

Operating income: ¥5.6 billion (100.7% of the previous fiscal year's operating income)

The Credit & Finance Business/Customer Organization Management Business took various measures to improve customer convenience and build a management platform capable of generating strong earnings. These included MICARD Co., Ltd.'s campaigns to expand external use, cultivation of new franchise member stores and issuance of cards in partnership with other companies, as well as the introduction of a new point mall and online statement services. In April 2016, we also took measures to enable the transfer of individual cardholder points to Group shared point programs. Although we have already begun the exchange of miles with major airline carriers, cooperation with T Points, and issuance of cards in cooperation with the Nomura Real Estate Group and the VIORO commercial facility in Fukuoka, we will make points more widely exchangeable into other programs in the future as one of the ways we are working to improve customer convenience.

#### Other retail & specialty store

Percentage of net sales: 4.0%

Net sales: ¥55.8 billion (96.5% of the previous fiscal year's net sales)

Operating income: ¥(1.0) billion (Operating loss of ¥0.2 billion in the previous fiscal year)

In the other retail & specialty store business, Isetan Mitsukoshi Food Service Ltd. in May 2015 reopened the Queen's Isetan Sasazuka store after a remodeling, aiming to give it one of the country's broadest food selections. We also produced premium food specialty outlets within department stores, and in March 2016, the Queen's Isetan Grande Fuchu outlet on the food floor of the Isetan Fuchu store was remodeled and reopened as an anchor tenant.

#### Real estate

Percentage of net sales: 3.3%

Net sales: ¥46.2 billion (107.8% of the previous fiscal year's net sales)

Operating income: ¥6.3 billion (99.1% of the previous fiscal year's operating income)

In the real estate business, we aggressively expanded our construction and installation businesses carried on by Isetan Mitsukoshi Property Design Ltd., with redevelopment and other projects at hotels, commercial facilities and office blocks in the Tokyo area, where the Olympics and Paralympics are to be held, and in the Hokkaido and the Kyoto and Osaka areas, where inbound tourist demand is expected to rise.

To make efficient use of Group-held assets and provide even more attractive products and services to customers of the Group, Mitsukoshi Real Estate Co., Ltd. changed its trade name to Isetan Mitsukoshi Real Estate Co., Ltd. in April 2015. In addition to its traditional rental management business, it entered the condominium business with capital and business partner Nomura Real Estate Development Co., Ltd.

#### Other businesses

Percentage of net sales: 5.3%

Net sales: ¥74.8 billion (101.9% of the previous fiscal year's net sales)

Operating income: ¥0.3 billion (648.0% of the previous fiscal year's operating income)

To realize our aim of “being of use to our customers in their many different roles in life,” we continued to develop highly original new businesses that capitalize on the Group’s many strengths. Isetan Mitsukoshi Travel Co., Ltd. launched business operations in July 2015. It proposes travel packages with a premium quality feel. In October 2015, Isetan Mitsukoshi Plan Do See Co., Ltd. was established to handle the bridal business, and in January 2016, we established Isetan Mitsukoshi Transit Co., Ltd., a food and beverage company.

And in January 2016, we established the investment company Isetan Mitsukoshi Innovations Ltd. to take on the challenge of creating new businesses beyond traditional business models.

#### (2) Capital expenditures

Our capital expenditures during the consolidated fiscal year under review totaled some ¥40.0 billion, which consisted principally of some ¥20.8 billion for renovations of the Isetan Mitsukoshi Group stores.

#### (3) Fund-raising matters

We raised funds of ¥19.0 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

The Isetan Mitsukoshi Group, toward realizing its group vision of becoming the “world’s greatest retail and services group,” is currently promoting a medium-term management plan that sets a milestone target of achieving consolidated operating income of ¥50.0 billion in fiscal 2018.

Regarding the economic environment, we do not see grounds for great optimism given the slowness of recovery in Japan’s regions and share price and exchange rate trends, despite signs of improvement in corporate earnings and in the employment picture. Recently, the retailing environment has run into strong headwinds. A tailing off of previously buoyant growth in inbound tourist demand and other setbacks have come on top of slow growth in underlying rents and waning consumer confidence due to uncertainties about the economy. Against this backdrop, the Group will take further measures to realize its vision of the department store of the future, capable of ensuring sustainable growth, and work to strengthen and expand growth businesses based on a long-term perspective.

To further bolster the distinctive character and brand power of our core department store business,

we plan to invest management resources in the Shinjuku, Nihombashi and Ginza flagship stores, the great assets of the Company, and provide value of global quality.

We aim to realize further growth in profitability by developing original and highly profitable products and services based on planning and development that quickly and fully captures customer wishes, and marketing them through broadened “global” channels, customer contact points and formats, including small to medium-size stores, websites and overseas outlets.

To provide new value to the customer across the fullest possible range of lifestyles, we will also work to strengthen existing businesses and develop new businesses while actively considering alliances and partnerships with outside companies. We will also foster a corporate culture in which women, specialists, foreigners and others with diverse characteristics and professional skills can play active roles.

At the same time, we will improve corporate performance by strengthening observance of the plan–do–check–act (PDCA) cycle in management, and take measures to radically overhaul unprofitable stores and businesses.

Through these initiatives, we plan to achieve the performance targets in the Group’s Three-Year Plan, and improve corporate value and achieve sustainable growth by strengthening corporate governance.

We will also sincerely respond to shareholders and other stakeholders to build invaluable relationships of trust. We take this opportunity to appreciate your continued support and patronage going forward.

## Segment information

(Millions of yen)

	Reporting segment					Other businesses (Note 1)	Total	Adjustments (Note 2)	Amount posted in Consolidated Financial Statements (Note 3)
	Department store	Credit & finance / customer organization management	Other retail & specialty store	Real estate	Total				
Net sales									
Outside customers	1,185,781	18,707	42,185	25,602	1,272,277	14,976	1,287,253	-	1,287,253
Inter-segment sales	1,607	17,518	13,641	20,631	53,399	59,862	113,261	(113,261)	-
Total	1,187,389	36,225	55,827	46,234	1,325,676	74,838	1,400,514	(113,261)	1,287,253
Segment profit/loss	21,569	5,617	(1,058)	6,323	32,451	358	32,810	297	33,107
Segment assets	1,092,604	229,095	23,540	150,240	1,495,480	35,493	1,530,974	(237,930)	1,293,043
Others									
Depreciation	17,365	1,697	473	1,008	20,545	4,784	25,330	(235)	25,094
Impairment loss	4,756	-	1	-	4,758	2,017	6,775	-	6,775
Investment in equity method affiliates	66,461	-	4,492	-	70,954	-	70,954	-	70,954
Increase in tangible/intangible fixed assets	24,383	5,710	1,218	2,524	33,837	7,657	41,495	(1,452)	40,043

- Notes:
1. "Other businesses" is not included in the reporting segment and includes services of manufacturing, exporting, importing, wholesaling, distribution, temporary personnel, data processing, and travel etc.
  2. Adjustments are as follows:
    - (1) Adjustment of segment profit of ¥297 million is the amount of inter-segment elimination and others.
    - (2) Adjustment of segment assets of minus ¥237,930 million is the offset amount of inter-segment receivables and payables.
    - (3) Adjustment of segment depreciation of minus ¥235 million is the amount of inter-segment unrealized profit.
    - (4) Adjustment of increase in tangible/intangible fixed assets of minus ¥1,452 million is largely inter-segment elimination and 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 Nihombashi store	168,316	24.8	101.7
	Mitsukoshi Ginza store	85,292	12.6	114.6
	Mitsukoshi Chiba store	12,655	1.9	93.2
	Isetan Shinjuku store	272,465	40.1	105.4
	Isetan Tachikawa store	37,380	5.5	97.0
	Isetan Matsudo store	19,225	2.8	97.1
	Isetan Urawa store	41,897	6.2	99.0
	Isetan Sagamihara store	22,949	3.4	95.5
	Isetan Fuchu store	18,901	2.8	96.5
	<b>Total</b>	<b>679,085</b>	<b>100.0</b>	<b>103.5</b>
Sapporo Marui Mitsukoshi Ltd.		63,426	—	100.0
Hakodate Marui Imai Ltd.		8,547	—	95.5
Sendai Mitsukoshi Ltd.		35,392	—	100.5
Niigata Isetan Mitsukoshi Ltd.		46,140	—	100.2
Shizuoka Isetan Co., Ltd.		19,877	—	98.1
Nagoya Mitsukoshi Ltd.		70,810	—	101.2
Hiroshima Mitsukoshi Ltd.		15,540	—	96.8
Takamatsu Mitsukoshi Ltd.		23,464	—	101.8
Matsuyama Mitsukoshi Ltd.		14,827	—	97.4
Iwataya Mitsukoshi Ltd.		117,322	—	103.8
West Japan Railway Isetan Ltd.*		80,177	—	101.3

\* 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	246,811	36.3	99.6
Accessories	84,102	12.4	104.5
Sundry goods	127,875	18.8	120.8
Household goods	30,610	4.5	99.5
Foods	148,487	21.9	100.3
Others	41,199	6.1	94.9
<b>Total</b>	<b>679,085</b>	<b>100.0</b>	<b>103.5</b>

(5) Change in assets and earnings

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

Item \ Fiscal term	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)	8th Term Fiscal 2015 (From April 1, 2015 to March 31, 2016) Consolidated fiscal year under review
Net sales (Million yen)	1,236,333	1,321,512	1,272,130	1,287,253
Operating income (Million yen)	26,639	34,646	33,083	33,107
Ordinary income (Million yen)	34,217	38,440	34,563	36,704
Net income attributable to parent company shareholders (Million yen)	25,292	21,166	29,886	26,506
Net income per share (Yen)	64.11	53.65	75.74	67.41
Total assets (Million yen)	1,223,677	1,284,658	1,291,560	1,293,043
Net assets (Million yen)	505,127	541,069	577,655	574,316
Net assets per share (Yen)	1,244.54	1,329.45	1,421.72	1,438.17
Capital-to-asset ratio (%)	40.13	40.84	43.39	43.56

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	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)	8th Term Fiscal 2015 (From April 1, 2015 to March 31, 2016) Fiscal year under review
Operating revenues (Million yen)	22,320	14,563	18,831	15,886
Operating income (Million yen)	17,293	4,594	7,786	5,571
Ordinary income (Million yen)	17,312	5,183	7,898	5,267
Net income (Million yen)	4,585	5,012	6,081	5,072
Net income per share (Yen)	11.62	12.70	15.41	12.90
Total assets (Million yen)	759,074	750,922	743,333	755,212
Net assets (Million yen)	457,533	458,699	460,055	453,050
Net assets per share (Yen)	1,155.96	1,158.63	1,163.17	1,152.47
Capital-to-asset ratio (%)	60.09	60.89	61.68	59.77

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, 2016)

## 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	100.0	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).

3) Status of specific wholly-owned subsidiaries

Name	Address	Total amount of book value	Total assets of the Company
Isetan Mitsukoshi Ltd.	3-14-1, Shinjuku, Shinjuku-ku, Tokyo,	¥430,854 mln.	¥755,212 mln.

(7) Principal lines of business (As of March 31, 2016)

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, 2016)

## 1) Department store

&lt;Domestic&gt;

Company & Store Name		Location
Isetan Mitsukoshi Ltd.	Mitsukoshi Nihombashi store	1-4-1, Nihombashi Muromachi, Chuo-ku, Tokyo
	Mitsukoshi Ginza store	4-6-16, Ginza, Chuo-ku, Tokyo
	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, Minamiichizounishi, Chuo-ku, Sapporo-shi, Hokkaido
	Sapporo Mitsukoshi store	3-8, Minamiichizounishi, 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
Isetan Mitsukoshi Real Estate Co., Ltd.	6-27-30, Shinjuku, Shinjuku-ku, Tokyo

(9) Employees (As of March 31, 2016)

Employees of the Company and its subsidiaries

	Number of employees	Change from the end of previous fiscal year
Department store	9,793	138 decrease
Credit & finance / customer organization management	362	13 increase
Other retail & specialty store	567	18 increase
Real estate	420	6 increase
Other businesses	1,143	100 increase
<b>Total</b>	<b>12,285</b>	<b>1 decrease</b>

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

(10) Principal lenders and borrowings (As of March 31, 2016)

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	45,000

## 2. Matters related to the Company shares (As of March 31, 2016)

(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, 2016	395,118,414
Change from the end of previous fiscal year	+ 160,020

Notes: 1. The above figures include 3,464,401 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, 2016	204,173
Change from the end of previous fiscal year	+33,684

(4) Major shareholders

Name of Shareholders	Number of Shares Held	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	25,285,300	6.46
Japan Trustee Services Bank, Ltd. (Trust account)	18,952,200	4.84
The Mitsukoshi Health and Welfare Foundation	13,667,832	3.49
Isetan Mitsukoshi Group's partner holding companies	7,808,378	1.99
SHIMIZU CORPORATION	6,200,000	1.58
JP MORGAN CHASE BANK 380055	5,854,488	1.49
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	1.35
STATE STREET BANK WEST CLIENT-TREATY 505234	5,263,891	1.34

Note: Treasury stock (3,464,401 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)	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	471	5
	23rd Stock Acquisition Rights	395	5
	25th Stock Acquisition Rights	381	5
Directors (Outside Directors)	N/A		
Corporate Auditors (not including Outside Auditors)	13th Stock Acquisition Rights	42	1
	15th Stock Acquisition Rights	101	1
	17th Stock Acquisition Rights	152	1
	21st Stock Acquisition Rights	58	1
	23rd Stock Acquisition Rights	51	1
Corporate Auditors (Outside Auditors)	N/A		

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

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

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

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

Number of the stock acquisition rights issued (as of the date issued)	1,307
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	130,700 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥126,600 per unit (¥1,266 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2017 through February 16, 2032
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, 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) 25th 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 (26th 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 16, 2016	¥1	From March 1, 2017 to February 16, 2032	926	21
Executive officers and general managers of subsidiaries (excluding persons serving concurrently as Directors of the subsidiaries)	February 16, 2016	¥1	From March 1, 2017 to February 16, 2032	577	14

26th Stock Acquisition Rights (Issued on February 16, 2016)

Number of the stock acquisition rights issued (as of the date issued)	577
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	57,700 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥126,600 per unit (¥1,266 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2017 through February 16, 2032
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, 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, 2016)

(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, Senior Managing Executive Officer	Takuya Matsuo	General Manager of Department Store Business Planning & Operation Headquarters Director, Senior Managing Executive Officer, General Manager of Department Store Business Planning & Operation Headquarters, Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer	Ken Akamatsu	General Manager, Administration Headquarters Director, Managing Executive Officer, General Manager, Administration Headquarters, 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 *1	Shouei Utsuda	Counselor, 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, Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Director, Kirin Holdings Company, Limited *3 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	Hidenori Takeda	Corporate Auditor, Sapporo Marui Mitsukoshi Ltd. Corporate Auditor, MICARD Co. Ltd.
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

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, 2016, the post of Ken Akamatsu changed from Isetan Mitsukoshi Holdings (“IMH”) Director, Managing Executive Officer and General Manager of Administration Headquarters, as well as Isetan Mitsukoshi (“IM”) Director, Managing Executive Officer, General Manager of Administration Headquarters to IMH Director, Managing Executive Officer and Assistant to the President.
6. As of April 1, 2016, the position of Toshihiko Sugie has changed from Director, Managing Executive Officer, General Manager of Strategic Planning Headquarters of IMH and Director, Managing Executive Officer, General Manager of Strategic Planning Headquarters of IM, to Director, Senior Managing Executive Officer, Strategic Planning Headquarters, IMH and Senior Managing Executive Officer, General Manager of Strategic Planning Headquarters of IM.
7. As of March 31, 2015, Shouei Utsuda has resigned from his post as Chairman of MITSUI & CO., LTD. and assumed his office as Counselor of MITSUI & CO., LTD. as of June 19, 2015.
8. As of March 31, 2016, Katsunori Nagayasu has resigned from his post as Director, President of The Bank of Tokyo-Mitsubishi UFJ, Ltd. and assumed his office as Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of April 1, 2016.
9. As of June 25, 2015, Sumio Iijima has resigned from his post as Outside Corporate Auditor of KITAGAWA INDUSTRIES CO., LTD.
10. 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.
11. Hidenori Takeda has significant knowledge of finance and accounting based on his experience of serving a financial institution.
12. The Company has designated Outside Directors Shouei Utsuda and Yoshinori Ida and Outside Corporate 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 22, 2015>

Full-time Corporate Auditor	Hidenori Takeda
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2) Resignation

<As of June 22, 2015>

Director, Managing Executive Officer	Hidenori Takeda
Full-time Corporate Auditor	Kosuke Kojima

3) Changes in position

There was a change in position as of April 1, 2015 as follows.

Director and Senior Managing Executive Officer	Takuya Matsuo
	(Director and Managing Executive Officer)

(Note) Position in parentheses denotes position before the change.



(3) Outline of limited liability agreements

The Company has concluded agreements with Outside Directors Shouei Utsuda, Yoshinori Ida and Katsunori Nagayasu; Corporate Auditors Shinya Takada and Hidenori Takeda; and Outside Corporate Auditors Teisuke Kitayama and Sumio Iijima to limit their liabilities as provided in Article 423, Paragraph 1 of the Corporation Law of Japan, and the maximum amount of the liabilities in the agreements is set at the amount prescribed in the laws and regulations.

(4) Total payments to Directors and Corporate Auditors

Classification	Fixed Compensation		Directors' Bonuses		Stock Option	
	Number of Payees	Amount of Payment (Millions of yen)	Number of Payees	Amount of Payment (Millions of yen)	Number of Payees	Amount of Payment (Millions of yen)
Directors (Outside Directors out of total)	9 (3)	177 (32)	5 (-)	58 (-)	5 (-)	48 (-)
Corporate Auditors (Outside Corporate Auditors out of total)	5 (2)	63 (19)	- (-)	- (-)	- (-)	- (-)
Total	14 (5)	240 (51)	5 (-)	58 (-)	5 (-)	48 (-)

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. 4 (Payment of Bonuses to Directors) on the Agenda of the Ordinary General Meeting of Shareholders.
3. 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 16, 2016 by resolution of a meeting of the Board of Directors held on January 19, 2016, based on a resolution at the 1st Ordinary General Meeting of Shareholders held on June 29, 2009.

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

1) Basic policy of compensation for Directors

The Company has the following four basic policies.

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

The compensation system comprises three specific elements:

- Monthly fixed basic compensation (for the Board of Directors as a whole, the monthly compensation total is capped at ¥23 million)
- As a near-term incentive, payment of an annual performance-linked bonus (does not include Outside Directors)

(The baseline is six months' pay, and the payout total varies from 0% to 200% depending on the progress of individual Directors in meeting their targets)

- Stock options, which are linked to corporate value as a mid- to long-term incentive (does not include Outside Directors)

(This incentive entails assignment of stock acquisition rights equivalent to 50% of the annual basic compensation)

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

2) Procedures regarding the above

In line with the above policies, compensation for Directors is deliberated upon by the Nomination and Remuneration Committee (composed of the five members of three Outside Directors and two Representative Directors) chaired by an Outside Director, and reported to the Board of Directors.

(6) Matters concerning Outside Directors and Outside Corporate Auditors

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

	The Company's relationships with corporations where directors hold significant concurrent posts
Shouei Utsuda, Director	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.  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.  In addition, the Company invests in Cool Japan Fund Inc.
Yoshinori Ida, Director	The Group has no special relationship with Isuzu Motors Limited.
Katsunori Nagayasu, Director	The Bank of Tokyo-Mitsubishi UFJ, Ltd., is a major shareholder of the Company.  The Company and the Group have transactional relationships such as borrowings with The Bank of Tokyo-Mitsubishi UFJ, Ltd. The amount of these borrowings is less than 2% of the most recent consolidated total assets of the Company.  The Group has no special relationship with Nippon Steel & Sumitomo Metal Corporation, Mitsubishi Motors Corporation and Kirin Holdings Company, Limited.
Teisuke Kitayama, Corporate Auditor	The Company and the Group have a business relationship such as borrowing, etc., with Sumitomo Mitsui Banking Corporation. The amount of these borrowings is less than 2% of the most recent consolidated total assets of the Company.  In addition, the Group has no special relationship with FUJIFILM Holdings Corporation and Toyota Motor Corporation.
Sumio Iijima, Corporate Auditor	The Group has no special relationship with Tokyo Toranomon Law Office

2) Major activities in the fiscal year

Position	Name	Major Activities
Outside Director	Shouei Utsuda	He attended 14 meetings of the Board of Directors out of the 15 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 the 15 meetings of the Board of Directors held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate from his broad knowledge on developments in industrial sectors.
Outside Director	Katsunori Nagayasu	He attended all of the 15 meetings of the Board of Directors held during the fiscal year, and made necessary comments on discussion items and deliberation items based on his broad experience as executive officers in business.
Outside Corporate Auditor	Teisuke Kitayama	He attended all of the 14 meetings of the Board of Corporate Auditors and all of the 15 meetings of the Board of Directors held during the fiscal year, and made remarks on discussion items and deliberation items, as well as made necessary comments on audit matters as appropriate, based on his broad experience in the finance industry.
Outside Corporate Auditor	Sumio Iijima	He attended all of the 14 meetings of the Board of Corporate Auditors and all of the 15 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.

## 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	¥94 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.	¥4 Million
Total	¥99 Million
3) Total monetary and other financial benefits payable by the Company and its subsidiaries	¥269 Million

Notes:

1. Upon making required evaluation regarding matters such as whether or not the basis for the content of the audit plans of the independent auditor, status of progress in duties of the independent auditor, and the basis for calculating compensation estimates are appropriate, the Board of Corporate Auditors has agreed upon the compensation for the independent auditor as stated in Article 399, Paragraph 1 of the Corporation Law.
2. The audit engagement agreements between the Company and the independent auditor does not distinguish between compensation and other fees for audits performed pursuant to the Corporation Law of Japan and compensation and other fees for audits performed pursuant to the Financial Instruments and Exchange Law, and since it is virtually impossible to make such a distinction, the above amount stated under classification 1) is the total figure for both audits.
3. Content of non-audit duties  
The Company consigns the accounting auditor with non-audit duties, which are advisory, and other duties related to financial reporting and pays the accounting auditor for such duties.
4. 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.

(4) Business suspension orders received by the independent auditor within the past two years

1) Target of order

Ernst & Young ShinNihon LLC

2) Content of order

- Three-month suspension of business regarding conclusion of new agreements (from January 1, 2016 to March 31, 2016)
- Business improvement order (improvement of business management structure)

3) Reason for order

- During an audit of another company's financial statements, certified public accountants of said independent auditor were grossly negligent, and testified that financial statements with significant misrepresentations were financial statements without significant misrepresentations.
- Management of said independent auditor were recognized to be significantly unreasonable.

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

Basic policies for internal control systems

### **1. Compliance System**

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

- (1) The Board of Directors shall hold regular meetings once a month in accordance with the “Regulation of the Board of Directors” to promote communication between Directors, as well as to prevent violation against laws, regulations and the Company’s articles of incorporation through mutual oversight over performance of duties.
- (2) The Company shall establish the section and designate the person in charge of compliance oversight in the Administration Headquarters and Department Store Business Planning & Operation 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 in accordance with the “Regulations of Internal Audits” and performed by the Internal Audit Office in corporation with each division, to audit the legality and adequacy of the conduct of the business.
- (5) In the case that the Company or the Group commits an illegal act, the Company shall promptly confirm the nature of the situation and establish the “Isetan Mitsukoshi Group Hotline” as a point of contact for internal reports from employees for self-betterment.

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

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

- (1) The Company shall identify, assess and analyze risks involved in the business, determine the risks that need to be addressed with high priority based on the analyses and assessment, and prevent the risk events before they materialize.
- (2) The Company shall establish cross departmental, enterprise risk management system that enables swift response in the event that the risks should materialize, to prevent the spread of damages and secondary damages, as well as to prevent the recurrence of the risk events.
- (3) The Company shall establish relevant regulations from the standpoint of recognition, assessment, and response to risks, and ensure acknowledgment and observance among employees.
- (4) Through inspections by the Internal Audit Division, the Company shall detect risks of the

Company in the early stages and address these risks.

- (5) The Company shall not tolerate any relationship with antisocial groups, shall not accept any unlawful request and shall prevent damages from them.

### 3. Internal Control system for financial reporting

“System to ensure appropriateness of the financial reporting”

- (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 at the Company” (Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Corporation Law)

- (1) The following documents related to performance of duties by Directors shall be recorded, retained and managed with related materials for prescribed periods in accordance with “Document Retention Policies”:
  - 1) Minutes of the General Meeting of Shareholders
  - 2) Minutes of the Meetings of the Board of Directors
  - 3) Minutes of the Meetings of the 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 at the Company” (Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Corporation Law)

- (1) The segregation of duties among Directors shall be determined and reviewed as appropriate.
- (2) The Board of Directors shall hold regular meetings once a month and extraordinary meetings as necessary to ensure that 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 Decision Making Process for the Group”, “Regulations of Duties and Authority”, and “Regulations of the Conduct of the Business” for execution of duties that are based on the decisions by the Board of Directors.

#### 6. Framework of group corporate principles

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

The Isetan Mitsukoshi Group Principles shall be applied to the Company Group. Each Group company shall establish its regulations and rules based on the principles.

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

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



- 2) “Regulations regarding the management or risk of loss to subsidiaries of the Company and other systems” (Article 100, Paragraph 1, Item 5-ii of the Ordinance for Enforcement of the Corporation Law)
  - (1) Regarding risk management for the Group, needed items shall be established in the “Basic Regulations on Risk Management,” and a specialized independent division, the risk management division, shall be created. The risk management division shall work with companies in the Group as it conducts risk management.
  - (2) In order to realize comprehensive risk management across the entire Group, a Compliance and Risk Management Committee that acts as an advisory body to the Company’s Strategic Management Committee shall be created consisting of the Company’s Representative Director and President as the committee chairman as well as members selected by said chairman.
- 3) “Systems to ensure the efficient execution of business duties by Directors, etc. of subsidiaries of the Company” (Article 100, Paragraph 1, Item 5-iii of the Ordinance for Enforcement of the Corporation Law)
  - (1) The Company shall optimize its business operations by respecting the independence of the Group companies while also managing their managerial affairs and providing advice and guidance, as well as by dispatching Directors and Corporate Auditors as necessary to understand the state of their management.
  - (2) The Group companies shall receive the approval of the Company’s Strategic Management Committee or its Board of Directors for important items whose management is deemed to have major effects.
- 4) “Systems to ensure the compliance of the execution of duties of Directors and employees of subsidiaries of the Company with laws, regulations, and Articles of Incorporation” (Article 100, Paragraph 1, Item 5-iv of the Ordinance for Enforcement of the Corporation Law)
  - (1) The Internal Audit Division shall conduct internal audits of Company Group companies, auditing the legal compliance, appropriateness, etc. of executed business duties.
  - (2) A compliance guidebook and other documents shall be created and thoroughly disseminated throughout the Group while training regarding appropriateness and legal compliances is held to foster an awareness of compliance.
  - (3) An “Isetan Mitsukoshi Group Hotline” shall be established as a point of contact for internal reports regarding the Group as a whole, and corrective measures and future prevention measures shall be undertaken from a compliance standpoint with regards to these reports from employees, etc.

#### 7. Matters concerning audit staff

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

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

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

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

- (1) The Company shall establish the “Corporate Audit Standards” based on discussions with the Corporate Auditors regarding items that should be reported by Directors and employees to Corporate Auditors, and important items relating to the Company’s business or those that will affect the Company’s performance shall be reported by Directors and employees to Corporate Auditors without delay. Additionally, Corporate Auditors may request reports from Directors and employees as necessary even when the previous conditions do not apply.

- (2) 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, the Isetan Mitsukoshi Group Hotline, and maintenance of appropriate operations of the system.

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

The Internal Audit Division shall determine internal auditing plans and work together with Corporate Auditors to share information based on the findings, etc. of internal audits.

- 3) “Systems to ensure that individuals who give applicable reports under items 1) and 2) are not subject to unfavorable treatment because of such reporting” (Article 100, Paragraph 3, Item 5 of

the Ordinance for Enforcement of the Corporation Law)

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

#### 9. Policy for Processing Auditing Fees

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

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

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

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

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

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

The operational status of the system to ensure appropriate conduct of business during the fiscal year under review was as follows.

#### ◆ Status of measures regarding compliance

- During the fiscal year under review, 15 meetings of the Board of Directors were held, and reports were made regarding deliberation, resolution, and business execution of significant matters.
- In order to maintain and improve the system of legal compliance, periodic new employee training, new position training, and compliance training according to duties and management level were implemented.
- The Internal Audit Office, implemented internal control evaluations based on the Financial Instruments and Exchange Act targeting Group companies that were selected based on

financial and qualitative significance in an aim to secure appropriateness of financial reporting, and conducted audits on the effectiveness and adequacy of business, followed by evaluation and proposals on improvements.

- By establishing the “Isetan Mitsukoshi Group Hotline” based on the Whistleblower Protection Act, the Company has constructed a system for a dedicated internal department and an outside attorney office to receive reports.

◆ Status of measures regarding risk management

- Three meetings of the Compliance and Risk Management Committee, which serves as the advisory body to the Business Strategy Meeting, were held three times, and information was shared and opinions were exchanged regarding significant risks of the Group.
- The Company has formulated a “Business Continuity Plan” that supposes a large-scale natural disaster or pandemic. Drills to increase the effectiveness of the plan are periodically implemented, and efforts are made to realize continuous improvement.
- To reduce cyber risks such as information leakage, the “Web Security Management Guidelines” have been formulated, and operation has begun.

◆ Status of measures regarding the management of Group companies

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

◆ Status regarding business execution of Corporate Auditors

- Corporate Auditors attend significant meetings such as the meetings of the Board of Directors, Business Strategy Meeting, and the Compliance and Risk Management Committee, in addition to periodically receiving reports from Directors and employees in order to confirm the development and operational status of internal controls.
- Corporate Auditors receive reports regarding the audit results of the fiscal year under review from the independent auditor, and confirm the status of audits. Furthermore, in cooperation with the Internal Audit Office, information is exchanged and opinions are exchanged as necessary.

## **7. Basic Views on Corporate Governance**

The Company promotes efforts on corporate governance with the intention to contribute to sustainable corporate growth and enhancement of corporate value over the mid- to long term of the Group, based on the principles in Japan's Corporate Governance Code applied from the previous fiscal year. As one such effort, the Company formulated the "Corporate Governance Guidelines" on November 26, 2015.

In combination with measures to build excellent relationships with customers, employees, shareholders, business partners and local communities—our stakeholders—the Group is overhauling its corporate governance structure. This entails the establishment and strengthening of legal frameworks for the general meeting of shareholders, the Board of Directors, the Board of Corporate Auditors and the independent auditor, etc., in addition to a structural reform of the management system. To ensure fulfilment of the Company's social responsibilities, we are also working to increase the transparency of our corporate activities and ensure thorough compliance in our management, while taking measures to create and deliver value in various forms for all stakeholders associated with the Group. Aiming to become a corporate Group that is deeply trusted by all of its various stakeholders, the Group will take a range of ongoing measures including speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems.

For details on the "Corporate Governance Guidelines," please see the Company's website (<http://www.imhds.co.jp>).

## **8. 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, while aiming at improvement of payout ratio on a consolidated basis in terms of dividends.

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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, 2016)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>	<b>1,293,043</b>	<b>Liabilities</b>	<b>718,727</b>
<b>Current assets</b>	<b>306,331</b>	<b>Current liabilities</b>	<b>420,167</b>
Cash and deposits	67,971	Notes and accounts payable	119,255
Notes and accounts receivable	128,756	Short-term borrowings	58,871
Marketable securities	5	Commercial paper	23,000
Inventories	61,365	Income taxes payable	6,047
Deferred tax assets	14,214	Gift certificates	83,512
Other	37,321	Deferred tax liabilities	474
Allowance for doubtful accounts	(3,303)	Accrued bonuses	11,893
<b>Fixed assets</b>	<b>986,641</b>	Allowance for customer-discount points	6,325
<b>Tangible fixed assets</b>	<b>731,302</b>	Allowance for redemption of gift certificates	26,514
Buildings and structures	175,559	Other	84,271
Land	532,074	<b>Long-term liabilities</b>	<b>298,559</b>
Construction in progress	1,397	Corporate bonds	20,000
Other	22,269	Long-term debt	74,000
<b>Intangible fixed assets</b>	<b>58,583</b>	Deferred tax liabilities	142,507
Software	21,958	Net defined benefit liability	42,122
Other	36,625	Provision for loss on business of subsidiaries and affiliates	14
<b>Investments and other assets</b>	<b>196,755</b>	Liabilities from application of equity method	3,972
Investment securities	114,569	Other	15,943
Long-term loans receivable	430	<b>Net assets</b>	<b>574,316</b>
Guarantee deposits	66,807	<b>Shareholders' equity</b>	<b>552,312</b>
Net defined benefit asset	3,448	<b>Common stock</b>	<b>50,276</b>
Deferred tax assets	4,003	<b>Capital surplus</b>	<b>323,407</b>
Other	7,776	<b>Retained earnings</b>	<b>184,908</b>
Allowance for doubtful accounts	(280)	<b>Treasury stock</b>	<b>(6,280)</b>
<b>Deferred assets</b>	<b>70</b>	<b>Accumulated other comprehensive income</b>	<b>10,951</b>
Corporate bond issuance cost	70	Unrealized gain on other securities	2,830
		Deferred gains/losses on hedge	(0)
		Foreign currency translation adjustments	10,327
		Remeasurements of defined benefit plans	(2,206)
		<b>Stock acquisition rights</b>	<b>1,681</b>
		<b>Non-controlling interests</b>	<b>9,371</b>
<b>Total assets</b>	<b>1,293,043</b>	<b>Total liabilities, net assets and non-controlling interests</b>	<b>1,293,043</b>

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

**Consolidated Statement of Income**  
(From April 1, 2015 to March 31, 2016)

		(Millions of yen)	
Account item	Amount		
Net sales			1,287,253
Cost of sales			925,484
Gross profit			361,768
Selling, general and administrative expenses			328,660
Operating income			33,107
Nonoperating income			
Interest and dividend income		1,535	
Share of profit of entities accounted for using equity method		5,521	
Income on uncollected gift certificates		5,381	
Gain on donation of fixed assets		2,891	
Other		1,587	16,918
Nonoperating expenses			
Interest expenses		1,089	
Loss on retirement of fixed assets		1,980	
Transfer from allowance for loss on collected gift certificates		5,558	
Other		4,692	13,320
Ordinary income			36,704
Extraordinary income			
Gain on sales of investments securities		1,267	1,267
Extraordinary losses			
Loss on disposal of fixed assets		2,544	
Impairment loss		6,775	
Business structure improvement expenses		272	9,592
Income before income taxes			28,379
Corporate taxes		7,717	
Deferred taxes		(4,760)	2,956
Net income			25,423
Net loss attributable to non-controlling interests			(1,082)
Net income attributable to parent company shareholders			26,506

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



**Summary of Consolidated Statement of Cash Flow** [For Reference]  
 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

Account item	Amount
<b>Cash flow from operating activities</b>	<b>43,099</b>
<b>Cash flow from investment activities</b>	<b>(24,481)</b>
<b>Cash flow from financing activities</b>	<b>(3,711)</b>
<b>Translation adjustments related to cash and cash equivalents</b>	<b>(1,053)</b>
<b>Changes in cash and cash equivalents</b>	<b>13,853</b>
<b>Beginning balance of cash and cash equivalents</b>	<b>50,299</b>
<b>Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation</b>	<b>85</b>
<b>Ending balance of cash and cash equivalents</b>	<b>64,238</b>

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

## Consolidated Statement of Changes in Net Assets

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Account item	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2015</b>	<b>50,198</b>	<b>325,171</b>	<b>165,131</b>	<b>(1,258)</b>	<b>539,242</b>
<b>Changes during current period</b>					
Issuance of new shares	78	78	–	–	156
Allocation of retained earnings	–	–	(6,700)	–	(6,700)
Net income attributable to parent company shareholders	–	–	26,506	–	26,506
Acquisition of treasury stock	–	–	–	(5,023)	(5,023)
Disposition of treasury stock	–	0	–	1	1
Change in scope of consolidation and application of the equity method	–	–	(28)	–	(28)
Changes in equity interest of parent company after transactions with non-controlling interest	–	(1,841)	–	–	(1,841)
Net changes other than shareholders' equity during current period	–	–	–	–	–
<b>Total change during current period</b>	<b>78</b>	<b>(1,763)</b>	<b>19,777</b>	<b>(5,022)</b>	<b>13,069</b>
<b>Balance as of March 31, 2016</b>	<b>50,276</b>	<b>323,407</b>	<b>184,908</b>	<b>(6,280)</b>	<b>552,312</b>

(Millions of yen)

Account item	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gains on other securities	Deferred gains/losses on hedge	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
<b>Balance as of April 1, 2015</b>	<b>6,749</b>	<b>(1)</b>	<b>14,287</b>	<b>83</b>	<b>21,119</b>	<b>1,599</b>	<b>15,694</b>	<b>577,655</b>
<b>Changes during current period</b>								
Issuance of new shares	–	–	–	–	–	–	–	156
Allocation of retained earnings	–	–	–	–	–	–	–	(6,700)
Net income attributable to parent company shareholders	–	–	–	–	–	–	–	26,506
Acquisition of treasury stock	–	–	–	–	–	–	–	(5,023)
Disposition of treasury stock	–	–	–	–	–	–	–	1
Change in scope of consolidation and application of the equity method	–	–	–	–	–	–	–	(28)
Changes in equity interest of parent company after transactions with non-controlling interest	–	–	–	–	–	–	–	(1,841)
Net changes other than shareholders' equity during current period	(3,918)	0	(3,959)	(2,290)	(10,167)	82	(6,322)	(16,408)
<b>Total changes during current period</b>	<b>(3,918)</b>	<b>0</b>	<b>(3,959)</b>	<b>(2,290)</b>	<b>(10,167)</b>	<b>82</b>	<b>(6,322)</b>	<b>(3,338)</b>
<b>Balance as of March 31, 2016</b>	<b>2,830</b>	<b>(0)</b>	<b>10,327</b>	<b>(2,206)</b>	<b>10,951</b>	<b>1,681</b>	<b>9,371</b>	<b>574,316</b>

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

## **Notes to Consolidated Financial Statements**

[Basis for Preparation of Consolidated Statutory Reports]

### 1. Scope of consolidation

(1) Number of consolidated subsidiaries: 38

(2) Name of principal consolidated subsidiaries:

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

On April 1, 2015, Isetan Mitsukoshi Travel Co., Ltd. was included in the scope of consolidation due to increased significance.

(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., Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd., Im Kankyo Building Management Co., Ltd.

On April 1, 2015, Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd. was included in the scope of equity method application due to increased significance.

In addition, JTB ISETAN TRAVEL SERVICE, INC., 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 due to decreased significance.

(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 policies

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

##### Securities

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

(2) Depreciation methods for significant depreciable assets

Tangible fixed assets (except Lease assets)

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

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

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

From the fiscal year under review, the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, September 13, 2013; hereinafter the “Business Combinations Accounting Standard”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Consolidated Financial Statements Accounting Standard”), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Business Divestitures Accounting Standard”) have been applied. As a result, any changes resulting from the Company’s ownership interests in its subsidiary when the Company retains control over the subsidiary is accounted for as capital surplus, and

acquisition-related costs are expensed in the consolidated fiscal year in which the costs are incurred. For any business combinations on or after the beginning of the fiscal year under review, subsequent measurement of the provisional amount recognized based on the purchase price allocation due to the completion of accounting for the business combination are reflected in the consolidated financial statements for the fiscal year in which the date of that business combination occurs. Additionally, the method for presenting net income, etc., has been modified, as well as the presentation for minority interests which has been modified to non-controlling interests. In order to reflect these changes in presentation, with regard to the previous fiscal year, the consolidated financial statements have been restated.

The Business Combinations Accounting Standard and other standards are adopted from the fiscal year under review, according to the transitional treatment provided for in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidated Financial Statements Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard.

As a result, capital surplus as of the end of the fiscal year decreased by ¥1,841 million. The effect on gains/losses for the fiscal year was negligible.

In the consolidated statement of cash flows for the fiscal year under review, cash flows regarding the acquisition or sale of stock in subsidiaries that do not result in a change in the scope of consolidation are recorded in “cash flow from financing activities,” and cash flows regarding expenses related to the acquisition of stock in subsidiaries that result in a change in the scope of consolidation or expenses arising from acquisition or sale of stock in subsidiaries that do not result in a change in the scope of consolidation are recorded in “cash flow from operating activities.”

Balance of capital surplus as of March 31, 2016 in the consolidated statement of changes in net assets for the fiscal year decreased by ¥1,841 million.

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., enacted by the Diet on March 29, 2016, 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, 2016) was changed from the 32.3% used in the previous fiscal year to 30.9% for those assets or liabilities expected to be collected or paid between April 1, 2016, and March 31, 2018, and to 30.6% for those expected to be collected or paid on or after April 1, 2018.

As a result, the amount of deferred tax liabilities (net of deferred tax assets) was reduced by ¥6,845 million, the amount of deferred taxes for the fiscal year under review was reduced by ¥6,692 million, and unrealized gains on other securities increased by ¥153 million.

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets	366,239 million yen
2. Contingent liability	
Guarantee liabilities	
Loan guarantees for housing loans of employees	177 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) 9,668 million yen
Total of guarantee liabilities	9,847 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	59,468 million yen
Semifinished goods	1,006 million yen
Work in process	119 million yen
Raw materials and stores	771 million yen
Total	61,365 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	1,991	Isetan Tachikawa store (Tachikawa-shi, Tokyo)
	Other	279	
Stores	Buildings and structures	646	Fukuoka Mitsukoshi store (Fukuoka-shi, Fukuoka)
	Other	71	
Stores	Buildings and structures	188	Shanghai, PRC
	Other	22	
Stores	Buildings and structures	–	Tianjin, PRC
	Other	654	
Stores	Buildings and structures	18	Singapore City, Singapore
	Other	763	
Sales systems	Software	1,920	Shinjuku-ku, Tokyo
	Other	23	
Other	Buildings and structures	83	Sendai-shi, Miyagi, etc.
	Land	39	
	Software	36	
	Other	36	
	Total	6,775	

(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 mainly estimated based on their net realizable value or usage value. If recoverable amounts are 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. If recoverable amounts are usage values, future cash flows are calculated with a discount rate of around 7%.

[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 395,118,414 shares

2. Matters concerning dividend of surplus

(1) Amount of dividend payment

Resolution	Types of stock	Total dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effectuation date
Ordinary General Meeting of Shareholders June 22, 2015	Common stock	4,335	11.00	March 31, 2015	June 23, 2015
Board of Directors' Meeting November 9, 2015	Common stock	2,365	6.00	September 30, 2015	December 4, 2015

- (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 20, 2016.

Resolution	Types of stock	Resource for dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effectuation date
Ordinary General Meeting of Shareholders June 20, 2016	Common stock	Retained earnings	2,349	6.00	March 31, 2016	June 21, 2016

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 1,381,940 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, 2016, 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	67,971	67,971	—
(2) Notes and accounts receivable	128,756	128,756	—
(3) Marketable securities	5	5	—
(4) Investment securities			
Bonds held to maturity	2,188	2,173	(14)
Available-for-sale securities	35,177	35,177	—
(5) Guarantee deposits	66,807	63,819	(2,988)
(6) Notes and accounts payable	(119,255)	(119,255)	—
(7) Short-term borrowings (Note 2)	(35,571)	(35,571)	—
(8) Commercial paper	(23,000)	(23,000)	—
(9) Corporate bonds	(20,000)	(20,673)	673
(10) Long-term debt (Note 2)	(97,300)	(96,867)	(432)
(11) Derivatives transaction	(0)	(0)	—

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

Note 2: Long-term debt expected to repay within a year is not included in (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 77,203 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	140,126	155,016

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	1,438.17 yen
2. Net income per share	67.41 yen

Note: As stated in the “Changes of accounting policies,” Accounting Standard for Business Combinations, etc. have been applied. This change decreased the net asset per share for the period under review by 4.70 yen. The impact on net income per share is negligible.

[Notes to Significant Post-balance Sheet Events]

Not applicable.

INDEPENDENT AUDITOR'S REPORT

May 6, 2016

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, 2015 through March 31, 2016.

*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, 2016 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, 2016)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>	<b>755,212</b>	<b>Liabilities</b>	<b>302,162</b>
<b>Current assets</b>	<b>214,382</b>	<b>Current liabilities</b>	<b>203,052</b>
Cash and deposits	36,083	Short-term borrowings	56,000
Deferred tax assets	537	Short-term borrowings payable to subsidiaries and affiliates	120,252
Short-term loans receivable from subsidiaries and affiliates	166,876	Commercial paper	23,000
Corporate tax refund receivable, etc.	971	Accounts payable	789
Accrued income	10,680	Accrued expenses	2,232
Other	232	Accrued bonuses	171
Allowance for doubtful accounts	(1,000)	Accrued income tax	262
<b>Fixed assets</b>	<b>540,767</b>	Other	344
<b>Tangible fixed assets</b>	<b>1</b>	<b>Fixed Liabilities</b>	<b>99,109</b>
Appliance and fixtures	1	Corporate bonds	20,000
<b>Intangible fixed assets</b>	<b>0</b>	Long-term debt	74,000
Software	0	Deferred tax liabilities	3
<b>Investments and other assets</b>	<b>540,765</b>	Provision for loss on business of subsidiaries and affiliates	1,134
Investment securities	1,142	Provision for loss on guarantees	3,972
Stocks of subsidiaries and affiliates	445,620	<b>Net assets</b>	<b>453,050</b>
Long-term loans receivable from subsidiaries and affiliates	94,000	<b>Shareholders' equity</b>	<b>451,523</b>
Other	3	<b>Common stock</b>	<b>50,276</b>
<b>Deferred assets</b>	<b>63</b>	<b>Capital surplus</b>	<b>398,046</b>
Corporate bond issuance cost	63	Capital reserve	18,624
		Other capital surplus	379,421
		<b>Retained earnings</b>	<b>9,483</b>
		Other retained earnings	9,483
		Retained earnings carried forward	9,483
		<b>Treasury stock</b>	<b>(6,283)</b>
		<b>Valuation and translation adjustments</b>	<b>(153)</b>
		<b>Unrealized gain on other securities</b>	<b>(153)</b>
		<b>Stock acquisition rights</b>	<b>1,681</b>
<b>Total</b>	<b>755,212</b>	<b>Total</b>	<b>755,212</b>

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

## **Nonconsolidated Statement of Income**

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Account item	Amount	
Operating revenues		
Dividend income	5,404	
Management service income	9,586	
Service revenue	896	15,886
Selling, general and administrative costs		10,314
Operating income		5,571
Nonoperating income		
Interest income	2,029	
Miscellaneous income	120	2,150
Nonoperating expenses		
Interest expenses	1,738	
Miscellaneous expenses	716	2,454
Ordinary income		5,267
Income before income taxes		5,267
Corporate tax, corporate inhabitant tax, business tax	198	
Deferred taxes	(3)	194
Net income		5,072

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

## Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2015 to March 31, 2016)

(Millions of yen)

Account item	Shareholders' equity					
	Common stock	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings carried forward		
<b>Balance as of April 1, 2015</b>	<b>50,198</b>	<b>18,546</b>	<b>379,421</b>	<b>397,968</b>	<b>11,112</b>	<b>11,112</b>
<b>Changes during current period</b>						
Issuance of new shares	78	78	–	78	–	–
Dividends from surplus	–	–	–	–	(6,700)	(6,700)
Net income for current period	–	–	–	–	5,072	5,072
Acquisition of treasury stock	–	–	–	–	–	–
Disposition of treasury stock	–	–	0	0	–	–
Net changes other than shareholders' equity during current period	–	–	–	–	–	–
<b>Total change during current period</b>	<b>78</b>	<b>78</b>	<b>0</b>	<b>78</b>	<b>(1,628)</b>	<b>(1,628)</b>
<b>Balance as of March 31, 2016</b>	<b>50,276</b>	<b>18,624</b>	<b>379,421</b>	<b>398,046</b>	<b>9,483</b>	<b>9,483</b>

(Millions of yen)

Account item	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Total valuation and translation adjustments		
<b>Balance as of April 1, 2015</b>	<b>(1,261)</b>	<b>458,016</b>	<b>439</b>	<b>439</b>	<b>1,599</b>	<b>460,055</b>
<b>Changes during current period</b>						
Issuance of new shares	–	156	–	–	–	156
Dividends from surplus	–	(6,700)	–	–	–	(6,700)
Net income for current period	–	5,072	–	–	–	5,072
Acquisition of treasury stock	(5,023)	(5,023)	–	–	–	(5,023)
Disposition of treasury stock	1	1	–	–	–	1
Net changes other than shareholders' equity during current period	–	–	(593)	(593)	82	(510)
<b>Total change during current period</b>	<b>(5,022)</b>	<b>(6,493)</b>	<b>(593)</b>	<b>(593)</b>	<b>82</b>	<b>(7,004)</b>
<b>Balance as of March 31, 2016</b>	<b>(6,283)</b>	<b>451,523</b>	<b>(153)</b>	<b>(153)</b>	<b>1,681</b>	<b>453,050</b>

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

## **Notes to Nonconsolidated Financial Statements**

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

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

##### Securities

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

Available-for-sale securities

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

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

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 subsidiaries and affiliates

West Japan Railway Isetan Ltd. 9,668 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 10,890 million yen

Short-term payables to subsidiaries and affiliates 3,304 million yen

[Notes to Nonconsolidated Statement of Income]

Transactions with subsidiaries and affiliates

Turnover based on operating transactions

Operating revenues 15,886 million yen

Selling, general and administrative expenses 665 million yen

Other revenues 3,197 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	814,336	2,650,875	810	3,464,401

Notes: 1. The increase consists of 2,638,800 shares of treasury stock acquired based on resolutions of the Board of Directors, and 12,075 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	52 million yen
Accounts payable	404 million yen
Accrued enterprise tax	69 million yen
Stock option expenses	313 million yen
Loss on valuation of stocks of subsidiaries and affiliates	5,186 million yen
Provision for loss on business of subsidiaries and affiliates	347 million yen
Provision for loss on guarantees	1,216 million yen
Allowance for doubtful accounts	306 million yen
Other	10 million yen
Sub-total deferred tax assets	7,906 million yen
Valuation reserve	(7,369) million yen
Total deferred tax assets	537 million yen
(Deferred tax liabilities)	
Unrealized gain on other securities	(3) million yen
Total deferred tax liabilities	(3) million yen
Deferred tax assets (liabilities), net	534 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)	8,671	Accrued income	9,412
				Accounting fees	513	—	—
				Receipt of funds (Note 2)	50,245	Affiliates short-term loans receivable	84,849
				Receipt of interest (Note 3)	1,514	Affiliates long-term loans receivable	94,000
				Payment of personnel expenses for loaned employees (Note 4)	6,447	Accrued income	139
						Accounts payable	377
Subsidiaries	Iwataya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Receipt of funds (Note 2) Lending of funds (Note 3)	20,000 6,588	Affiliates short-term receivable	9,259
Subsidiaries	Nagoya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Borrowing of funds (Note 2)	3,946	Affiliates short-term loans borrowings	8,507
Subsidiaries	MICARD Co. Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Lending of funds (Note 2)	53,747	Affiliates short-term loans receivable	53,747
				Receipt of interest (Note 3)	280		
				Repayment of funds (Note 2)	10,750	—	—
Subsidiaries	MI TOMONO-KAI Co., Ltd.	Indirect: 100%	Borrowing and Lending of Fund	Borrowing of funds (Note 2)	1,138	Affiliates short-term borrowings	86,741
				Payment of interest (Note 3)	633		

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 System Solutions Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Lending of funds (Note 2)	3,340	Affiliates short-term loans receivable	7,800
Affiliates	West Japan Railway Isetan Ltd.	Direct 40%	Interlocking directorate	Guarantee liabilities	13,640	Provision for loss on guarantees	3,972

#### 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 above amounts do not include consumption and other taxes.

##### [Notes to Per-share Information]

- |                         |              |
|-------------------------|--------------|
| 1. Net asset per share  | 1,152.47 yen |
| 2. Net income per share | 12.90 yen    |

##### [Notes to Significant Post-balance Sheet Events]

Not applicable.



INDEPENDENT AUDITOR'S REPORT

May 6, 2016

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 8th fiscal year from April 1, 2015 through March 31, 2016.

*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, 2016 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 8th fiscal term from April 1, 2015 to March 31, 2016, have prepared this Audit Report, and hereby submit it as follows:

1. Auditing Methods and Contents of Audit by Corporate Auditors and Board of Corporate Auditors
  - (1) Board of Corporate Auditors established the auditing policies and division of duties, received reports and explanations regarding the implementation status and results thereof from the respective Corporate Auditors, as well as reports and explanations regarding the status of the execution of duties from Directors and the Accounting Auditor, and requested explanations as necessary.
  - (2) In accordance with the auditing standards for Corporate Auditors determined by the Board of Corporate Auditors and auditing policies and the division of duties, each Corporate Auditor made efforts to collect information and established auditing circumstances through communication with internal audit staff and other employees, and audits were implemented in the following methods.
    - 1) Each Corporate Auditor attended the Board of Directors' meeting and other important meetings to receive reports regarding execution of duties from directors and employees. Each Corporate Auditor also inspected the approved documents and examined the status of operations and conditions of assets at its head office and principal offices. Corporate Auditors received from subsidiaries their reports as necessary through communication and information sharing with their directors and corporate auditors.
    - 2) With regard to the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the directors' duties described in the business report are performed in conformity of laws, regulations and the Articles of Incorporation of the Company as well as the establishment of the system necessary to ensure proper business operations of the Corporate Group that comprises the Company and its subsidiaries as set forth in Paragraphs 1 and 3 of Article 100 of Enforcement Regulations of the Corporation Law of Japan and the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Corporate Auditor also received reports on a regular basis from Directors and employees regarding its status of developments and operations, and expressed their opinions.
    - 3) 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), and confirmed matters as necessary.

In accordance with the aforementioned procedures, the Corporate Auditors reviewed the business report, supplementary schedules thereto, the statutory reports (nonconsolidated balance sheets, nonconsolidated statement of income, nonconsolidated statement of changes in net assets, notes to nonconsolidated statutory reports), supplementary schedules thereto, and consolidated statutory reports (consolidated balance sheets, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated statutory reports) for the year ended on March 31, 2016.

## 2. Results of Audit

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

- 1) The business report and supplementary schedules thereto fairly present the financial condition of the Company in accordance with the laws, regulations and the Articles of Incorporation of the Company.
- 2) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation of the Company.
- 3) The contents of resolutions by the Board of Directors with regard to the internal control system are reasonable. Additionally, regarding the description of the relevant internal control system in the business report and the execution of duties by Directors under the relevant internal control system, there are no matters to be pointed out.

### (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 6, 2016

Board of Corporate Auditors of Isetan  
Mitsukoshi Holdings Ltd.

Full-time Corporate Auditor      Shinya Takada

Full-time Corporate Auditor      Hidenori Takeda

Outside Corporate Auditor      Teisuke Kitayama

Outside Corporate Auditor      Sumio Iijima