

May 29, 2017

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 9TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 9th 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 5 p.m., Tuesday, June 20, 2017.

- 1. Date and Time:** Wednesday, June 21, 2017, at 10:00 a.m.  
The reception is scheduled to begin at 9:00 a.m.
- 2. Place:** Palais Royal, B1F, Grand Nikko Tokyo Daiba  
2-6-1, Daiba, Minato-ku, Tokyo, Japan
- \* Please note that the name of the meeting venue is different from the previous year.
  - \* 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 9th term (from April 1, 2016 to March 31, 2017) 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 9th term (from April 1, 2016 to March 31, 2017)

**Proposals to be resolved:**

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

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

**Proposal No. 3:** Election of One Corporate Auditor

<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: Wednesday, June 21, 2017, 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 5 p.m. Tuesday, June 20, 2017**

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 5 p.m. Tuesday, June 20, 2017.**

Please access the website (<http://www.evotc.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.”

Starting with the next meeting, shareholders who wish to receive notice of convocation by e-mail are requested to access the above website for exercise of voting rights, and to acknowledge their receipt of the notice of convocation by e-mail, following the instructions given on the screen.
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## **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: Tuesday, June 20, 2017 at 5:00 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

My name is Toshihiko Sugie, and I assumed office as President and Representative Director on April 1.

Isetan Mitsukoshi Holdings Ltd. prepared its ninth financial statements as of March 31, 2017, which we hereby submit to you in this report for your perusal.

During the fiscal year under review, the retailing sector faced harsh business conditions amid an ongoing slump in personal spending, due in part to slow growth in disposable income, and to a tailing off of inbound tourist demand.

Against this backdrop, in order to achieve sustainable growth, the Group developed a new Group Medium-Term Management Plan that emphasizes earnings growth as a new pillar through a “selection-and-concentration” approach to structural reform and growth businesses in the Department Store Business. Looking ahead, we are determined to promote and execute the new Group Medium-Term Management Plan under a new corporate framework, and stabilize earnings.

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

Toshihiko Sugie  
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 of ¥6 per share for the 9th term. Accordingly, with the interim dividend of ¥6, the annual dividend will be ¥12.

Matters related to the year-end dividend:

- (1) Type of dividend property  
Cash
- (2) Matters related to distribution of dividend property to shareholders and the total amount ¥6 per common share of the Company  
Total amount: ¥2,337,270,624
- (3) Effective date of dividend of surplus  
June 22, 2017

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

The terms of office of eight (8) Directors, Kunio Ishizuka, Toshihiko Sugie, Takuya Matsuo, Hideharu Wada, Hiroshi Onishi, 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	[Newly nominated] Ken Akamatsu	Consultant	—
2	[Renominated] Toshihiko Sugie	President, Representative Director, Executive Officer	17 out of 17 100%
3	[Newly nominated] Toru Takeuchi	—	—
4	[Renominated] Hideharu Wada	Director, Managing Executive Officer, General Manager, Administration Headquarters	14 out of 14 100%
5	[Newly nominated] Toshinori Shirai	Managing Executive Officer, General Manager, Strategic Planning Headquarters	—
6	[Renominated] [Outside Director] [Independent Director] Shouei Utsuda	Outside Director	17 out of 17 100%
7	[Renominated] [Outside Director] [Independent Director] Yoshinori Ida	Outside Director	17 out of 17 100%
8	[Renominated] [Outside Director] Katsunori Nagayasu	Outside Director	16 out of 17 94.1%

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
1	Ken Akamatsu (Sep 5, 1952) [Newly nominated]	<p>Jun 1975 Joined Mitsukoshi, Ltd.</p> <p>Feb 2006 Executive Officer, General Manager, Operations Department</p> <p>Feb 2007 Executive Officer, General Manager, Group Operations Department</p> <p>May 2007 Director, Senior Executive Officer, General Manager, Group Operations Department</p> <p>Apr 2008 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Mitsukoshi, Ltd.</p> <p>Apr 2009 Director, Isetan Co., Ltd</p> <p>Apr 2013 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Jun 2016 Vice Chairman, Shin Kong Mitsukoshi Department Store Co., Ltd. (to the present)</p> <p>May 2017 Consultant, Isetan Mitsukoshi Holdings Ltd. (to the present) Chairman, Japan Department Stores Association (to the present)</p> <p>Significant posts concurrently held Vice Chairman, Shin Kong Mitsukoshi Department Store Co., Ltd. Chairman, Japan Department Stores Association</p>	15,840
<p style="text-align: center;">Reasons for selecting the candidate for Director</p> <p>Mr. Ken Akamatsu assumed the office of Director, Managing Executive Officer at the Company's founding in 2008. Since then, he has made significant contributions to the Company in terms of building and expanding an operating platform for the Group, cutting costs and establishing a governance framework as General Manager of Operations (Administration) Headquarters, with overall responsibility for general affairs, accounting, financial management, logistics and other operations. Mr. Akamatsu is elected as a candidate for Director because we believe that through his deep knowledge and excellent leadership over many years, chiefly in administration, he can contribute to further enhancement of the Group's corporate value and strengthening of its corporate governance.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
2	Toshihiko Sugie (Feb 15, 1961) [Renominated]	<p>Apr 1983 Joined Isetan Co., Ltd.</p> <p>Apr 2009 Executive Officer, General Manager in charge of foods in general and food sales, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters</p> <p>Apr 2011 Executive Officer, General Manager in charge of foods in general, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2012 Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jun 2012 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters</p> <p>Apr 2013 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2016 Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2017 President, Representative Director, Executive Officer, Isetan Mitsukoshi Holdings Ltd. (to the present) President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Significant posts concurrently held President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd.</p>	20,100
<p style="text-align: center;">Reasons for selecting the candidate for Director</p> <p>Mr. Toshihiko Sugie was appointed as Director and Managing Executive Officer of the Company in 2012. Since then, he has headed the Group as General Manager, Strategic Planning Headquarters. In light of his ability in widely managing the Department Store Business and the overall business of the Group based on his rich experience in both sales departments and back office departments, as well as his excellent leadership skills, we believe that Mr. Sugie is able to make significant contributions to further improvement of the Group's corporate value, and thus we reappoint him as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
3	Toru Takeuchi (May 21, 1960) [Newly nominated]	<p>Apr 1983 Joined Isetan Co., Ltd.</p> <p>Apr 2009 Executive Officer, General Manager in charge of ladies fashion, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters</p> <p>Mar 2010 Director, Managing Executive Officer, General Manager, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, General Manager in charge of ladies</p> <p>Apr 2011 Managing Executive Officer, General Manager, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2013 Managing Executive Officer, Isetan Mitsukoshi Holdings Ltd. President, Representative Director, Executive Officer, Sapporo Marui Mitsukoshi Ltd.</p> <p>Apr 2016 Managing Executive Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Holdings Ltd. Managing Executive Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2017 Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, General Manager, Merchandising Headquarters (to the present)</p> <p>Significant posts concurrently held Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, General Manager, Merchandising Headquarters, Isetan Mitsukoshi Ltd.</p>	17,100
<p style="text-align: center;">Reasons for selecting the candidate for Director</p> <p>Since joining the Company, Mr. Toru Takeuchi has been engaged primarily in sales departments. He assumed posts of President, Representative Director, Executive Officer of Sapporo Marui Mitsukoshi Ltd. as Managing Executive Officer of the Company in 2013, and General Manager, Group Human Resources Headquarters of the Company in 2016. Starting from 2017, he has lead the Department Store Business overall as Director, Senior Managing Executive Officer, General Manger, Department Store Business Headquarters of Isetan Mitsukoshi Ltd. Mr. Takeuchi is selected as a candidate for Director because we believe that he is able to contribute to further enhancement of the Group's corporate value based on his wide-ranging and abundant experience.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
4	Hideharu Wada (Jan 4, 1956) [Renominated]	<p>Jun 1978 Joined Mitsukoshi, Ltd.</p> <p>Feb 2007 Executive Officer, General Manager, Corporate Planning Division</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</p> <p>Jun 2016 Director, Managing Executive Officer, General Manager, Administration Headquarters/General Manager, Administration of Property Division, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2017 Director, Managing Executive Officer, General Manager, Administration Headquarters (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 been engaged primarily in 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 2016, he has been involved in management from a wide viewpoint as Director, Managing Executive Officer, General Manager, Administration Headquarters. As Mr. Wada is judged to make additional contributions 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	Toshinori Shirai (Jan 28, 1959) [Newly nominated]	Apr 1982 Joined Isetan Co., Ltd. Mar 2008 Executive Officer Apr 2008 Executive Officer, General Manager, Planning & Promotion Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Apr 2011 Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters Jun 2012 Director, Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters Jun 2013 Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters Apr 2014 Executive Officer, General Manager, Planning & Promotion Division, Strategic Planning Headquarters Jan 2016 President and Representative Director, Isetan Mitsukoshi Innovations Ltd. Apr 2016 Managing Executive Officer, General Manager, Planning, Development & Promotion Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Apr 2017 Managing Executive Officer, General Manager, Strategic Planning Headquarters (to the present) Director, Isetan Mitsukoshi Ltd. (to the present) Significant posts concurrently held Director, Isetan Mitsukoshi Ltd.	18,021
<p style="text-align: center;">Reasons for selecting the candidate for Director</p> <p>After joining the Company, Mr. Toshinori Shirai worked for many years in the Corporate Planning Division, developing growth strategies for the Group as a person in charge of planning and formulating strategic businesses. Since taking office as Managing Executive Officer in 2016, and as General Manager, Strategic Planning Headquarters in 2017, he has formulated and headed business planning for the whole Group. Mr. Shirai is selected as a candidate for Director because we believe that he is able to contribute to further enhancement of the Group's corporate value.</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]	Apr 1967 Joined MITSUI & CO., LTD. Jun 1997 Director Jun 2000 Representative Director, Managing Director Apr 2002 Representative Director, Senior Managing Director Oct 2002 Representative Director, President Jun 2007 Outside Director, Tokyo Broadcasting System Holdings, Inc. (to the present) Apr 2009 Chairman, MITSUI & CO., LTD. Director, Tokyo Broadcasting System, Inc. (to the present) May 2009 Chairman, The Japan – Vietnam Association (to the present) Jun 2013 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Nov 2013 Outside Director, Cool Japan Fund Inc. (to the present) Jun 2014 Outside Director, Nomura Research Institute, Ltd. (to the present) Apr 2015 Director, MITSUI & CO., LTD. Jun 2015 Counselor (to the present) Significant posts concurrently held Counselor, MITSUI & CO., LTD. Outside Director, Tokyo Broadcasting System Holdings, Inc. Director, Tokyo Broadcasting System, Inc. Chairman, The Japan – Vietnam Association Outside Director, Cool Japan Fund Inc. Outside Director, Nomura Research Institute, Ltd.	9,125
<p style="text-align: center;">Reasons for selecting the candidate for Outside 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 May 1996 Executive Director Apr 1999 Managing Director Dec 2000 President, Representative Director, COO Jun 2007 Chairman and Representative Director Feb 2009 Chairman and Director Jun 2011 Special Executive Advisor, Honorary Chairman Jun 2012 Special Executive Advisor (to the present) Jun 2013 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present)  Significant posts concurrently held Special Executive Advisor, Isuzu Motors Limited	6,083
<p style="text-align: center;">Reasons for selecting the candidate for Outside 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>Apr 2001 Director, Mitsubishi Tokyo Financial Group, Inc.</p> <p>Jun 2002 Managing Director, The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>Jan 2005 Senior Managing Director, The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>May 2005 Deputy President</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 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 Outside Audit &amp; Supervisory Board Member, Nippon Steel &amp; Sumitomo Metal Corporation (to the present)</p> <p>Jun 2014 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Outside Audit &amp; Supervisory Board Member, Mitsubishi Motors Corporation (to the present)</p> <p>Mar 2016 Outside 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>Jun 2016 Outside Director, Mitsubishi Electric Corporation (to the present)</p> <p>Significant posts concurrently held</p> <p>Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Outside Audit &amp; Supervisory Board Member, Nippon Steel &amp; Sumitomo Metal Corporation</p> <p>Outside Audit &amp; Supervisory Board Member, Mitsubishi Motors Corporation</p> <p>Outside Director, Kirin Holdings Company, Limited</p> <p>Outside Director, Mitsubishi Electric Corporation</p>	0
<p>Reasons for selecting the candidate for Outside 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 indicate those as of March 31, 2017. They include their own personal holdings in the Isetan Mitsukoshi Holdings Executive Shareholding Association.
  2. Mr. Ken Akamatsu is to assume the position of Chairman and Representative Director of the Company upon the approval at this meeting and the Board of Directors' meeting to be held after the conclusion of this meeting. In addition, he is to assume the position of Chairman and Representative Director of Isetan Mitsukoshi Ltd. upon the approval at the ordinary general meeting of shareholders of Isetan Mitsukoshi Ltd. to be held on June 21, 2017.
  3. Mr. Shouei Utsuda is to retire from the position of Outside Director, Cool Japan Fund Inc. on June 30, 2017. In addition, he is to assume the position of Outside

Director, Tokyo Electric Power Company Holdings, Incorporated upon the approval at the ordinary general meeting of shareholders of Tokyo Electric Power Company Holdings, Incorporated to be held on June 23, 2017.

4. 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 with any of the other candidates and the Company.
5. In a case agreed with New York State Department of Financial Services, The Bank of Tokyo-Mitsubishi UFJ, Ltd., where Mr. Katsunori Nagayasu served as Director until April 2016, agreed to pay a sum of £17,850,000 in February 2017 to the Prudential Regulation Authority after the case report was deemed inadequate for reasons including delay of submission.  
At Mitsubishi Motors Corporation, where Mr. Katsunori Nagayasu serves as Outside Audit & Supervisory Board Member, evidence of misconduct was found in fuel economy tests for vehicles in April 2016. In September 2016, notice was received from the Ministry of Land, Infrastructure, Transport and Tourism, indicating that misconduct also occurred in in-house testing conducted at Mitsubishi Motors to reexamine the vehicle fuel economy values for vehicles involved in the original misconduct case. Furthermore, in January 2017, an Order for Action and Order for Payment of Surcharge were received from the Consumer Affairs Agency, which found violations of Act against Unjustifiable Premiums and Misleading Representations had occurred with regard to catalogues, etc., featuring Mitsubishi vehicles involved in the case of fuel-consumption test misconduct. Although he was not aware of any of these facts, he kept the Board of Directors and the Audit & Supervisory Board informed 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 of the above facts.
6. Mr. Shouei Utsuda, Mr. Yoshinori Ida and Mr. Katsunori Nagayasu have concluded limited liability agreements with the Company based on the provisions of the Articles of Incorporation, which shall limit the maximum amount of liability they may bear to the Company to the amount stipulated by laws and regulations. Furthermore, if their reappointment is approved, the Company plans to continue to hold these agreements stipulating liability limits.
7. Mr. Shouei Utsuda, Mr. Yoshinori Ida and Mr. Katsunori Nagayasu are currently Outside Directors of the Company. As of the conclusion of this meeting, Mr. Utsuda and Mr. Ida will have served as Outside Directors of the Company for four (4) years, and Mr. Nagayasu will have served for three (3) years.
8. The Company designates Mr. Shouei Utsuda and Mr. Yoshinori Ida as Independent Directors according to the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has registered them with the two exchanges. Assuming approval of the reelection of Mr. Shouei Utsuda and Mr. Yoshinori Ida, the Company plans to continuously designate them as Independent Directors and to notify both stock exchanges thereof.

**Proposal No. 3: Election of One Corporate Auditor**

Appointment of one additional Corporate Auditor has been requested, to further strengthen the corporate governance structure.

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

The candidate for Corporate Auditor is as follows.

Name (Date of Birth)	Summary of career, positions and significant posts concurrently held	Number of Company shares owned
Takeo Hirata (Jan 16, 1960) [Newly nominated] [Outside Corporate Auditor] [Independent Auditor]	Apr 1982 Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry) Jan 2001 Director of Petroleum and Natural Gas Division, Natural Resources and Fuel Department, Agency for Natural Resources and Energy, Ministry of Economy, Trade and Industry Jul 2002 Senior Member of Executive Committee, Japan Football Association Apr 2006 Professor, Graduate School of Sport Sciences, Waseda University (to the present) Mar 2007 Outside Company Auditor, Rakuten, Inc. (to the present) Aug 2013 Special Adviser to the Cabinet (to the present) Jul 2016 Chairman, Japan Society of Sports Industry (to the present)  Significant posts concurrently held Professor, Graduate School of Sport Sciences, Waseda University Outside Company Auditor, Rakuten, Inc. Special Adviser to the Cabinet Chairman, Japan Society of Sports Industry	0
Reasons for selecting the candidate for Outside Corporate Auditor Mr. Takeo Hirata has made many contributions to the promotion of sports businesses in Japan, including the launch of the J.League and bringing the World Cup to Japan. He has served for many years as an outside corporate auditor, while currently working as a graduate school professor. Given his wide-ranging and deep knowledge, we believe that he will contribute to further strengthening the governance of the Group. We also believe that he will provide appropriate advice and suggestions from an independent standpoint at the Board of Directors meetings seeking a diverse range of perspectives, and accordingly nominate him as a candidate for Corporate Auditor.		

- (Notes)
1. There is no particular relationship of interests between Mr. Takeo Hirata and the Company.
  2. Assuming approval of the election of Mr. Takeo Hirata, the Company intends to conclude a limited liability agreement with him as per the Articles of Incorporation. This limited liability agreement shall limit the maximum amount of liability he may bear to the Company to the amount stipulated by relevant laws and regulations.
  3. Assuming approval of the election of Mr. Takeo Hirata, 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.

## **Business Report**

(From April 1, 2016 to March 31, 2017)

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

#### (1) Business developments and results

The Japanese economy during fiscal 2016 (April 1, 2016 to March 31, 2017) has been moving toward recovery in terms of employment and income situations due partly to the government's economic policies and monetary easing by the Bank of Japan. Meanwhile, as concerns over the economic outlook mount against a backdrop of factors such as an economic deceleration in emerging countries such as China, issues surrounding the United Kingdom's exit from the EU, and uncertain policies of the new administration of the United States, personal consumption lacked vigor.

Against this backdrop, under the Medium-term Management Plan, the Group promoted the proposal of high value-added products and services and the expansion and enrichment of customer interaction opportunities. Additionally, the Group also worked to reduce costs in tandem with productivity improvement initiatives, and strengthen its foundation in order to utilize group resources.

Despite engaging in the above measures, consolidated net sales for the fiscal year amounted to ¥1,253.4 billion, a decrease of 2.6% from the previous fiscal year, operating income amounted to ¥23.9 billion, a decrease of 27.7%, recurring income was ¥27.4 billion, a decrease of 25.3%, and net income attributable to parent company shareholders was ¥14.9 billion, a decrease of 43.5%.

#### Department store

Percentage of net sales: 84.3%

Net sales: ¥1,151.0 billion (96.9% of the previous fiscal year's net sales)

Operating income: ¥11.0 billion (51.4% 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 promote product development in highly unique and profitable products and implemented highly creative campaigns in an effort to improve customer satisfaction, while strengthening the online business and opening small to medium-size stores to expand customer interaction opportunities.

We expanded our range of products combining traditional technologies and materials with a new creative sensibility to cover the full range of lifestyle-related items: women's accessories and apparel, everyday merchandise and food products. This helped fuel an increase of ¥1.1 billion or 20% year on

year in sales of the mainstay “Number Twenty-One” women’s footwear line, which we also marketed through not only Group stores but also department stores in Japan and overseas.

We also broadened the “JAPAN SENSES” campaign, which seeks to rediscover the value rooted in Japanese traditions, culture, and aesthetics and present it as new value for our customers. This campaign has been upgraded from a twice-yearly event to one held four times a year. Centered on the three flagship stores of Isetan Shinjuku Main Store, Mitsukoshi Nihombashi Main Store, and Mitsukoshi Ginza Store, the campaign has been rolled out throughout Japan. We also took measures to attract customers to the SALON DU CHOCOLAT campaign organized in seven locations around Japan, and to events for the 130th anniversary of the Isetan Shinjuku Main Store.

Remodeling and other measures were also taken to improve customer satisfaction at regional department stores. Construction works are under way at Nagoya Mitsukoshi Sakae Store and its adjacent LACHIC specialty mall to construct an integrated commercial facility “SAKAE Fashion Mall.” As part of this development, we doubled the size of the Watch & Jewelry Floor in October 2016. We also undertook our first major remodeling of the Takamatsu Mitsukoshi Store in three years, and in February 2017 opened the first branded-goods store for cosmetics and women’s accessories in Kagawa Prefecture.

In our online business, the Isetan Mitsukoshi online store collaboration with bricks-and-mortar retailing at department stores performed well. Likewise, with the opening of the “NOREN NOREN ISETAN MITSUKOSHI” luxury online store and the launch of the Alibaba Group cross-border “Tmall Global” online mall, we have expanded the range of platforms for providing high-quality products and lifestyle accessories, reaching increasing numbers of customers.

For small to medium-size stores, we took measures to tailor store operations to the needs of customers in surrounding areas. We successfully attracted many customers to use the MI Plaza facilities opened between April and May 2016 in Fukuoka, Tomakomai and Shibata. Combined sales of the three “ISETAN HANEDA STORES” rose year on year in the small-size airport store segment. In October 2016, we opened the “Isetan Centrair Store” within Chubu International Airport in Nagoya. Other openings were the “ISETAN MiRROR Make & Cosmetics” luxury cosmetics outlet at Atre Ebisu store in April 2016, and at LUMINE Ogikubo Store in September that year, bringing the number of its stores to 14.

In overseas operations, sales declined due to the slowness of recovery in the Chinese economy, but earnings increased amid a thoroughgoing drive to cut costs through structural reform. In October

2016, we opened our specialty stores showcasing the best of Japanese products and culture for customers in Paris and Kuala Lumpur.

Despite these measures, the department store business overall had a very difficult year, with sluggishness in mainstay high-end luxury items such as apparel, jewelry, and watches exacerbated by a downward trend in unit purchase prices.

The Group took a range of measures to improve profitability and strengthen financial fundamentals. However, with the economic environment rapidly changing, we closed down operations on March 20, 2017 at Mitsukoshi Chiba Store, Mitsukoshi Tama-center Store and the small-scale Mitsukoshi Takasaki Store, to enable us to channel limited management resources into new growth areas and so aggressively rekindle growth. While we sincerely regret the inconvenience occasioned by these closures, we would like to thank stakeholders and customers again for their support and patronage.

#### Credit & finance / customer organization management

Percentage of net sales: 2.8%

Net sales: ¥37.7 billion (104.3% of the previous fiscal year's net sales)

Operating income: ¥5.3 billion (95.8% of the previous fiscal year's operating income)

In April 2016, MICARD Co., Ltd. converted customer incentives into points, worked in collaboration with companies outside the Group, and worked to improve shopping convenience within the Group. It also overhauled its management structure to create a highly profitable operating platform. This enabled the Company to increase external franchise store commissions and boost marketing business orders. However, department store commissions were down year on year, in line with the fall in department store sales.

#### Other retail & specialty store

Percentage of net sales: 4.1%

Net sales: ¥56.0 billion (100.4% of the previous fiscal year's net sales)

Operating income: ¥(1.1) billion (Operating loss of ¥1.0 billion in the previous fiscal year)

Earnings declined at Isetan Mitsukoshi Food Service Ltd., due in part to infrastructure investments in supply chain management and a new point-of-sale system at Queen's Isetan, and costs from temporary closure and initial-phase investments for store-remodeling. Queen's Isetan terminated business operations at the Fujimino Store on July 31, 2016, and reopened three stores in Senkawa, Shinagawa and Motoyawata after remodeling, between April and December 2016. The aim is to

create a “beacon” store for lifestyle purchases based on food ranges, for customers particularly concerned about what they eat.

#### Real estate

Percentage of net sales: 3.1%

Net sales: ¥41.6 billion (90.1% of the previous fiscal year’s net sales)

Operating income: ¥6.4 billion (101.9% of the previous fiscal year’s operating income)

In the real estate business, the Group focused on promoting commercial usage of the real estate assets it owns, with the aim of establishing a stable earnings flow. Isetan Mitsukoshi Property Design Ltd. proactively participated in hotel development and commercial facility projects ahead of the 2020 Tokyo Olympics, and in November 2016 opened the “ALTA THEATER” on the site of the former STUDIO ALTA in Shinjuku, Tokyo. Isetan Mitsukoshi Real Estate Co., Ltd. worked to expand the rental business and to develop the condominium business run jointly with capital and business partner Nomura Real Estate Development Co., Ltd.

#### Other businesses

Percentage of net sales: 5.7%

Net sales: ¥77.3 billion (103.4% of the previous fiscal year’s net sales)

Operating income: ¥1.9 billion (535.9% of the previous fiscal year’s operating income)

We took measures to streamline sales support structures, strengthen external sales and cut selling, general and administrative expenses for data processing service provider Isetan Mitsukoshi System Solutions Ltd., logistics company Isetan Mitsukoshi Business Support Ltd., and temporary personnel service provider Isetan Mitsukoshi Human Solutions Ltd.

Additionally, to meet new consumption needs and strengthen business related to experience-based “Koto” consumption, we made SOCIE WORLD CO., LTD., which is engaged in the comprehensive beauty business, a subsidiary in January 2017. We also converted NIKKO TRAVEL CO., LTD., which is engaged in travel business, into a subsidiary in March 2017. We aim to improve corporate value by sharing and leveraging Group resources to build up businesses.

#### (2) Capital expenditures

Our capital expenditures during the consolidated fiscal year under review totaled some ¥34.2 billion, which consisted principally of some ¥18.8 billion for renovations of the Isetan Mitsukoshi Group stores.



### (3) Fund-raising matters

We raised funds of ¥25.3 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 aims to become the “world’s greatest retail and services group.” To this end, we plan to ensure sustainable growth and development by generating Group synergies through making best use of our goodwill, customer base and other assets that we have built up, mainly in the core Department Store Business.

Regarding the economic environment, we do not see grounds for great optimism given the slow 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. Weakened consumer sentiment, due to reluctance to spend and blunted real income growth amid concerns about the future, has combined with diversification and changes in consumption patterns, making it more difficult to address market demand. Against this backdrop, the Group will take further measures to complete “restructuring of the Department Store Business,” to position it to ensure sustainable growth, and will work to “strengthen growth businesses” based on a long-term perspective.

In our core Department Store Business, we plan to carry out structural reforms tailored to store locations and characteristics, and take every possible measure to ensure profitability. At our three main earnings drivers, the Shinjuku, Nihombashi and Ginza flagship stores, we plan to ensure thoroughgoing autonomy of store development, while tailoring individual stores to their customer base profiles, thereby consolidating our position in our business.

To respond to change in consumption patterns among customers, we plan to develop distinctive services in the travel, café-and-restaurant and beauty segments, which have strong synergies with department stores. In fiscal 2016, we incorporated into the Group NIKKO TRAVEL CO., LTD. which is strong in the senior market, and SOCIE WORLD CO., LTD., a full-spectrum beauty business. Looking ahead, we plan to take measures to develop business synergies at an early stage. Regarding small to medium-size stores, the Internet, overseas outlets and other channels, we aim to formulate an earnings model and broaden interaction with customers through a scrap-and-build policy for unprofitable channels.

Turning to growth businesses, the focal points of investment of management resources will be the Real Estate Business, where we can expect to effectively leverage real estate owned by the Group, the card business, which enables us to leverage our customer base and expertise built up over many years, and the online business, which continues to show good growth prospects. We plan to commercialize these businesses as autonomous core units at an early stage.

In addition to the above, we plan to foster a sound corporate culture by facilitating internal dialogues and improve operational efficiency by continuing to develop a PDCA infrastructure for management. We will also take steps to strengthen in-house control systems including corporate governance, compliance and information management systems. These measures will enable us to improve corporate value and achieve sustainable value. 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	1,149,932	20,380	42,878	25,588	1,238,779	14,678	1,253,457	-	1,253,457
Inter-segment sales	1,088	17,400	13,196	16,083	47,767	62,686	110,454	(110,454)	-
Total	1,151,020	37,780	56,074	41,671	1,286,547	77,364	1,363,911	(110,454)	1,253,457
Segment profit/loss	11,093	5,380	(1,154)	6,444	21,763	1,920	23,684	251	23,935
Segment assets	1,093,927	230,306	24,075	146,483	1,494,792	67,384	1,562,177	(252,399)	1,309,777
Others									
Depreciation	17,417	2,792	594	1,006	21,811	5,074	26,885	(226)	26,658
Impairment loss	9,661	-	766	145	10,573	-	10,573	-	10,573
Investment in equity method affiliates	65,558	-	4,408	-	69,967	-	69,967	-	69,967
Increase in tangible/intangible fixed assets	21,081	3,112	1,823	1,780	27,798	6,792	34,591	(390)	34,200

- Notes:
- The other businesses segment includes the services of manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service and travel business that are not included in other reporting segments.
  - Adjustments are as follows:
    - The segment income adjustment of ¥251 million is intersegment eliminations, etc.
    - The segment assets adjustment of negative ¥252,399 million is the intersegment elimination of receivables and payables, etc.
    - The adjustment of depreciation of negative ¥226 million is intersegment unrealized income.
    - The increase in tangible and intangible fixed assets adjustment of negative ¥390 million is intersegment elimination and intersegment unrealized income, etc.
  - Segment income (loss) is adjusted to operating income.
  - Of the above impairment loss, ¥2,832 million is included in “loss on closing of stores” 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	165,127	25.0	98.1
	Mitsukoshi Ginza store	81,034	12.3	95.0
	Mitsukoshi Chiba store	14,837	2.2	117.2
	Isetan Shinjuku store	268,597	40.8	98.6
	Isetan Tachikawa store	35,734	5.4	95.6
	Isetan Matsudo store	18,134	2.7	94.3
	Isetan Urawa store	40,351	6.1	96.3
	Isetan Sagamihara store	20,558	3.1	89.6
	Isetan Fuchu store	15,770	2.4	83.4
	<b>Total</b>	<b>660,147</b>	<b>100.0</b>	<b>97.2</b>
Sapporo Marui Mitsukoshi Ltd.		63,364	—	99.9
Hakodate Marui Imai Ltd.		8,081	—	94.5
Sendai Mitsukoshi Ltd.		33,693	—	95.2
Niigata Isetan Mitsukoshi Ltd.		45,562	—	98.7
Shizuoka Isetan Co., Ltd.		19,585	—	98.5
Nagoya Mitsukoshi Ltd.		66,998	—	94.6
Hiroshima Mitsukoshi Ltd.		15,567	—	100.2
Takamatsu Mitsukoshi Ltd.		23,080	—	98.4
Matsuyama Mitsukoshi Ltd.		14,187	—	95.7
Iwataya Mitsukoshi Ltd.		114,861	—	97.9
West Japan Railway Isetan Ltd.*		75,216	—	93.8

\* 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	238,475	36.2	96.6
Accessories	80,253	12.2	95.4
Sundry goods	127,642	19.3	99.8
Household goods	28,415	4.3	92.8
Foods	144,198	21.8	97.1
Others	41,162	6.2	99.9
<b>Total</b>	<b>660,147</b>	<b>100.0</b>	<b>97.2</b>

(5) Change in assets and earnings

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

Item \ Fiscal term	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)	9th Term Fiscal 2016 (From April 1, 2016 to March 31, 2017) Consolidated fiscal year under review
Net sales (Million yen)	1,321,512	1,272,130	1,287,253	1,253,457
Operating income (Million yen)	34,646	33,083	33,107	23,935
Ordinary income (Million yen)	38,440	34,563	36,704	27,418
Net income attributable to parent company shareholders (Million yen)	21,166	29,886	26,506	14,976
Net income per share (Yen)	53.65	75.74	67.41	38.27
Total assets (Million yen)	1,284,658	1,291,560	1,293,043	1,309,777
Net assets (Million yen)	541,069	577,655	574,316	579,782
Net assets per share (Yen)	1,329.45	1,421.72	1,438.17	1,460.32
Capital-to-asset ratio (%)	40.84	43.39	43.56	43.43

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	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)	9th Term Fiscal 2016 (From April 1, 2016 to March 31, 2017) Fiscal year under review
Operating revenues (Million yen)	14,563	18,831	15,886	35,970
Operating income (Million yen)	4,594	7,786	5,571	24,641
Ordinary income (Million yen)	5,183	7,898	5,267	23,479
Net income (Million yen)	5,012	6,081	5,072	22,381
Net income per share (Yen)	12.70	15.41	12.90	57.19
Total assets (Million yen)	750,922	743,333	755,212	784,322
Net assets (Million yen)	458,699	460,055	453,050	467,488
Net assets per share (Yen)	1,158.63	1,163.17	1,152.47	1,195.09
Capital-to-asset ratio (%)	60.89	61.68	59.77	59.36

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, 2017)

## 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.	¥784,322 mln.

(7) Principal lines of business (As of March 31, 2017)

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, 2017)

## 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
	Isetan Shinjuku store	3-14-1, Shinjuku, Shinjuku-ku, Tokyo
	Isetan Tachikawa store	2-5-1, Akebono-cho, Tachikawa-shi, Tokyo
	Isetan Matsudo store	1307-1, Matsudo, Matsudo-shi, Chiba
	Isetan Urawa store	1-15-1, Takasago, Urawa-ku, Saitama-shi, Saitama
	Isetan Sagamihara store	4-4-3, Sagami-cho, Minami-ku, Sagamihara-shi, Kanagawa
	Isetan Fuchu store	1-41-2, Miya-machi, Fuchu-shi, Tokyo
Sapporo Marui Mitsukoshi Ltd.	Sapporo Marui Imai main store	2-11, Minamiichizyouinishi, Chuo-ku, Sapporo-shi, Hokkaido
	Sapporo Mitsukoshi store	3-8, Minamiichizyouinishi, Chuo-ku, Sapporo-shi, Hokkaido
Hakodate Marui Imai Ltd.		32-15, Hon-cho, Hakodate-shi, Hokkaido
Sendai Mitsukoshi Ltd.		4-8-15, Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi
Niigata Isetan Mitsukoshi Ltd.	Niigata Mitsukoshi store	866, Nishiboridori Goban-cho, Chuo-ku, Niigata-shi, Niigata
	Niigata Isetan store	1-6-1, Yachiyo, Chuo-ku, Niigata-shi, Niigata
Shizuoka Isetan Co., Ltd.		1-7, Gofukucho, Aoi-ku, Shizuoka-shi, Shizuoka
Nagoya Mitsukoshi Ltd.	Sakae store	3-5-1, Sakae, Naka-ku, Nagoya-shi, Aichi
	Hoshigaoka store	14-14, Hoshigaokamotomachi, Chikusa-ku, Nagoya-shi, Aichi
Hiroshima Mitsukoshi Ltd.		5-1, Ebisu-cho, Naka-ku, Hiroshima-shi, Hiroshima
Takamatsu Mitsukoshi Ltd.		7-1, Uchimachi, Takamatsu-shi, Kagawa
Matsuyama Mitsukoshi Ltd.		3-1-1, Ichiban-cho, Matsuyama-shi, Ehime
Iwataya Mitsukoshi Ltd.	Iwataya main store	2-5-35, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
	Iwataya Kurume store	1-1, Tenjinmachi, Kurume, Fukuoka
	Fukuoka Mitsukoshi store	2-1-1, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
West Japan Railway Isetan Ltd.	JR Kyoto Isetan	901, Higashishiokojimachi, Karasumadorishiokouji-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, 2017)

Employees of the Company and its subsidiaries

	Number of employees	Change from the end of previous fiscal year
Department store	9,494	299 decrease
Credit & finance / customer organization management	754	392 increase
Other retail & specialty store	581	14 increase
Real estate	421	1 increase
Other businesses	1,132	11 decrease
<b>Total</b>	<b>12,382</b>	<b>97 increase</b>

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

(10) Principal lenders and borrowings (As of March 31, 2017)

Borrowing made by the Company and its subsidiaries

Lenders	Amounts borrowed (¥ million)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	18,080
Sumitomo Mitsui Banking Corporation	18,080
Mitsubishi UFJ Trust and Banking Corporation	6,700
Sumitomo Mitsui Trust Bank, Limited	6,700
Syndicated loan	65,000

## 2. Matters related to the Company shares (As of March 31, 2017)

(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, 2017	395,232,054
Change from the end of previous fiscal year	+ 113,640

Note: The above figures include 5,686,950 treasury shares.

(3) Number of shareholders

	Number of Shareholders
At the end of the fiscal year ended March 31, 2017	218,131
Change from the end of previous fiscal year	+13,958

(4) Major shareholders

Name of Shareholders	Number of Shares Held	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	29,164,700	7.49
Japan Trustee Services Bank, Ltd. (Trust account)	17,153,200	4.40
The Mitsukoshi Health and Welfare Foundation	13,667,832	3.51
Isetan Mitsukoshi Group's partner holding companies	7,917,478	2.03
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,212,000	1.85
SHIMIZU CORPORATION	6,200,000	1.59
Meiji Yasuda Life Insurance Company	5,697,279	1.46
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,342,995	1.37
Japan Trustee Services Bank, Ltd. (Trust account 1)	5,317,400	1.37
Mitsui Sumitomo Insurance Company, Limited	5,299,805	1.36

Note: Treasury stock (5,686,950 shares) is deducted from Voting Rights Percentage.

(5) Other significant matters relating to shares

At a Board of Directors' meeting held on January 27, 2017, the Company made a resolution for the acquisition of treasury shares, and executed it as follows.

1) Reason for acquisition of treasury shares

To execute agile capital policies and to improve the level of shareholder return

2) Details of matters relating to the acquisition

- i. Type of shares acquired Common shares
- ii. Share acquisition period From February 1, 2017 to February 15, 2017
- iii. Total number of shares acquired 2,216,900 shares
- iv. Total amount of acquisition ¥2,999,932,900
- v. Acquisition method Market purchase on the Tokyo Stock Exchange

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

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

	Name of stock acquisition rights	No. of stock acquisition rights issued	No. of holders
Directors (not including Outside Directors)	13th Stock Acquisition Rights	34	1
	14th Stock Acquisition Rights	266	2
	15th Stock Acquisition Rights	350	3
	16th Stock Acquisition Rights	64	1
	17th Stock Acquisition Rights	459	3
	18th Stock Acquisition Rights	199	2
	19th Stock Acquisition Rights	567	4
	20th Stock Acquisition Rights	102	1
	21st Stock Acquisition Rights	450	5
	23rd Stock Acquisition Rights	377	5
	25th Stock Acquisition Rights	368	5
	27th Stock Acquisition Rights	545	5
Directors (Outside Directors)	N/A		
Corporate Auditors (not including Outside Auditors)	13th Stock Acquisition Rights	88	1
	16th Stock Acquisition Rights	60	1
	18th Stock Acquisition Rights	89	1
	20th Stock Acquisition Rights	82	1
	21st Stock Acquisition Rights	58	1
	22nd Stock Acquisition Rights	66	1
	23rd Stock Acquisition Rights	106	2
	25th Stock Acquisition Rights	52	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."

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

Number of the stock acquisition rights issued (as of the date issued)	611
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	61,100 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥114,600 per unit (¥1,146 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2015 through February 14, 2030
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, 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."

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

Number of the stock acquisition rights issued (as of the date issued)	1,962
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	196,200 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥133,600 per unit (¥1,336 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2018 through February 14, 2033
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, 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) 27th 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 (28th 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 14, 2017	¥1	From March 1, 2018 to February 14, 2033	1,417	24
Executive officers and general managers of subsidiaries (excluding persons serving concurrently as executive officers of the Company)	February 14, 2017	¥1	From March 1, 2018 to February 14, 2033	801	14

28th Stock Acquisition Rights (Issued on February 14, 2017)

Number of the stock acquisition rights issued (as of the date issued)	801
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	80,100 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥133,600 per unit (¥1,336 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2018 through February 14, 2033
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, 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, 2017)

(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. Outside Director, SEKISUI CHEMICAL CO., LTD.
President and Representative Director	Hiroshi Onishi	President and Representative Director, Isetan Mitsukoshi Ltd. Chairman, Japan Department Stores Association
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, Senior Managing Executive Officer	Toshihiko Sugie	General Manager, Strategic Planning Headquarters Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer	Hideharu Wada	General Manager, Administration Headquarters/ General Manager, Administration of Property Division Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Ltd.
Outside Director	Shouei Utsuda	Counselor, MITSUI & CO., LTD. Outside Director, Tokyo Broadcasting System Holdings, Inc. Director, Tokyo Broadcasting System Television, Inc. Outside Director, Cool Japan Fund Inc. Outside Director, Nomura Research Institute, Ltd. Chairman, The Japan – Vietnam Association
Outside Director	Yoshinori Ida	Special Executive Advisor, Isuzu Motors Limited
Outside Director	Katsunori Nagayasu	Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Outside Director, Kirin Holdings Company, Limited Outside Director, Mitsubishi Electric Corporation Outside Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation Outside Audit & Supervisory Board Member, Mitsubishi Motors Corporation
Full-time Corporate Auditor	Hidenori Takeda	Corporate Auditor, Iwataya Mitsukoshi Ltd. Corporate Auditor, MICARD Co. Ltd.
Full-time Corporate Auditor	Yoshio Takino	Corporate Auditor, Sapporo Marui Mitsukoshi Ltd. Corporate Auditor, West Japan Railway Isetan Ltd.

Position	Name	Areas of responsibility, representation at other companies, etc.
Outside Corporate Auditor	Koichi Miyata	Director and President, Sumitomo Mitsui Financial Group, Inc. Director, Sumitomo Mitsui Banking Corporation Outside Director, Sony Corporation Outside Director, MITSUI LIFE INSURANCE COMPANY LIMITED
Outside Corporate Auditor	Hiroataka Fujiwara	Representative Attorney, Hikari Sogoh Law Offices

Notes:

1. As of April 1, 2017, the post of Kunio Ishizuka changed from Isetan Mitsukoshi Holdings (“IMH”) Chairman and Representative Director, Executive Officer, as well as Isetan Mitsukoshi (“IM”) Chairman and Representative Director, Executive Officer to IMH Chairman and Representative Director and IM Chairman and Representative Director.
2. As of April 1, 2017, the position of Hiroshi Onishi has changed from President and Representative Director, Executive Officer of IMH and President and Representative Director, Executive Officer of IM, to Director of IMH.
3. As of April 1, 2017, the position of Takuya Matsuo has changed from Director, Senior Managing Executive Officer, General Manager of Department Store Business Planning & Operation Headquarters of IMH and Director, Senior Managing Executive Officer, General Manager of Department Store Business Planning & Operation Headquarters of IM, to Director of IMH and Director, Senior Managing Executive Officer, General Manager of Domestic Subsidiaries & Affiliates Headquarters and Real Estate Development Headquarters of IM.
4. As of April 1, 2017, the position of Toshihiko Sugie has changed from Director, Senior Managing Executive Officer, General Manager of Strategic Planning Headquarters of IMH and Director, Senior Managing Executive Officer, General Manager of Strategic Planning Headquarters of IM, to President and Representative Director, Executive Officer of IMH and President and Representative Director, Executive Officer of IM.
5. As of April 1, 2017, the position of Hideharu Wada has changed from Director, Managing Executive Officer, General Manager, Administration Headquarters, General Manager, Administration of Property Division of IMH to Director, Managing Executive Officer, General Manager, Administration Headquarters of IMH.
6. Hidenori Takeda has significant knowledge of finance and accounting through his experience with financial institutions as branch manager and general manager of corporate sales division.
7. As of April 1, 2017, the position of Koichi Miyata has changed from Director and President of Sumitomo Mitsui Financial Group, Inc. and Director of Sumitomo Mitsui Banking Corporation to Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. and Chairman of the Board of Sumitomo Mitsui Banking Corporation
8. The Company has designated Outside Directors Shouei Utsuda and Yoshinori Ida and Outside Corporate Auditor Hiroataka Fujiwara, 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 20, 2016>

Director, Managing Executive Officer	Hideharu Wada
Full-time Corporate Auditor	Yoshio Takino
Outside Corporate Auditor	Koichi Miyata
Outside Corporate Auditor	Hiroataka Fujiwara

2) Resignation

<As of June 20, 2016>

Director, Managing Executive Officer	Ken Akamatsu
Full-time Corporate Auditor	Shinya Takada
Outside Corporate Auditor	Teisuke Kitayama
Outside Corporate Auditor	Sumio Iijima

3) Changes in position

There was a change in position as of April 1, 2016 as follows.

Director and Senior Managing Executive Officer	Toshihiko Sugie (Director and Managing Executive Officer)
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(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; Full-time Corporate Auditors Hidenori Takeda and Yoshio Takino; Outside Corporate Auditors Koichi Miyata and Hiroataka Fujiwara 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)	186 (32)	0 (-)	0 (-)	5 (-)	72 (-)
Corporate Auditors (Outside Corporate Auditors out of total)	7 (4)	63 (19)	- (-)	- (-)	- (-)	- (-)
Total	16 (7)	249 (51)	0 (-)	0 (-)	5 (-)	72 (-)

Notes:

1. For Directors who also assume executive role, the amount of payment above does not include the salaries for the executive portion.
2. The table above includes one (1) Director and three (3) Corporate Auditors (including two (2) Outside Corporate Auditors) who resigned at the conclusion of the 8th Ordinary General Meeting of Shareholders held on June 20, 2016.
3. As compensation for Directors and Corporate Auditors is as laid out below in (5) “Policies concerning compensation for Directors and Corporate Auditors or its determination,” we have introduced a method of performance-based calculation. However, for the period under review, we have decided to pay no Director compensation, regardless of performance evaluation, to clarify their managerial responsibility for the results.
4. With regard to stock options, this is the aggregate fair value of stock acquisition rights for which rights were established and which were granted on February 14, 2017 by resolution of a meeting of the Board of Directors held on January 27, 2017, 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 medium- 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	<p>One subsidiary of the Company has a business relationship regarding commodities, etc. with MITSUI &amp; CO., LTD. and its subsidiaries, but no particular conflict of interests exists with general shareholders.</p> <p>The Group has no special relationship with Tokyo Broadcasting System Holdings, Inc., Tokyo Broadcasting System, inc., Nomura Research Institute, Ltd., The Japan – Vietnam Association and Japan Foreign Trade Council, Inc.</p> <p>In addition, the Company invests in Cool Japan Fund Inc.</p>
Yoshinori Ida, Director	<p>The Group has no special relationship with Isuzu Motors Limited.</p>
Katsunori Nagayasu, Director	<p>The Bank of Tokyo-Mitsubishi UFJ, Ltd., is a major shareholder of the Company.</p> <p>The Company and the Group have transactional relationships such as borrowings with The Bank of Tokyo-Mitsubishi UFJ, Ltd. The amount of these borrowings is less than 2% of the most recent consolidated total assets of the Company.</p> <p>The Group has no special relationship with Nippon Steel &amp; Sumitomo Metal Corporation, Mitsubishi Motors Corporation, Kirin Holdings Company, Limited and Mitsubishi Electric Corporation.</p>
Koichi Miyata, Corporate Auditor	<p>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.</p> <p>The Company also has insurance contracts and other transaction relationships with Mitsui Life Insurance Company Limited, but no particular conflict of interest exists with general shareholders.</p> <p>The Group has no special relationship with Sony Corporation.</p>
Hiroataka Fujiwara, Corporate Auditor	<p>The Group has no special relationship with Hikari Sogoh Law Offices</p>

2) Major activities in the fiscal year

Position	Name	Major Activities
Director	Shouei Utsuda	He attended all of the 17 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 objective standpoint on overall corporate management. Utsuda is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Director	Yoshinori Ida	He attended all of the 17 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. Ida is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Director	Katsunori Nagayasu	He attended 16 meetings of the Board of Directors out of the 17 meetings 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. Nagayasu is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Corporate Auditor	Koichi Miyata	Since assuming the post on June 20, 2016, he attended all of the 10 meetings of the Board of Corporate Auditors and all of the 14 meetings of the Board of Directors held during the fiscal year, and made necessary comments as a Corporate Auditor, including offering opinions on discussion items and deliberation items based on his broad experience in the finance industry.
Corporate Auditor	Hiroataka Fujiwara	Since assuming the post on June 20, 2016, he attended all of the 10 meetings of the Board of Corporate Auditors and all of the 14 meetings of the Board of Directors held during the fiscal year, and made necessary comments as a Corporate Auditor, including offering opinions on discussion items and deliberation items 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	¥86 Million
2) Amount of fees, etc., relating to services other than those stipulated in Paragraph 1 of Article 2 of the Certified Public Accountants Act.	¥– Million
Total	¥86 Million
3) Total monetary and other financial benefits payable by the Company and its subsidiaries	¥253 Million

#### Notes:

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

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

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

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

### (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 was 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, 17 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

- The meetings of the Compliance and Risk Management Committee, which serves as the advisory body to the Business Strategy Meeting, were held two 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.

◆ 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 state of executed duties and the development and operational status of internal controls.
- In addition, Corporate Auditors receive reports regarding the audit results of the fiscal year under review from the independent auditor, and confirm the status of audits. In measures to improve the effectiveness of auditing, information and opinions are exchanged as necessary in cooperation with the Internal Audit Office.

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

### **<Basic Views>**

The Company promotes efforts on corporate governance with the intention to contribute to sustainable corporate growth and enhancement of corporate value over the medium to long term of the Group.

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 takes a range of ongoing measures including speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems.

### **<Response to Principles of the Corporate Governance Code >**

Our Corporate Governance Code is in its second year since application. We once again checked our implementation status of all principles and reviewed the status of response. In the fiscal year under review, we carried out an analysis and evaluation of the effectiveness of the Board of Directors, which was a matter left pending in the previous fiscal year. The analysis and evaluation have been performed at the Company by holding several discussions on the effectiveness of the Board at the Board of Directors' meetings, where Outside Directors and Outside Corporate Auditors also attended. Based on a summary of these deliberations, we again discussed the matter at a Board of Directors' meeting to understand the current state of effectiveness of the Board, evaluation of the Board's current status, and to discover issues and indicate approaches to solve the problems.

As a result, we were able to confirm the effectiveness of the Board of Directors of the Company. A summary of our conclusions are as follows.

- ◆ Regarding the structure and operation of the Board of Directors, the overall number of Directors, as well as the approximate number of Outside Directors, and their degree of independence, were adequate.
- ◆ Regarding the administration of the Board of Directors, it was established through free and vigorous discussion that current arrangements regarding setting of meeting dates, times and venues, etc. were adequate as they are.

- ◆ The following areas for improvement were identified with regard to the deliberations by the Board of Directors.
  - Based on the scheduled annual agenda, seek to broaden discussion on business planning and strategic matters.
  - Streamline administration through partial revision of agenda criteria.
  - Create regular reporting opportunities on the progress of strategic matters.
- ◆ To strengthen back-up for the Directors, it is necessary to provide more proactive support opportunities for them to acquire expertise beyond the current briefing channels, to enhance the professional competence of Directors.

Regarding the problems identified during the process of analysis and evaluation and approaches for improvements, we are taking steps to reflect them to the administration of the Board of Directors, striving to improve the effectiveness. We plan to continue such analysis and evaluation in years to come. With regard to the method of the analysis and appraisal, we will again discuss what approach to take for such analysis and evaluation, while monitoring the progress of improving the administration of the Board.

#### **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 in existing and new businesses, while considering payout ratio and total return ratio on a consolidated basis.

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, 2017)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>	<b>1,309,777</b>	<b>Liabilities</b>	<b>729,994</b>
<b>Current assets</b>	<b>311,433</b>	<b>Current liabilities</b>	<b>443,399</b>
Cash and deposits	61,722	Notes and accounts payable	115,712
Notes and accounts receivable	134,718	Short-term borrowings	60,451
Marketable securities	953	Commercial paper	37,000
Inventories	59,627	Income taxes payable	6,271
Deferred tax assets	14,209	Gift certificates	83,434
Other	43,824	Deferred tax liabilities	94
Allowance for doubtful accounts	(3,623)	Accrued bonuses	9,735
<b>Fixed assets</b>	<b>998,292</b>	Allowance for customer-discount points	9,291
<b>Tangible fixed assets</b>	<b>728,471</b>	Allowance for redemption of gift certificates	27,761
Buildings and structures	172,172	Other	93,648
Land	526,996	<b>Long-term liabilities</b>	<b>286,595</b>
Construction in progress	7,410	Corporate bonds	20,000
Other	21,892	Long-term debt	69,300
<b>Intangible fixed assets</b>	<b>77,477</b>	Deferred tax liabilities	136,129
Software	24,761	Net defined benefit liability	40,693
Goodwill	14,345	Provision for loss on business of subsidiaries and affiliates	111
Other	38,369	Liabilities from application of equity method	4,539
<b>Investments and other assets</b>	<b>192,343</b>	Other	15,822
Investment securities	116,061	<b>Net assets</b>	<b>579,782</b>
Long-term loans receivable	938	<b>Shareholders' equity</b>	<b>558,925</b>
Guarantee deposits	62,141	<b>Common stock</b>	<b>50,328</b>
Net defined benefit asset	3,456	<b>Capital surplus</b>	<b>322,699</b>
Deferred tax assets	3,000	<b>Retained earnings</b>	<b>195,184</b>
Other	7,273	<b>Treasury stock</b>	<b>(9,286)</b>
Allowance for doubtful accounts	(528)	<b>Accumulated other comprehensive income</b>	<b>9,933</b>
<b>Deferred assets</b>	<b>51</b>	Unrealized gain on other securities	<b>5,989</b>
Corporate bond issuance cost	51	Deferred gains/losses on hedge	<b>0</b>
		Foreign currency translation adjustments	<b>5,697</b>
		Remeasurements of defined benefit plans	<b>(1,754)</b>
		<b>Stock acquisition rights</b>	<b>1,946</b>
		<b>Non-controlling interests</b>	<b>8,977</b>
<b>Total assets</b>	<b>1,309,777</b>	<b>Total liabilities, net assets and non-controlling interests</b>	<b>1,309,777</b>

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

**Consolidated Statement of Income**  
(From April 1, 2016 to March 31, 2017)

		(Millions of yen)	
Account item	Amount		
Net sales	1,253,457		
Cost of sales	887,848		
Gross profit	365,609		
Selling, general and administrative expenses	341,673		
Operating income	23,935		
Nonoperating income			
Interest and dividend income	1,412		
Share of profit of entities accounted for using equity method	4,263		
Income on uncollected gift certificates	5,397		
Gain on donation of fixed assets	2,551		
Other	1,990	15,615	
Nonoperating expenses			
Interest expenses	986		
Loss on retirement of fixed assets	1,503		
Transfer from allowance for loss on collected gift certificates	5,346		
Other	4,294	12,131	
Ordinary income	27,418		
Extraordinary income			
Gain on sales of non-current assets	1,156		
Gain on sales of stocks of subsidiaries and affiliates	71	1,228	
Extraordinary losses			
Loss on disposal of fixed assets	725		
Impairment loss	7,741		
Loss on valuation of investment securities	936		
Loss on valuation of stocks of subsidiaries and affiliates	128		
Loss on closing of stores	4,392	13,924	
Income before income taxes	14,722		
Corporate taxes	6,396		
Deferred taxes	(6,460)	(64)	
Net income	14,787		
Net loss attributable to non-controlling interests	(188)		
Net income attributable to parent company shareholders	14,976		

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



**Summary of Consolidated Statement of Cash Flow** [For Reference]  
 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

Account item	Amount
<b>Cash flow from operating activities</b>	<b>35,373</b>
<b>Cash flow from investment activities</b>	<b>(40,913)</b>
<b>Cash flow from financing activities</b>	<b>2,413</b>
<b>Translation adjustments related to cash and cash equivalents</b>	<b>(1,087)</b>
<b>Changes in cash and cash equivalents</b>	<b>(4,214)</b>
<b>Beginning balance of cash and cash equivalents</b>	<b>64,238</b>
<b>Ending balance of cash and cash equivalents</b>	<b>60,024</b>

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

## Consolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Account item	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2016</b>	<b>50,276</b>	<b>323,407</b>	<b>184,908</b>	<b>(6,280)</b>	<b>552,312</b>
<b>Changes during current period</b>					
Issuance of new shares	51	51	–	–	103
Decrease by corporate division	–	(759)	–	–	(759)
Allocation of retained earnings	–	–	(4,700)	–	(4,700)
Net income attributable to parent company shareholders	–	–	14,976	–	14,976
Acquisition of treasury stock	–	–	–	(3,007)	(3,007)
Disposition of treasury stock	–	(0)	–	1	0
Net changes other than shareholders' equity during current period	–	–	–	–	–
<b>Total change during current period</b>	<b>51</b>	<b>(708)</b>	<b>10,276</b>	<b>(3,005)</b>	<b>6,613</b>
<b>Balance as of March 31, 2017</b>	<b>50,328</b>	<b>322,699</b>	<b>195,184</b>	<b>(9,286)</b>	<b>558,925</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, 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>
<b>Changes during current period</b>								
Issuance of new shares	–	–	–	–	–	–	–	103
Decrease by corporate division	–	–	–	–	–	–	–	(759)
Allocation of retained earnings	–	–	–	–	–	–	–	(4,700)
Net income attributable to parent company shareholders	–	–	–	–	–	–	–	14,976
Acquisition of treasury stock	–	–	–	–	–	–	–	(3,007)
Disposition of treasury stock	–	–	–	–	–	–	–	0
Net changes other than shareholders' equity during current period	3,158	0	(4,629)	452	(1,018)	265	(394)	(1,146)
<b>Total changes during current period</b>	<b>3,158</b>	<b>0</b>	<b>(4,629)</b>	<b>452</b>	<b>(1,018)</b>	<b>265</b>	<b>(394)</b>	<b>5,466</b>
<b>Balance as of March 31, 2017</b>	<b>5,989</b>	<b>0</b>	<b>5,697</b>	<b>(1,754)</b>	<b>9,933</b>	<b>1,946</b>	<b>8,977</b>	<b>579,782</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: 43

(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.

Following the acquisition of their shares, we converted the following companies into consolidated subsidiaries in the consolidated fiscal year under review: SWP Holdings Inc., SOCIE WORLD CO., LTD., Taiwan Aesthetic Salon Socie World Co., Ltd., NIKKO TRAVEL CO., LTD., and Lime Tree Cruises B.V. Since the deemed date of acquisition is the end of the consolidated fiscal year under review, the consolidated financial statements include only their balance sheets.

(3) Name of principal nonconsolidated subsidiaries

Mitsukoshi (U.K.) Ltd., Isetan Soleil Co., Ltd., Kyushu Communication Service Co., Ltd., Aiu Co., Ltd., Fashion Headline Ltd., Isetan Mitsukoshi Innovations 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: 7

Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), 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.

THE PRINTEMPS GINZA Co., Ltd., which was previously included in the scope of equity method application, was removed from the scope of equity method application from the fiscal year under review due to sale of all shareholdings, as of December 30, 2016.

(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)



## 2) Significant Methods of Hedge Accounting

### Method of hedge accounting

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

### Means of hedging and hedged items

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

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

### Hedging policy

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

### Assessment of hedge effectiveness

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

## 3) Accounting for employees’ retirement benefits

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

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

### Amortization of actuarial difference and prior service costs

Prior service costs are recognized on an accrual basis by the straight-line method over various periods (mainly 5 to 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 mainly recognized in the following consolidated fiscal year by the straight-line method over various periods (5 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) Method and period for amortization of goodwill

Amortization of goodwill is primarily using the straight-line method over 10 years.

## 5. Additional Information

(Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the fiscal year under review.

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets	384,167 million yen
2. Contingent liability	
Guarantee liabilities	
Loan guarantees for housing loans of employees	121 million yen
Guarantee liabilities for accounts payable of subsidiaries and affiliates	
CLUB21 JAPAN	3 million yen
Guarantee liabilities for bank loans of subsidiaries and affiliates	
West Japan Railway Isetan Ltd.	(Note) 8,341 million yen
Total of guarantee liabilities	8,466 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	57,726 million yen
Semifinished goods	489 million yen
Work in process	418 million yen
Raw materials and stores	993 million yen
Total	59,627 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	38	Mitsukoshi Chiba store (Chiba-shi, Chiba)
	Guarantee deposits	2,604	
	Other	90	
Stores	Buildings and structures	941	Isetan Sagamihara store (Sagamihara-shi, Kanagawa)
	Land	1,599	
	Other	48	
Stores	Buildings and structures	1,346	Matsuyama Mitsukoshi store (Matsuyama-shi, Ehime)
	Land	590	
	Other	74	
Stores	Buildings and structures	843	Nagoya Mitsukoshi Hoshigaoka store (Nagoya-shi, Aichi)
	Other	217	
Stores	Buildings and structures	423	Iwataya Kurume store (Kurume-shi, Fukuoka)
	Land	244	
	Other	57	
Stores	Buildings and structures	273	Mitsukoshi Ebisu store (Shibuya-ku, Tokyo)
	Other	72	
Stores	Buildings and structures	197	Queen's Isetan Mejiro store (Toshima-ku, Tokyo)
Stores	Buildings and structures	78	Mitsukoshi Tama Center store (Tama-shi, Tokyo)
	Other	20	
Other	Buildings and structures	282	Chuo-ku, Tokyo, etc.
	Land	404	
	Other	123	
	Total	10,573	

(Note) In the consolidated income statement, Mitsukoshi Chiba store and Mitsukoshi Tama Center store are included in "loss on closing of stores."

(2) Circumstances leading to recognition of impairment losses

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

(3) Methods of asset grouping

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



(4) Method of calculating recoverable amounts

Recoverable amounts for asset groups are estimated based on their net realizable value. Estimates for asset groups with a high level of significance are conducted using valuation amounts issued by a real estate appraiser in accordance with the Real Estate Appraisal Standards of Japan.

[Notes to Consolidated Statement of Changes in Net Assets]

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

Common stock 395,232,054 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 20, 2016	Common stock	2,349	6.00	March 31, 2016	June 21, 2016
Board of Directors' Meeting November 8, 2016	Common stock	2,350	6.00	September 30, 2016	December 2, 2016

- (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 21, 2017.

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 21, 2017	Common stock	Retained earnings	2,337	6.00	March 31, 2017	June 22, 2017

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 1,456,700 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, 2017, 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	61,722	61,722	—
(2) Notes and accounts receivable	134,718	134,718	—
(3) Marketable securities	953	953	—
(4) Investment securities			
Bonds held to maturity	2,442	2,445	3
Available-for-sale securities	36,458	36,458	—
(5) Guarantee deposits	62,141	58,161	(3,980)
(6) Notes and accounts payable	(115,712)	(115,712)	—
(7) Short-term borrowings (Note 2)	(30,451)	(30,451)	—
(8) Commercial paper	(37,000)	(37,000)	—
(9) Corporate bonds	(20,000)	(20,522)	522
(10) Long-term debt (Note 2)	(99,300)	(98,016)	(1,283)
(11) Derivative transactions	(53)	(53)	—

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 77,161 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	137,579	160,836

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	1,460.32 yen
2. Net income per share	38.27 yen

[Notes to Significant Post-balance Sheet Events]

Not applicable.

INDEPENDENT AUDITOR'S REPORT

May 8, 2017

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, 2016 through March 31, 2017.

*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, 2017 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, 2017)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>	<b>784,322</b>	<b>Liabilities</b>	<b>316,834</b>
<b>Current assets</b>	<b>234,284</b>	<b>Current liabilities</b>	<b>221,972</b>
Cash and deposits	31,528	Short-term borrowings	56,700
Deferred tax assets	248	Short-term borrowings payable to subsidiaries and affiliates	125,266
Short-term loans receivable from subsidiaries and affiliates	188,264	Commercial paper	37,000
Corporate tax refund receivable, etc.	5,034	Accounts payable	86
Accrued income	10,972	Accrued expenses	2,065
Other	27	Accrued bonuses	200
Allowance for doubtful accounts	(1,790)	Accrued income tax	423
<b>Fixed assets</b>	<b>549,990</b>	Other	229
<b>Tangible fixed assets</b>	<b>1</b>	<b>Fixed Liabilities</b>	<b>94,862</b>
Appliance and fixtures	1	Corporate bonds	20,000
<b>Intangible fixed assets</b>	<b>0</b>	Long-term debt	69,300
Software	0	Provision for loss on business of subsidiaries and affiliates	1,023
<b>Investments and other assets</b>	<b>549,988</b>	Provision for loss on guarantees	4,539
Investment securities	610	<b>Net assets</b>	<b>467,488</b>
Stocks of subsidiaries and affiliates	459,979	<b>Shareholders' equity</b>	<b>465,541</b>
Long-term loans receivable from subsidiaries and affiliates	89,300	<b>Common stock</b>	<b>50,328</b>
Other	98	<b>Capital surplus</b>	<b>397,337</b>
<b>Deferred assets</b>	<b>47</b>	Capital reserve	18,676
Corporate bond issuance cost	47	Other capital surplus	378,661
		<b>Retained earnings</b>	<b>27,165</b>
		Other retained earnings	27,165
		Retained earnings carried forward	27,165
		<b>Treasury stock</b>	<b>(9,289)</b>
		<b>Stock acquisition rights</b>	<b>1,946</b>
<b>Total</b>	<b>784,322</b>	<b>Total</b>	<b>784,322</b>

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

**Nonconsolidated Statement of Income**

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Account item	Amount	
Operating revenues		
Dividend income	24,704	
Management service income	10,416	
Service revenue	848	35,970
Selling, general and administrative costs		11,328
Operating income		24,641
Nonoperating income		
Interest income	1,775	
Miscellaneous income	27	1,802
Nonoperating expenses		
Interest expenses	1,514	
Miscellaneous expenses	1,450	2,965
Ordinary income		23,479
Extraordinary losses		
Loss on valuation of investment securities	390	
Loss on valuation of stocks of subsidiaries and affiliates	398	788
Income before income taxes		22,690
Corporate tax, corporate inhabitant tax, business tax	20	
Deferred taxes	289	309
Net income		22,381

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

## Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2016 to March 31, 2017)

(Millions of yen)

Account item	Shareholders' equity					
	Common stock	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings carried forward	Total retained earnings
<b>Balance as of April 1, 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>
<b>Changes during current period</b>						
Issuance of new shares	51	51	–	51	–	–
Decrease by corporate division	–	–	(759)	(759)	–	–
Dividends from surplus	–	–	–	–	(4,700)	(4,700)
Net income for current period	–	–	–	–	22,381	22,381
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>51</b>	<b>51</b>	<b>(760)</b>	<b>(708)</b>	<b>17,681</b>	<b>17,681</b>
<b>Balance as of March 31, 2017</b>	<b>50,328</b>	<b>18,676</b>	<b>378,661</b>	<b>397,337</b>	<b>27,165</b>	<b>27,165</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, 2016</b>	<b>(6,283)</b>	<b>451,523</b>	<b>(153)</b>	<b>(153)</b>	<b>1,681</b>	<b>453,050</b>
<b>Changes during current period</b>						
Issuance of new shares	–	103	–	–	–	103
Decrease by corporate division	–	(759)	–	–	–	(759)
Dividends from surplus	–	(4,700)	–	–	–	(4,700)
Net income for current period	–	22,381	–	–	–	22,381
Acquisition of treasury stock	(3,007)	(3,007)	–	–	–	(3,007)
Disposition of treasury stock	1	0	–	–	–	0
Net changes other than shareholders' equity during current period	–	–	153	153	265	419
<b>Total change during current period</b>	<b>(3,005)</b>	<b>14,018</b>	<b>153</b>	<b>153</b>	<b>265</b>	<b>14,437</b>
<b>Balance as of March 31, 2017</b>	<b>(9,289)</b>	<b>465,541</b>	<b>–</b>	<b>–</b>	<b>1,946</b>	<b>467,488</b>

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

## **Notes to Nonconsolidated Financial Statements**

### [Significant Accounting Policies]

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

##### Securities

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

Available-for-sale securities

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

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

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

##### Allowance for doubtful accounts

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

##### Accrued bonuses

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

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

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

##### Provision for loss of guarantee liabilities

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

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

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

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

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

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

#### 4. Additional Information

(Application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016) from the fiscal year under review.

[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. 8,341 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 10,980 million yen

Short-term payables to subsidiaries and affiliates 2,381 million yen

[Notes to Nonconsolidated Statement of Income]

Transactions with subsidiaries and affiliates

Turnover based on operating transactions

Operating revenues 35,970 million yen

Selling, general and administrative expenses 955 million yen

Other revenues 2,432 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	3,464,401	2,223,338	789	5,686,950

Notes: 1. The increase consists of 2,216,900 shares of treasury stock acquired based on resolutions of the Board of Directors, and 6,438 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	61 million yen
Accounts payable	251 million yen
Accrued enterprise tax	125 million yen
Stock option expenses	379 million yen
Loss on valuation of stocks of subsidiaries and affiliates	5,308 million yen
Provision for loss on business of subsidiaries and affiliates	313 million yen
Provision for loss on guarantees	1,389 million yen
Allowance for doubtful accounts	548 million yen
<u>Other</u>	<u>130 million yen</u>
Sub-total deferred tax assets	8,508 million yen
<u>Valuation reserve</u>	<u>(8,260) million yen</u>
Total deferred tax assets	248 million yen

[Notes to Transactions with Related Parties]

Subsidiaries and affiliates, etc.

(Millions of yen)

Attributes	Name of companies, etc.	Ratio of holding of voting rights, etc. (or Ratio of voting rights held) (%)	Relationship with the related parties	Contents of transactions	Transaction amount	Account item	Term-end balance
Subsidiaries	Isetan Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Business administration Borrowing and Lending of Fund	Proceeds from management guidance (Note 1)	9,914	Accrued income	10,707
				Accounting fees	444	—	—
				Lending of funds (Note 2)	18,950	Affiliates short-term loans receivable	108,000
				Receipt of interest (Note 3)	1,381	Affiliates long-term loans receivable	89,300
				Payment of personnel expenses for loaned employees (Note 4)	6,716	Accrued income	106
						Accrued expenses	391
Subsidiaries	Iwataya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Lending of funds (Note 2)	439	Affiliates short-term receivable	9,698
Subsidiaries	Nagoya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Repayment of funds (Note 2)	542	Affiliates short-term borrowings	7,965
Subsidiaries	MICARD Co. Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Receipt of funds (Note 2) Receipt of interest (Note 3)	2,961 257	Affiliates short-term loans receivable	50,785
Subsidiaries	MI TOMONO-KAI Co., Ltd.	Indirect: 100%	Borrowing and Lending of Fund	Borrowing of funds (Note 2) Payment of interest (Note 3)	2,081 550	Affiliates short-term borrowings	88,823
Affiliates	West Japan Railway Isetan Ltd.	Direct 40%	Interlocking directorate	Guarantee liabilities	12,880	Provision for loss on guarantees	4,539

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  | 1,195.09 yen |
| 2. Net income per share | 57.19 yen    |

[Notes to Significant Post-balance Sheet Events]

Not applicable.



INDEPENDENT AUDITOR'S REPORT

May 8, 2017

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 9th fiscal year from April 1, 2016 through March 31, 2017.

*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, 2017 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 9th fiscal term from April 1, 2016 to March 31, 2017, 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 design and operation, and expressed their opinions.
    - 3) Corporate Auditors monitored and examined whether or not the Accounting Auditor is maintaining an independent position and conducting the audits appropriately, and also obtained reports regularly and as necessary and requested explanations on the status of execution of duties from the Accounting Auditor. In addition, Corporate Auditors were informed by the Accounting Auditor the "the system to ensure the duties are performed properly" (the matters stipulated in the respective items of Article 131 of Corporate Accounting Rules) has been implemented in accordance with the "quality management standards concerning audits" (Business Accounting Deliberation Council, October 28, 2005), and confirmed matters as necessary.

In accordance with the aforementioned procedures, the Corporate Auditors reviewed the business report, supplementary schedules thereto, the statutory reports (nonconsolidated balance sheets, nonconsolidated statement of income, nonconsolidated statement of changes in net assets, notes to nonconsolidated statutory reports), supplementary schedules thereto, and consolidated statutory reports (consolidated balance sheets, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated statutory reports) for the year ended on March 31, 2017.

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 10, 2017

Board of Corporate Auditors of Isetan  
Mitsukoshi Holdings Ltd.

Full-time Corporate Auditor      Hidenori Takada

Full-time Corporate Auditor      Yoshio Takino

Outside Corporate Auditor      Koichi Miyata

Outside Corporate Auditor      Hirotaka Fujiwara