

Isetan Mitsukoshi Group Corporate Philosophy

Our Vision

We are a retail group centered on extraordinary department stores working toward improving the lives of our customers.

With our Japanese heritage and strong global branding, we create lasting impressions through sophisticated and high-quality experiences that make us the first choice for our customers.

Our Values

We are inspired by innovation, moved by beauty, and motivated to share our experience.

We welcome everyone with warm smiles and positive attitudes to delight and impress.

We co-create with exceptional talent to realize dynamic ideas and innovations.

We inform our decisions with facts, experience, and instinct to create unique solutions.

We always act with integrity and sincerity, and fulfill our responsibilities to society.

We fearlessly challenge norms and strive to reinvent the future.

Our Mission

Touching people's hearts with human-driven experiences.



In April 2023, we established a new “Isetan Mitsukoshi Group Corporate Philosophy.”

Convocation Notice

Securities Code: 3099

May 30, 2023

Start date of measures for electronic provision: May 19, 2023

To Shareholders with Voting Rights

Toshiyuki Hosoya

President and CEO

Isetan Mitsukoshi Holdings Ltd.

5-16-10, Shinjuku, Shinjuku-ku, Tokyo, Japan

NOTICE OF THE CONVOCATION OF THE 15TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 15th Ordinary General Meeting of Shareholders of Isetan Mitsukoshi Holdings Ltd. (the “Company”) will be held as described below.

In convening this General Meeting of Shareholders, the Company has taken measures for electronic provision. Matters subject to electronic provision are posted on the following website as “Notice of the Convocation of the 15th Ordinary General Meeting of Shareholders.”

The Company’s website: <https://www.imhds.co.jp/en/ir/stockholder/meeting.html>

In addition to the above, matters subject to electronic provision are also posted on the Tokyo Stock Exchange (TSE) website. Please go to the TSE website (Listed Company Search) below, enter and search for the Company in either the “Issue name (company name)” bar or the “Code” bar, and then select “Basic information,” followed by “Documents for public inspection/PR information” in order to view the information.

Tokyo Stock Exchange, Inc. website:
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

If you are unable to attend the meeting in person, [you may exercise your voting rights via the Internet or in writing. We ask you to review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 6 p.m., Monday, June 19, 2023.](#) The video of the meeting will be posted on the Company’s website at a later date.

- 1. Date and Time:** Tuesday, June 20, 2023, at 10:00 a.m. (Reception starts at 9:00 a.m.)
- 2. Place:** Pegasus Grand Ballroom, 1F, Hilton Tokyo Odaiba
1-9-1, Daiba, Minato-ku, Tokyo, Japan
 - * We ask that you consider whether or not you will attend the meeting, taking into consideration your physical condition.
 - * We will not be offering souvenirs. We thank you for your understanding.
- 3. Agenda of the Meeting:**
 - Matters to be reported:**
 1. The Business Report and the Consolidated Financial Statements for the 15th term (from April 1, 2022 to March 31, 2023) and results of audits by the Accounting Auditor and the Audit Committee of the Consolidated Financial Statements
 2. The Nonconsolidated Financial Statements for the 15th term (from April 1, 2022 to March 31, 2023)

Proposals to be resolved:

- Proposal No. 1:** Appropriation of Surplus
Proposal No. 2: Election of Nine Directors

- * If you are attending the meeting on the day, we ask you to submit the Voting Rights Exercise Form at the meeting venue reception desk.
- * In accordance with the provisions of laws and regulations and Article 16 of the Articles of Incorporation of the Company, the following matters are not described in the documents provided to shareholders who requested a paper copy. Accordingly, the documents to be provided to shareholders who requested a paper copy form part of the documents audited by the Audit Committee and the Accounting Auditor when preparing their Audit Reports.

1) Business Report

Matters related to the Group's status

- Change in assets and earnings
- Principal lines of business
- Principal sales and business establishments
- Employees

Matters related to the Company shares

Matters related to the stock acquisition rights issued by the Company

Matters concerning Directors and Auditors

- Matters concerning External Directors and Outside Corporate Auditors

Matters concerning Independent Auditors

Matters concerning the system to ensure appropriate conduct of business

Policies on determination of surplus dividend

Measures Regarding Corporate Governance

2) Consolidated Financial Statements

- Consolidated Balance Sheet, Consolidated Statement of Income, Summary of Consolidated Statement of Cash Flow (For Reference), Consolidated Statement of Changes in Net Assets, Notes to Consolidated Financial Statements

3) Nonconsolidated Financial Statements

- Nonconsolidated Balance Sheet, Nonconsolidated Statement of Income, Nonconsolidated Statement of Changes in Net Assets, Notes to Nonconsolidated Financial Statements

4) Audit Report

- Accounting Auditor's Report Relating to Statutory Reports (Consolidated)
- Accounting Auditor's Report Relating to Statutory Reports

Audit Report by the Audit Committee

*In the event of any modification to the matters subject to electronic provision, it will be announced via each of the designated websites.

* Please refer to the information on the following pages on how to exercise your voting rights.

Guide to Exercising Voting Rights

Voting rights at general meetings of shareholders are important rights to be exercised by shareholders. Please review the Reference Documents for the General Meeting of Shareholders described in the matters subject to electronic provision and exercise your voting rights.

- 1) If you are attending the General Meeting of Shareholders, please submit the Voting Rights Exercise Form at the meeting venue reception desk.
- 2) If there is no indication of consent/dissent for a proposal on the Voting Rights Exercise Form, this will be deemed as a vote of consent.
- 3) Please bear in mind that non-shareholding proxies, persons accompanying you or anyone else who is not a shareholder will NOT be allowed to enter the venue (except for those accompanying any shareholders with disabilities).

When exercising Voting Rights by mail

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

Deadline: To arrive by no later than 6 p.m. Monday, June 19, 2023

When exercising Voting Rights via the Internet

Please access the website (<https://evote.tr.mufg.jp/>), and enter your consent/dissent concerning each proposal by following the guidance on the screen.

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

Deadline: Exercised by no later than 6 p.m. Monday, June 19, 2023

For Institutional Investors

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

Guide to Exercising Voting Rights via the Internet

Exercise of voting rights via the Internet is only possible by accessing the website (<https://evote.tr.mufg.jp/>) designated by the Company exclusively for the purpose of exercising voting rights via a personal computer, smartphone or mobile phone.

Important Notes:

- Votes may be exercised via the Internet until 6 p.m. Monday, June 19, 2023
- If we receive votes both by conventional mail and via the Internet, we will consider the Internet vote to be the valid vote.
- When exercising voting rights via the Internet multiple times, we will consider the last vote to be the valid vote.

For inquiries concerning systems, etc., please contact the Help Desk:

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

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To Our Shareholders

Isetan Mitsukoshi Holdings Ltd. will hold its 15th Ordinary General Meeting of Shareholders on Tuesday, June 20, 2023. I would like to explain the current status of the Isetan Mitsukoshi Group for the fiscal year ended March 31, 2023 and the proposals for the General Meeting of Shareholders.

Three years have passed since COVID-19 was first confirmed in Japan, and it has been a year since we finally started seeing signs of recovery. During this period, the first year of the Group's Medium-Term Management Plan (Fiscal 2022–Fiscal 2024) came to an end, and both net sales and operating income significantly exceeded initial targets. We will continue to steadily implement each of the strategies set forth in the plan.

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

Toshiyuki Hosoya

Director, President and CEO

Reference Documents for the General Meeting of Shareholders

Proposal and References

Proposal No. 1: Appropriation of Surplus

The Company aims to return profits to shareholders while endeavoring to increase corporate value in the long term.

With regard to dividends, the Company's basic policy is to maintain a stable level of dividends and to increase dividends over the medium- to long-term in line with profit growth, while comprehensively considering the management environment, business performance, and the soundness of the Group's financial position.

Regarding the year-end dividend for the 15th term, based on the Company's consolidated results for the fiscal year ended March 31, 2023, the Company proposes to pay a year-end dividend of ¥8 per share. Accordingly, with the interim dividend of ¥6, the annual dividend will be ¥14 per share.

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
¥8 per common share of the Company
Total amount: ¥3,055,064,000
- (3) Effective date of dividend of surplus
June 21, 2023

Proposal No. 2: Election of Nine Directors

The terms of office of all ten (10) incumbent Directors will expire at the conclusion of this General Meeting of Shareholders. In order to improve the efficiency of the management system of the Board of Directors, the Company proposes the election of nine (9) Directors, decreasing the number of Directors by one (1). The Company nominates the following candidates:

Candidate No.	Name	Years in office as Director	Positions and responsibilities concurrently held at the Company
1	Toshiyuki Hosoya [Renominated]	2 years	Director, President and CEO Member of the Nominating Committee
2	Yuki Ishizuka [Renominated] [Non-executive]	1 year	Director Member of the Audit Committee
3	Yoshinori Makino [Newly nominated]	–	Managing Operating Officer, CSDO and CFO
4	Miwako Doi [Renominated] [Non-executive] [Outside] [Independent]	4 years	External Director Member of the Nominating Committee Chairperson of the Compensation Committee
5	Hidetoshi Furukawa [Renominated] [Non-executive] [Outside] [Independent]	3 years	External Director Member of the Nominating Committee Member of the Audit Committee
6	Fukutaka Hashimoto [Renominated] [Non-executive] [Outside] [Independent]	3 years	External Director Chairman of the Board of Directors
7	Tomoko Ando [Renominated] [Non-executive] [Outside] [Independent]	1 year	External Director Member of the Compensation Committee Member of the Audit Committee
8	Hitoshi Ochi [Newly nominated] [Non-executive] [Outside] [Independent]	–	
9	Toshio Iwamoto [Newly nominated] [Non-executive] [Outside] [Independent]	–	

Note: Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
1	<p>Toshiyuki Hosoya (Jul 1, 1964) [Renominated]</p> <p>Rate of attendance at meetings of the Board of Directors, etc. in the current fiscal year</p> <p>Meetings of the Board of Directors: 12 out of 12</p> <p>Meetings of the Nominating Committee: 10 out of 10</p>	<p>Apr 1987 Joined Isetan Co., Ltd.</p> <p>Apr 2015 Operating Officer, General Manager in charge of Fashion Accessories, MD Administration Department, Department Store Business Planning & Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2016 Operating Officer, General Manager in charge of Fashion Accessories and Luxury/Jewelry and Watch, MD Administration Department, Department Store Business Planning & Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2017 Operating Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2018 President and CEO, Iwataya Mitsukoshi Ltd.</p> <p>Apr 2021 President and CEO, Isetan Mitsukoshi Holdings Ltd. President and CEO, Isetan Mitsukoshi Ltd. (to the present)</p> <p>Jun 2021 Director, President and CEO, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Sep 2021 Director, Shin Kong Mitsukoshi Department Store Co., Ltd. (to the present)</p> <p>Significant posts concurrently held President and CEO, Isetan Mitsukoshi Ltd. Director, Shin Kong Mitsukoshi Department Store Co., Ltd.</p>	65,400
<p>Reasons for selecting the candidate for Director and outline of expected role</p> <p>The candidate has extensive business experience in the Group, including experience in sales sections such as ladies' fashion, jewelry, watches and medium- and small-store operations, and overseas postings, and also worked to formulate the Company's management strategy as General Manager of the Corporate Planning Division. In 2018, he served as President and CEO of Iwataya Mitsukoshi Ltd., where he made a great contribution to improving financial results. After being appointed President and CEO of the Company in 2021, he continued to show outstanding leadership, formulating a new long-term vision and medium-term management plan, and leading the Group. In fiscal 2022, he worked vigorously to implement initiatives aimed at realizing our strategy, including reorganizing the Group corporate philosophy.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to contribute to further enhancing the corporate value of the Group, continuing to display leadership in pursuing the implementation and achievement of the medium-term management plan.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
2	<p data-bbox="347 421 489 539">Yuki Ishizuka (Jun 11, 1962) [Renominated] [Non-executive]</p> <p data-bbox="325 577 512 712">Rate of attendance at meetings of the Board of Directors, etc. in the current fiscal year</p> <p data-bbox="325 750 512 835">Meetings of the Board of Directors:* 9 out of 9</p> <p data-bbox="325 873 512 958">Meetings of the Audit Committee:* 13 out of 13</p>	<p data-bbox="544 360 1219 705"> Apr 1985 Joined Isetan Co., Ltd. Apr 2015 Operating Officer, General Manager, Isetan Tachikawa Store, Area Department, Department Store Business Planning & Operation Headquarters, Isetan Mitsukoshi Ltd. Apr 2017 Operating Officer, Isetan Mitsukoshi Holdings Ltd. President and Representative Director, Isetan Mitsukoshi Human Solutions Ltd. Apr 2021 President and Representative Director, Sendai Mitsukoshi Ltd. Apr 2022 Operating Officer, Board of Directors Office Jun 2022 Director, Isetan Mitsukoshi Holdings Ltd. (to the present) </p> <p data-bbox="544 741 895 801">Significant posts concurrently held None</p> <p data-bbox="544 869 1161 929">* Rate of attendance at meetings refers only to the period after assumption of office</p>	31,100
<p data-bbox="316 1003 1054 1025">Reasons for selecting the candidate for Director and outline of expected role</p> <p data-bbox="316 1032 1385 1279">The candidate has experience in a broad range of product domains, including ladies' fashion, lifestyle goods, traditional fabrics, and artworks. She has also served as President and Representative Director of Isetan Mitsukoshi Human Solutions Ltd., a subsidiary of the Company, from 2017, and President and Representative Director of Sendai Mitsukoshi Ltd. from 2021. In addition to effectively promoting management strategy and business restructuring, she progressively implemented a digital shift at these subsidiaries, and achieved the transformation of the existing business model. She has also contributed to the development of the Group, including by making every effort to support the development of internal human resources. After being appointed as Director of the Company in 2022, she has made a contribution as a full-time Audit Committee Member, having made every effort to establish an effective audit and monitoring system.</p> <p data-bbox="316 1285 1347 1391">The Nominating Committee has renominated her as a candidate for Director because it expects her to contribute to strengthening the management supervisory function through audits, as Chairperson of the Company's Audit Committee, while appropriately performing her role in the Board of Directors as a Non-executive Director.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
3	Yoshinori Makino (Dec 2, 1966) [Newly nominated]	<p>Apr 1990 Joined Isetan Co., Ltd.</p> <p>Apr 2016 Director, Operating Officer, General Manager, Corporate Strategy Department, Isetan Mitsukoshi Food Service Co., Ltd. (currently MI Food Style Co., Ltd.)</p> <p>Apr 2019 Director, Operating Officer, General Manager, General Affairs and Human Resources Department, Isetan Mitsukoshi Ltd.</p> <p>Apr 2020 Director, Managing Operating Officer, General Manager, General Affairs and Human Resources Group, Isetan Mitsukoshi Ltd.</p> <p>Apr 2021 Managing Operating Officer, CSDO and CHRO, Isetan Mitsukoshi Holdings Ltd. Director, West Japan Railway Isetan Ltd. (to the present)</p> <p>Aug 2021 Director, Shin Kong Mitsukoshi Department Store Co., Ltd. (to the present)</p> <p>Apr 2022 Managing Operating Officer, CSDO and CFO, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Significant posts concurrently held Director, West Japan Railway Isetan Ltd. Director, Shin Kong Mitsukoshi Department Store Co., Ltd.</p>	38,100
<p>Reasons for selecting the candidate for Director and outline of expected role</p> <p>After gaining extensive experience as a head office staff member in human resources, labor, and corporate planning departments, the candidate has contributed to establishing the foundations of the Group's management strategy and human resource strategy as a manager at Isetan Mitsukoshi Food Service Co., Ltd. (currently MI Food Style Co., Ltd.) from 2016 and in the General Affairs and Human Resources Department at Isetan Mitsukoshi Ltd. from 2019. He has strived to promote the formulation of the Group's long-term vision, medium-term management plan, and capital policy as Managing Operating Officer, CSDO and CHRO of the Company since 2021 and as CSDO and CFO since 2022.</p> <p>The Nominating Committee has newly nominated him as a candidate for Director because it expects him to utilize his broad and extensive experience in the Group to increase the effectiveness of monitoring by the Board of Directors and contribute to enhancing the Group's corporate value, by appropriately fulfilling his role in the Board of Directors as a Director concurrently serving as a top executive.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
4	<p>Miwako Doi (Jun 2, 1954) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors, etc. in the current fiscal year</p> <p>Meetings of the Board of Directors: 12 out of 12</p> <p>Meetings of the Nominating Committee: 10 out of 10</p> <p>Meetings of the Compensation Committee: 8 out of 8</p>	<p>Apr 1979 Joined Tokyo Shibaura Electric Co., Ltd. (currently TOSHIBA CORPORATION)</p> <p>Jul 2005 Chief Fellow, Humancentric Laboratory, Corporate Research & Development Center, TOSHIBA CORPORATION</p> <p>Jul 2006 Chief Fellow, Corporate Research & Development Center</p> <p>Jul 2008 Senior Fellow</p> <p>Apr 2014 Auditor (Part-time), National Institute of Information and Communications Technology (to the present)</p> <p>Jun 2015 External Director, Nomura Research Institute, Ltd.</p> <p>Apr 2017 Executive Director (Part-time), Nara Institute of Science and Technology (to the present)</p> <p>Jun 2019 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Apr 2020 Vice President (Part-time), TOHOKU UNIVERSITY (to the present)</p> <p>Jun 2020 External Director, SUBARU CORPORATION (to the present) External Director, NGK SPARK PLUG CO., LTD. (to the present)</p> <p>Significant posts concurrently held Auditor, National Institute of Information and Communications Technology Executive Director (Part-time), Nara Institute of Science and Technology Vice President (Part-time), TOHOKU UNIVERSITY External Director, SUBARU CORPORATION External Director, NGK SPARK PLUG CO., LTD.</p>	4,000
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has significant expert achievements, extensive knowledge, and experience in the IT and digital fields, having worked as a researcher and manager in the information technology field at TOSHIBA CORPORATION. At the Company, she offers the Board of Directors valuable advice based on a range of perspectives, including insight in these fields. She has played a leading role in the objective and transparent management of meetings as Chairman of the Compensation Committee, in deliberations on the executive compensation system and the determination of individual compensation amounts. As a member of the Nominating Committee, she has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others.</p> <p>Although the candidate has not been involved in corporate management other than as External Director, the Nominating Committee has renominated her because it expects her to utilize her extensive knowledge and insight in the IT and digital fields in the supervision of the Company's management, and continue to demonstrate leadership as Chairman of the Compensation Committee and member of the Nominating Committee.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
5	<p>Hidetoshi Furukawa (Jul 16, 1955) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors, etc. in the current fiscal year</p> <p>Board of Directors: 12 out of 12</p> <p>Meetings of the Nominating Committee: 10 out of 10</p> <p>Meetings of the Audit Committee: 17 out of 17</p>	<p>Apr 1979 Joined The Mitsui Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)</p> <p>Jun 2005 Operating Officer, General Manager, Bangkok Branch, Sumitomo Mitsui Banking Corporation</p> <p>Apr 2008 Operating Officer, Deputy Head of Corporate Unit and International Unit</p> <p>Apr 2009 Managing Operating Officer, Head of Nagoya Corporate Sales Department, General Manager, Nagoya Corporate Sales Headquarters</p> <p>Apr 2011 Managing Operating Officer, Head of Investment Banking Unit</p> <p>Apr 2012 Director and Senior Managing Operating Officer, Head of Investment Banking Unit</p> <p>Apr 2013 Director and Senior Managing Operating Officer, Head of Corporate Finance Unit</p> <p>Apr 2014 Representative Director and Deputy President Operating Officer, Head of Global Corporate Banking Division</p> <p>Jun 2015 Representative Director, President and Chief Operating Officer, SMBC Trust Bank Ltd.</p> <p>Jun 2018 Chairperson</p> <p>Jun 2020 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Jun 2021 Special Advisor, SMBC Trust Bank Ltd. (to the present)</p> <p>Nov 2021 Chairman, General Incorporated Company, Kobe City Property Research (to the present)</p> <p>Mar 2022 Outside Director, Toagosei Co., Ltd. (to the present)</p> <p>Significant posts concurrently held Special Advisor, SMBC Trust Bank Ltd. Chairman, General Incorporated Company, Kobe City Property Research Outside Director, Toagosei Co., Ltd.</p>	4,000
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has directed sales activities both in Japan and overseas, and supervised investment banking and corporate finance operations, at Sumitomo Mitsui Banking Corporation. He also served as President and Chief Operating Officer of SMBC Trust Bank Ltd. in 2015, carrying out PMI, and possesses extensive experience in corporate management as well as deep knowledge in finance and accounting based on his many years of experience at financial institutions. At the Company, he has provided valuable advice at the Board of Directors based on his expert feeling for operations, his advanced insight into corporate management and his specialized knowledge of finance and accounting. At the same time, as a member of the Nominating Committee, he has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. As a member of the Audit Committee, he has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management and his knowledge of finance and accounting in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Nominating Committee and member of the Audit Committee.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
6	<p>Fukutaka Hashimoto (Jul 6, 1954) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors, etc. in the current fiscal year</p> <p>Meetings of the Board of Directors: 12 out of 12</p>	<p>Apr 1979 Registered as an attorney-at-law and joined Shinya Takeru Law Office (currently Tokyo Hatchobori Law Office)</p> <p>Apr 2000 Vice President, Daini Tokyo Bar Association</p> <p>Apr 2006 Executive Governor, Japan Federation of Bar Associations</p> <p>Jan 2008 Representative Partner Attorney and Director, Tokyo Hatchobori Law Office (to the present)</p> <p>Apr 2012 President, Daini Tokyo Bar Association Vice-President, Japan Federation of Bar Associations</p> <p>Mar 2014 Outside Audit & Supervisory Board Member, Kirin Holdings Company, Limited</p> <p>Jun 2015 Outside Audit & Supervisory Board Member, Sompo Japan Nipponkoa Insurance Inc. (currently Sompo Japan Insurance Inc.) (to the present)</p> <p>Jun 2020 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Mar 2021 Outside Auditor, KOKUYO Co., Ltd. (to the present)</p> <p>Significant posts concurrently held Representative Partner Attorney and Director, Tokyo Hatchobori Law Office Outside Audit & Supervisory Board Member, Sompo Japan Insurance Inc. Outside Auditor, KOKUYO Co., Ltd.</p>	4,000
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate possesses a high level of specialized knowledge and experience in corporate legal affairs, having played a leading role as an attorney-at-law for many years, appointed Representative Partner Attorney and Director of Tokyo Hatchobori Law Office in 2008. In addition, he has deep insight into auditing, through his experience serving as Outside Corporate Auditor and Outside Audit & Supervisory Board Member of Japan's leading listed companies. At the Company, he has provided valuable advice at the Board of Directors based on his specialist perspective as an attorney-at-law, and since June 2022, he has managed the Board of Directors appropriately as Chairman of the Board of Directors, and contributed to strengthening the management supervisory functions of the Company.</p> <p>Although the candidate has not been involved in corporate management other than as External Director, the Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his specialist knowledge in corporate legal affairs and his insight into auditing in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as Chairman of the Board of Directors and Chairman of the Nominating Committee.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
7	<p>Tomoko Ando (Jul 18, 1959) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors, etc. in the current fiscal year</p> <p>Meetings of the Board of Directors* 9 out of 9</p> <p>Meetings of the Compensation Committee* 7 out of 7</p> <p>Meetings of the Audit Committee* 13 out of 13</p>	<p>Apr 1982 Joined Nissan Motor Co., Ltd. Mar 1991 Joined Coca-Cola (Japan) Company, Limited Jan 1993 Global Brand Marketing Brand Manager Dec 1996 Joined Master Foods Ltd. (currently Mars Japan Limited) Jan 2006 People Pipeline Manager, Personnel & Organization, Master Foods Ltd. Aug 2008 Joined NIHON L'ORÉAL K.K. Senior HR Manager, Human Resources, NIHON L'ORÉAL K.K. Mar 2011 Vice President, Head of Human Resources, NIHON L'ORÉAL K.K. Jun 2018 Outside Director, PRESS KOGYO CO., LTD. (to the present) Jun 2019 Outside Director, Kansai Paint Co., Ltd. (to the present) Jun 2022 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Jan 2023 Representative Director, Open the Door Inc. (to the present)</p> <p>Significant posts concurrently held Outside Director, PRESS KOGYO CO., LTD. Outside Director, Kansai Paint Co., Ltd. Representative Director, Open the Door Ltd.</p> <p>* Rate of attendance at meetings refers only to the period after assumption of office</p>	900
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate possesses extensive knowledge and experience concerning brand marketing, sales planning, and strategic human resources at top global companies from Japan, the United States and Europe, as well as a high level of insight and experience as a corporate manager. At the Company, she offers the Board of Directors valuable advice based on a range of perspectives. She has contributed to deliberations on the executive compensation system and the determination of individual compensation amounts as a member of the Compensation Committee. As a member of the Audit Committee, she has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more enhanced audit system encompassing the entire Group.</p> <p>The Nominating Committee has renominated her as a candidate for Director because it expects her to appropriately monitor the Company's management from a fair and neutral standpoint, and to contribute to further enhancing the Group's corporate value as a member of the Compensation Committee and a member of the Audit Committee by actively providing comments from the perspective of an expert in corporate management, marketing, and management personnel development.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
8	<p>Hitoshi Ochi (Oct 21, 1952) [Newly nominated] [Non-executive] [External Director] [Independent Director]</p>	<p>Apr 1977 Joined Mitsubishi Chemical Industries, Co., Ltd. (currently Mitsubishi Chemical Corporation)</p> <p>Jun 2010 Director, Managing Executive Officer, General Manager, Corporate Strategy Office, Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation)</p> <p>Apr 2012 President (Representative Director) and CEO, Mitsubishi Rayon Co., Ltd. (currently Mitsubishi Chemical Corporation)</p> <p>Apr 2015 Representative Director and President, Mitsubishi Chemical Holdings Corporation</p> <p>Jun 2015 Director, Representative Executive Officer and President, Mitsubishi Chemical Holdings Corporation</p> <p>Apr 2017 President & CEO, Mitsubishi Chemical Corporation (Representative Director)</p> <p>Apr 2021 Director, Mitsubishi Chemical Holdings Corporation</p> <p>Jun 2021 Special Advisor, Mitsubishi Chemical Holdings Corporation</p> <p>Significant posts concurrently held None</p>	0
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has served in management at Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation), where he advocated sustainability management, transformed the company's business model, promoted DX (Digital Transformation), and strived to carry out bold business restructuring and strengthen business foundations through M&A. In addition, he changed the organizational structure of the company to one with a nominating committee, etc., and has extensive experience in corporate management and deep insight into IT, DX, and governance, including through the creation of a flexible management system, while ensuring transparency and objectivity.</p> <p>The Nominating Committee has newly nominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management, his knowledge of IT and DX, and his insight of governance in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Nominating Committee and member of the Audit Committee.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
9	Toshio Iwamoto (January 5, 1953) [Newly nominated] [Non-executive] [External Director] [Independent Director]	<p>Apr 1976 Joined Nippon Telegraph and Telephone Public Corporation</p> <p>Jun 2004 Director, NTT DATA Corporation</p> <p>Jun 2007 Executive Managing Director</p> <p>Jun 2009 Senior Executive Vice President and Representative Director</p> <p>Jun 2012 President and Chief Executive Officer, Representative Director</p> <p>Jun 2018 Consultant (to the present)</p> <p>Jun 2019 Outside Director, NSK Ltd. Outside Audit & Supervisory Board Member, IHI Corporation (to the present)</p> <p>Jun 2020 Outside Director, Daiwa Securities Group Inc. (to the present)</p> <p>Jun 2022 Outside Director, East Japan Railway Company (to the present)</p> <p>Significant posts concurrently held Consultant, NTT DATA Corporation Outside Audit & Supervisory Board Member, IHI Corporation Outside Director, Daiwa Securities Group Inc. Outside Director, East Japan Railway Company</p>	0
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has served in management at NTT DATA Corporation for many years, and has extensive experience in corporate management, including systems development and the establishment of a global brand for the company, as well as deep insight into IT and digital, and global business. He also has deep insight into governance, with experience as Outside Director of one of the foremost listed companies in Japan.</p> <p>The Nominating Committee has newly nominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management, his knowledge of IT and digital, and his insight into governance in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Nominating Committee and member of the Compensation Committee.</p>			

- (Notes) 1. Ms. Yuki Ishizuka, who is a candidate for a Non-executive Director, and Ms. Miwako Doi, Mr. Hidetoshi Furukawa, Mr. Fukutaka Hashimoto and Ms. Tomoko Ando, who are candidates for External Directors, have concluded limited liability agreements with the Company based on the provisions of the Articles of Incorporation, which shall limit the maximum amount of liability they may bear to the Company to the amount stipulated by laws and regulations. If their reappointments are approved, the Company plans to continue to hold the agreements stipulating liability limits. Moreover, if the appointments of Mr. Hitoshi Ochi and Mr. Toshio Iwamoto, who are candidates for External Directors, are approved, the Company intends to conclude limited liability agreements with them.
2. The Company has concluded a directors and officers liability insurance contract with an insurance company, as set forth in Article 430-3, Paragraph 1 of the Companies Act, to cover litigation expenses and legal damages, should the insured parties be held accountable in the event of a shareholder representative lawsuit, corporate lawsuit or third-party lawsuit. The candidates, excluding Mr. Hitoshi Ochi and Mr. Toshio Iwamoto, are included among the insured parties under this contract. Moreover, the Company intends to add Mr. Hitoshi Ochi and Mr. Toshio Iwamoto to the insured parties under the contract.
3. There are business transactions between NTT DATA Corporation, where Mr. Toshio Iwamoto holds a concurrent position, and a subsidiary of the Company, but the amount of these transactions with the

Company in the past three fiscal years is less than 1% of the consolidated net sales of both parties for each fiscal year.

4. The Company designates Ms. Miwako Doi, Mr. Hidetoshi Furukawa, Mr. Fukutaka Hashimoto and Ms. Tomoko Ando as Independent Directors according to the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has registered them with the two exchanges. Assuming approval of the reelection of Directors Ms. Miwako Doi, Mr. Hidetoshi Furukawa, Mr. Fukutaka Hashimoto, and Ms. Tomoko Ando, the Company also plans to continuously designate them as Independent Directors and to notify both stock exchanges thereof. Moreover, if the appointments of Mr. Hitoshi Ochi and Mr. Toshio Iwamoto are approved, the Company intends to newly designate them as Independent Directors, and register them with the two exchanges referred to above.

Reference

Independence Standards for Independent External Directors and Independent Outside Auditors

In designating External Directors as independent officers, the Company has compiled its proprietary “Independence Standards for Independent Directors and Independent Auditors of Isetan Mitsukoshi Holdings Ltd.,” for assessing their independence and outside officers who do not come under any of the following categories are nominated as independent officers.

- 1) Business executives of the Group
- 2) A person for whom the Group is a major business partner, or an executive director, executive or manager thereof
- 3) A major business partner of the Group, or an executive director, executive, manager or other employee thereof
- 4) An Operating Officer of a principal lender of the Group
- 5) A consultant or accounting or legal expert who has received financial or other economic benefits from the Group exceeding a certain sum, other than remuneration of Directors or Corporate Auditors
- 6) A shareholder or an Operating Officer thereof who holds at least 5% of the total issued shares of the Company
- 7) Any person who has come under categories 1) to 5) above in the last three years
- 8) Spouses or relatives within the second degree of kinship of anybody coming under categories 1) to 5) above

A “major business partner” in 2) and 3) above means “any business partner for whom the annual transaction amount with the Company, on a consolidated basis, exceeds 1% of the total annual transaction amount of either party, over the preceding three years, even if this occurs on only one occasion,” a “principal lender” in 4) above means “any lender from whom the Group’s balance of borrowings exceeds 2% of the consolidated total assets of the Company as of the end of the fiscal year,” and a “certain sum” in 5) above means “a sum of at least 10 million yen in any of the preceding three fiscal years.”

Reference

Skills Matrix/Committees of which Scheduled to be a Member

The Company selects candidates for Directors in order to achieve a balance in the Company's Board of Directors between a broad range of perspectives and appropriate scale. In addition to the necessary experience and skills required of the Board of Directors to monitor management and execution, and to make decisions on important matters such as the Company's basic management policy and internal control systems, the Company has categorized the expertise and business insight indispensable for realizing the Company's vision and management plan into "experience," "expertise," and "knowledge/know-how," and identified skills.

- Areas in which each Director has knowledge/experience/competencies
- Areas in which each External Director is particularly expected to make contributions in terms of knowledge/experience/competencies
- ☆ Denotes Committee Chairperson

Name	Nominating Committee	Compensation Committee	Audit Committee	Corporate management	Distribution/marketing	Global	DX/IT/security	Finance/accounting	Legal affairs/risks/governance	Personnel affairs/human resources management
Toshiyuki Hosoya [Renominated]				○	○	○				
Yuki Ishizuka [Renominated] [Non-executive]			☆				○		○	○
Yoshinori Makino [Newly nominated]				○			○	○		
Miwako Doi [Renominated] [External] [Non-executive] [Independent]	✓	☆		●			●			●
Hidetoshi Furukawa [Renominated] [External] [Non-executive] [Independent]	✓		✓	●		●		●		
Fukutaka Hashimoto [Renominated] [External] [Non-executive] [Independent]	☆			●					●	●
Tomoko Ando [Renominated] [External] [Non-executive] [Independent]		✓	✓	●	●					●
Hitoshi Ochi [Newly nominated] [External] [Non-executive] [Independent]	✓		✓	●	●		●			
Toshio Iwamoto [Newly nominated] [External] [Non-executive] [Independent]	✓	✓		●		●	●			

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

- Notes: 1. If the reappointment of Mr. Fukutaka Hashimoto is approved, the Company intends to select him as Chairman of the Board of Directors after the conclusion of this Ordinary General Meeting of Shareholders.
2. The above matrix is intended to show the fields/areas in which each individual is expected to play key roles based on his/her experience, etc. It does not represent every aspect of the person's knowledge.

Business Report

(From April 1, 2022 to March 31, 2023)

1. Matters related to the Group's status

(1) Business developments and results

Business performance highlights

Net sales: ¥487.4 billion (116.6% year on year)

Operating income: ¥29.6 billion (498.4% year on year)

Recurring income: ¥30.0 billion (315.3% year on year)

Net income attributable to parent company shareholders: ¥32.3 billion (262.4% year on year)

(Reference) Total net sales: ¥1,088.4 billion (119.3% year on year)

Environment surrounding the Group

During fiscal 2022 (April 1, 2022 to March 31, 2023), despite a revitalization in cross country-border travel following the lessening impact of COVID-19, a disease whose impact was felt for three years straight from the end of 2019, the outlook for the global economy remained uncertain, primarily due to concerns about a global recession in response to the situation in Ukraine and its protracted conflict with Russia, global inflation from the soaring prices of resources, items and goods around the world, a rapidly weakening yen against the dollar, financial tightening across Europe and the United States and other factors.

The Japanese economy saw a gradual easing of COVID-19 related restrictions on socio-economic activity along with an on-going return to normalization, with consumer spending, which had been curbed somewhat, also seeing a recovery, particularly in face-to-face services. On the back of the easing of border control restrictions in October 2022 and the weakening of the yen, inbound demand is continuing to return to pre-COVID-19 levels. However, with the impact of rising prices of items and goods, etc. on household budgets, consumer sentiment has been poor and consumer behavior has been very much a case of one step forward, one step back.

Overview of consolidated business performance

Amid the environment described above, the Company has been implementing important strategies as part of the “revitalization of department stores” initiative, which is part of the first phase of the Company’s medium-term management plan (Fiscal 2022–Fiscal 2024), as we strive to realize the Group’s vision “to be a ‘special’ department store-centered retail group that enriches the lives of our customers.” In the first year of the medium-term management plan, we focused on raising the certainty of the “revitalization of department stores”, designated the next fiscal year as the first year to begin

preparations for “deployment (preparation for urban development)”, and have been making progress for each of these measures.

In order that the Company can respond to some strong consumer demand following the recovery from COVID-19, we have been working to expand usage per customer by increasing the points of contact with, and business opportunities for, each individual “customer” and by raising awareness of connections across the entire Group through the improvement of our ability to individually identify customers. Furthermore, we have adopted a more scientific approach in an attempt to reduce fixed costs through the adoption of the “scientific analysis of department stores” guidance, through which we established standards and disciplines to control expenses and personnel, and have been working to further increase efficiency through the reduction of the break-even sales.

As a result of these efforts, driven by the department store business, consolidated net sale for the fiscal year amounted to ¥487.4 billion, operating income amounted to ¥29.6 billion, recurring income was ¥30.0 billion, and net income attributable to parent company shareholders was ¥32.3 billion.

* “Total net sales” stated as reference represent amounts prior to the application of “Accounting Standard for Revenue Recognition.”

(2) Change in assets and earnings

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

Item \ Fiscal term	12th Term Fiscal 2019 (From April 1, 2019 to March 31, 2020)	13th Term Fiscal 2020 (From April 1, 2020 to March 31, 2021)	14th Term Fiscal 2021 (From April 1, 2021 to March 31, 2022)	15th Term Fiscal 2022 (From April 1, 2022 to March 31, 2023) Consolidated fiscal year under review
Net sales (Million yen)	1,119,191	816,009	418,338	487,407
Operating income (loss) (Million yen)	15,679	(20,976)	5,940	29,606
Recurring income (loss) (Million yen)	19,771	(17,171)	9,520	30,017
Net income (loss) attributable to parent company shareholders (Million yen)	(11,187)	(41,078)	12,338	32,377
Net income (loss) per share (Yen)	(28.90)	(107.96)	32.36	84.82
Total assets (Million yen)	1,223,800	1,198,303	1,168,574	1,217,308
Net assets (Million yen)	550,161	508,275	517,660	552,519
Net assets per share (Yen)	1,426.61	1,317.23	1,341.41	1,430.07
Capital-to-asset ratio (%)	44.32	41.89	43.80	44.86

- Notes: 1. Net income (loss) per share has been calculated based on the average number of outstanding shares during the period (excluding treasury stock).
2. From the 14th term, “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the 13th term and prior have not been reclassified according to the new presentation method.

(3) Overview by business segment

Department Store Business

Domestic department stores experienced a significant recovery in the number of store visitors and purchasing customers, due to an increase in opportunities for outings on the back of a lifting of movement restrictions, with net sales (excluding inbound sales) exceeding the level of fiscal 2018. In particular, sales of high-value items, such as luxury brands, jewelry, and watches were strong in stores in the Tokyo metropolitan area, as well as in some stores in other regional metropolitan areas.

By increasing the number of customers whose faces are known within our stores through the increasing of card members and app subscribers as part of efforts to further improve our ability to individually identify customers, and by hosting hospitality events and other events unique to the Group targeting good out-of-sales customers nationwide, we have significantly grown the number of customers who are classified as identifiable customers. Net sales from the “Tanseikai” at the Isetan Shinjuku Main Store and “Ippinkai” at the Mitsukoshi Nihombashi Main Store, held in February 2023, were both the highest ever recorded. In particular, the Isetan Shinjuku Main store posted record high net sales as a result of extremely lively Christmas, end of year/new year holiday, and other popular events, along with a significant growth in individual out-of-store sales.

Elsewhere, stores in other regions across Japan outside of some metropolitan areas saw a sluggish recovery in consumption. Although inbound usage has recovered following the easing of border control restrictions in October 2022, the levels of recovery remained at just over 50% relative to levels before COVID-19.

Overseas, Chengdu Isetan Co., Ltd. closed its store in December 2022 following a termination of the lease agreement. However, overall, our overseas stores recorded increased revenue and income, and we are continuing to promote “Select and Convert” according to the situation in each country or region, with the aim of growing new initiatives that make use of our knowledge of business management.

■ 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	138,414	22.7	120.9
	Mitsukoshi Ginza store	77,304	12.6	136.7
	Isetan Shinjuku store	327,627	53.6	129.2
	Isetan Tachikawa store	30,280	5.0	110.4
	Isetan Urawa store	37,452	6.1	106.9
	Total	611,079	100.0	125.4
Sapporo Marui Mitsukoshi Ltd.		54,896	—	117.9
Hakodate Marui Imai Ltd.		6,036	—	103.7
Sendai Mitsukoshi Ltd.		27,038	—	105.9
Niigata Isetan Mitsukoshi Ltd.		35,609	—	103.5
Shizuoka Isetan Co., Ltd.		16,163	—	104.7
Nagoya Mitsukoshi Ltd.		57,652	—	103.7
Hiroshima Mitsukoshi Ltd.		11,380	—	102.3
Takamatsu Mitsukoshi Ltd.		21,641	—	105.4
Matsuyama Mitsukoshi Ltd.		5,203	—	103.9
Iwataya Mitsukoshi Ltd.		109,636	—	114.2
West Japan Railway Isetan Ltd.		62,268	—	126.4

- (Notes) 1. The amount of sales by company and store represents total net sales prior to the application of the “Accounting Standard for Revenue Recognition” and other standards.
2. West Japan Railway Isetan Ltd. is 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	194,891	31.9	128.9
Accessories	86,108	14.1	137.1
Sundry goods	156,879	25.7	132.0
Household goods	18,532	3.0	112.1
Foods	127,092	20.8	109.2
Others	27,576	4.5	129.5
Total	611,079	100.0	125.4

(Note) Net sales by product represent total net sales prior to the application of the “Accounting Standard for Revenue Recognition” and other standards.

Credit & Finance Business/Customer Organization Management Business

In this business, MICARD Co. LTD. results exceeded pre-COVID-19 levels outside department stores owing to increased credit card usage in areas such as travel and restaurants, which have been on fast recovery trends, reaching hitherto record levels. However, there was a decrease in income, due primarily to a reduction in earnings from intra-Group transactions.

In addition to continuing to expand our customer base through the acquisition of new credit card members in collaboration with other Group companies, we are also shifting toward an income and expenditure structure that will make it easier to generate profits by increasing in the amount of credit card usage and strengthening cost controls.

Real Estate Business

In the real estate business, following a normalization of socio-economic activity, Isetan Mitsukoshi Property Design Ltd., increased its completion of projects for which work had been delayed due to the COVID-19 crisis and expanded the number of new orders received. Further, there was a significant increase in the number of the Group's department store remodeling projects owing to the "stronger intra-Group coordination strategy", which seeks to maximize the Group's resources so as to increase revenue, resulting in a year-on-year expansion of its earnings base.

However, lease revenue decreased due to delays relative to our targets in attracting tenants to the properties owned.

Other Businesses

In the logistics industry, Isetan Mitsukoshi Business Support Ltd. saw a large increase in its inner building logistics business due to an increase in the volume of handled products, etc., in conjunction with the recovery in sales at the Group's department stores. With regard the logistics business outside of the Group, we have made it our topmost priority to expand our points of contact with our customers through proactive participation in logistics exhibitions and through our Group "coordination" strategy, and are striving to expand the areas in which can develop new outsourcing projects. As a result, the business plan is progressing steadily, with operating income exceeding our targets.

In the travel industry, Mitsukoshi Isetan Nikko Travel, Ltd. saw a recovery in sales for overseas travel of around 60% relative to pre-COVID-19 levels, with agent-organized overseas package tours now resumed in earnest. In the domestic travel business, sales have been strong, mainly from out-of-store

customers from the Group's department stores, primarily in response to the easing of movement restrictions and rules for the wearing of masks in addition to the domestic travel subsidy program.

In the advertising agency business, Studio Alta Co. Ltd., saw robust performance in its mainstay outdoor advertising business in response to a recovery in demand for advertising. Further, as a result of our business restructuring efforts, we have significantly reduced fixed costs. As a result, the business turned profitable for the first time in three years, with revenue and income exceeding the levels of the previous fiscal year.

(Millions of yen)

	Reporting segment				Other businesses (Note 1)	Total	Adjustments (Note 2)	Amount posted in Consolidated Financial Statements (Note 3)
	Department store	Credit & finance / customer organization management	Real estate	Total				
Net sales								
Outside customers	413,346	18,115	17,608	449,070	38,337	487,407	–	487,407
Inter-segment sales	2,674	12,708	2,909	18,291	39,391	57,683	(57,683)	–
Total	416,020	30,823	20,518	467,362	77,728	545,090	(57,683)	487,407
Segment profit	20,432	3,791	4,014	28,238	1,136	29,375	231	29,606
Segment assets	1,019,900	200,441	117,419	1,337,760	52,335	1,390,096	(172,788)	1,217,308
Others								
Depreciation	18,011	1,451	524	19,987	5,157	25,145	(155)	24,989
Impairment loss (Note 4)	4,616	–	–	4,616	386	5,002	–	5,002
Investment in equity method affiliates	91,817	–	–	91,817	–	91,817	–	91,817
Increase in tangible/intangible fixed assets	14,361	2,515	218	17,095	3,287	20,383	(75)	20,307

- Notes: 1. The other businesses segment includes the services of other retailing, manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service and travel business that are not included in other reporting segments.
2. Adjustments are as follows:
- (1) The segment profit adjustment of ¥231 million is intersegment elimination and unrealized income.
 - (2) The segment assets adjustment of negative ¥172,788 million is the intersegment elimination of receivables and payables, etc.
 - (3) The adjustment of depreciation of negative ¥155 million is intersegment unrealized income.
 - (4) The increase in tangible and intangible fixed assets adjustment of negative ¥75 million is intersegment elimination and intersegment unrealized income, etc.
3. Segment profit is adjusted to operating income.
4. In the Consolidated Statement of Income, of the above impairment loss, ¥33 million is included in “loss on closing of stores.”

(4) Capital expenditures

Our capital expenditures during the consolidated fiscal year under review totaled ¥20.3 billion, which consisted principally of ¥12.1 billion for capital expenditures at Isetan Mitsukoshi Ltd.

(5) Financing

During the consolidated fiscal year under review, there are no material facts to report.

(6) Status of acquisition or disposition of shares and other interests in other companies

The Company reacquired shares, etc. (66.0% of total issued shares) in MI Food Style Co., Ltd. (hereinafter, "MIFS"), an equity method affiliate, on June 10, 2022, and decided to make it a wholly-owned subsidiary of the Company.

(7) Issues that need to be addressed

On May 8, 2023, the categorization of COVID-19 was downgraded to Class 5, and inbound demand from overseas visitors to Japan is expected to recover and expand. However, there are still many uncertainties, including the acceleration of global inflation, rising interest rates, greater budget consciousness among households due to the further deprecation of the yen, etc., concerns over the spread of infections due to new variants, and the reintroduction of behavioral restrictions.

Under such circumstances, we involved all employees in reorganizing the Group corporate philosophy. Utilizing the power of diverse human resources, which is one of our strengths, we established "Touching people's hearts with human-driven experiences" as our mission, and we will work to achieve our vision, "We are a retail group centered on extraordinary department stores working toward improving the lives of our customers," by providing high added value unique to the Company.

The Medium-Term Management Plan, which started during the COVID-19 pandemic, is in the "revitalization" phase, which marks the first phase starting from fiscal 2022. Centering on department stores, we have optimized services and product development by reviewing them based on scientific data, and have made progress in the "revitalization" of department stores ahead of schedule by promoting income and expenditure structure reform. Going forward, we will swiftly achieve the highest ever profit since the merger of Mitsukoshi and Isetan.

Current Medium-Term Management Plan
(3 years) FY2022 – 2024

Department store “revitalization” phase

“Deployment (urban development preparation)” phase
“Fruiting” phase

A retail group centered on extraordinary department stores working toward improving the lives of our customers

“High sensitivity, fine quality” strategy	“Stronger intra-Group coordination” strategy
Business reforms from a scientific perspective	CRM strategy “connecting with individual customers”
Digital transformation	“Urban development” strategy
System and data platform	
Human resource platform/Sustainability	
Management platform	

Medium-Term Management Plan (Fiscal 2022 – Fiscal 2024) Key Strategies

(1) High sensitivity, fine quality strategy

In order to evolve the Isetan Shinjuku Main Store and the Mitsukoshi Nihombashi Main Store into symbols of respect and empathy, the Shinjuku Main Store will focus on fashion, and the Nihombashi Main Store will focus on tradition, culture, arts, and daily life. We have expanded those strengths to branches and Group stores through a new sales network that connects out-of-store sales and out-of-store buyers with in-store attendants. In addition, by concentrating the Group’s strengths and expanding products and services not previously available at department stores, we have established a foundation capable of meeting a wide range of customer needs. Going forward, we will maintain a system that can propose a variety of products and services, increase the customer share of wallet, and expand our out-of-store customer base through alliances and introductions from stores and existing out-of-store customers.

(2) CRM strategy connecting with individual customers

We are expanding the number of individual customers connected face-to-face so that we can provide finely tuned services and products, and meet various requests. We are promoting measures to increase the number of, and the amount of usage by connected individual customers, and both the number of identified customers and the net sales of identified customers are growing significantly. In particular, by strengthening the expansion of Isetan Mitsukoshi app subscribers, we have made considerable progress in identifying customers. We will continue to expand our customer base by acquiring new MICARD members and Isetan Mitsukoshi app subscribers, and increase earnings by promoting usage.

(3) Intra-Group coordination strategy

In the intra-Group coordination strategy, which maximizes Group strengths and resources through customers and bases mainly in the department store business, we remodeled domestic department stores and switched to insourced advertising and customer outreach operations. We also promoted B-to-B sales of Group content to companies outside the Group, and started initiatives to establish alliances, including the issuance of affiliated credit cards. Going forward, we will work to improve the value we provide by combining the skills and expertise of Group companies, and create new business opportunities that will lead to future “urban development.”

(4) Urban development (CRE*) strategy

With a view to “urban development” that aims to make effective use of the excellent real estate owned by the Group, we will work to increase the value of our real estate holdings nationwide by developing facility complexes incorporating hotels, residences, offices, etc. centered round department stores so as to enable large numbers of customers to use the Isetan Mitsukoshi Group. We will develop the use of complexes centered round department stores, attract more customers, and realize a unique customer experience by combining the “use of complexes” with the intrinsic “value provided” by department stores.

*CRE: Corporate Real Estate

(5) Business reforms from a scientific perspective

All Group companies are working comprehensively to control fixed costs and variable costs from a scientific perspective. In particular, the department store business in Japan contributed to a significant recovery of business results as it transitioned to an earnings structure that facilitates profit expansion in the sales recovery phase by reducing the break-even sales. Going forward, we will continue to evolve cost control and strengthen profitability at all Group department stores, based on the “science of department stores” handbook that we formulated, and we will also implement similar sweeping structure reforms at companies other than department stores.

In the “revitalization” phase, we plan to consolidate the strengths of the Group, expand the real estate business and the financial business, and make them profitable by promoting business model reforms centered on department stores with the aim of transforming the business model, and making the maximum use of those resources to bring forward the next “deployment (urban development preparation)” phase.

In addition, in the “fruiting” phase, we will work to achieve our vision and continue to be a retail Group that enriches the lives of each and every one of our customers.

We sincerely request your continued support and patronage going forward.

Isetan Mitsukoshi Group Sustainability

In order to realize our long-term vision, we have established three priority initiatives (Materialities): “Connecting people and bridging times,” “Connecting a sustainable society and the times,” and “Improving the satisfaction of employees,” and are working on sustainability activities. In fiscal 2022, we promoted the following initiatives.

- 1) Initiatives to address environmental issues, including the promotion of energy conservation, energy creation, and renewable energy in preparation for the realization of a decarbonized society
- 2) Initiatives aimed at solving social issues, such as achieving responsible procurement through dialogue with business partners
- 3) Investment in human resources, including by continuously promoting internal discussion to enable each and every employee to maximize their potential, establishing mechanisms for career challenges based on the hopes of each employee as well as building training systems that support autonomous learning, and enhancing the environment

Isetan Mitsukoshi Holdings Ltd. signed and pledged its support for the United Nations Global Compact in March 2023. We will continue to comply with the Ten Principles of the UNGC in the four areas of human rights, labor, environment, and anti-corruption, and we will continue to put them into practice by forming working groups on priority issues such as the environment and supply chains.

In addition, we will continue to expand sustainability activities throughout the entire Group, collaborate with business partners to practice responsible procurement, strengthen our human resources base (development of specialists and strategic secondment policies), contribute to the resolution of social issues through our business activities, and promote activities in order to realize a prosperous future and sustainable society.

In January 2023, we began “energy creation” using the rooftop of the Isetan Mitsukoshi Logistics Center (Tokorozawa). As a result, we expect to reduce greenhouse gases by approximately 240 tons annually.

(8) Status of significant subsidiaries (As of March 31, 2023)

1) Status of subsidiaries

Company Name	Paid-in Capital	Ownership Percentage by the Company (%)	Location of Main Store	Line of Business
Isetan Mitsukoshi Ltd.	¥10,000 mln.	100.0	Shinjuku-ku, Tokyo	Department store Real estate
Sapporo Marui Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Sapporo-shi, Hokkaido	Department store
Hakodate Marui Imai Ltd.	¥50 mln.	100.0	Hakodate-shi, Hokkaido	Department store
Sendai Mitsukoshi Ltd.	¥50 mln.	100.0	Aoba-ku, Sendai-shi, Miyagi	Department store
Niigata Isetan Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Niigata-shi, Niigata	Department store
Shizuoka Isetan Co., Ltd.	¥100 mln.	100.0	Aoi-ku Shizuoka-shi, Shizuoka	Department store
Nagoya Mitsukoshi Ltd.	¥50 mln.	100.0	Naka-ku, Nagoya-shi, Aichi	Department store
Hiroshima Mitsukoshi Ltd.	¥50 mln.	100.0	Naka-ku, Hiroshima-shi, Hiroshima	Department store
Takamatsu Mitsukoshi Ltd.	¥50 mln.	100.0	Takamatsu-shi, Kagawa	Department store
Matsuyama Mitsukoshi Ltd.	¥50 mln.	100.0	Matsuyama-shi, Ehime	Department store
Iwataya Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Fukuoka-shi, Fukuoka	Department store
Isetan (China) Investment Co., Ltd.	US\$82,121 thou	100.0	Shanghai, China	Department store
Shanghai Mei Long Zhen Isetan Department Store Co., Ltd.	US\$5,000 thou	80.0	Shanghai, China	Department store
Tianjin Isetan Co., Ltd.	US\$2,100 thou	100.0	Tianjin, China	Department store
Tianjin Binhai New Area Isetan Co., Ltd.	US\$12,000 thou	100.0	Tianjin, China	Department store
Isetan (Singapore) Ltd.	S\$91,710 thou	52.7	Singapore	Department store
Isetan of Japan Sdn. Bhd.	20,000 thou ringgit	100.0	Kuala Lumpur, Malaysia	Department store
Mitsukoshi (U.S.A.) Inc.	US\$25,000 thou	100.0	Florida, U.S.A.	Department store
MICARD Co. Ltd.	¥1,100 mln.	100.0	Chuo-ku, Tokyo	Credit & finance

Notes: 1. The Company has a direct ownership in Isetan Mitsukoshi Ltd., Sapporo Marui Mitsukoshi Ltd., Hakodate Marui Imai Ltd., Sendai Mitsukoshi Ltd., Niigata Isetan Mitsukoshi Ltd., Shizuoka Isetan Co., Ltd., Nagoya Mitsukoshi Ltd., Hiroshima Mitsukoshi Ltd., Takamatsu Mitsukoshi Ltd., Matsuyama Mitsukoshi Ltd., Iwataya Mitsukoshi Ltd., and MICARD Co. Ltd., and an indirect ownership in all other companies.

2. Chengdu Isetan Co., Ltd. was closed in December 2022, and is in the liquidation process.

2) Status of affiliates accounted for by the equity method

Company Name	Paid-in Capital	Ownership Percentage by the Company (%)	Location of Main Store	Line of Business
West Japan Railway Isetan Ltd.	¥100 mln.	40.0	Shimogyo-ku, Kyoto-shi, Kyoto	Department store
Mitsukoshi Isetan Im Facilities Co., Ltd.	¥50 mln.	33.4	Chuo-ku, Tokyo	Real estate
Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)	12,459 mln. Taiwan dollars	43.4	Taipei, Taiwan	Department store
Yanlord Isetan Commercial Co., Ltd.	¥400 mln.	49.0	Tianjin, China	Department store

Notes: 1. The Company has a direct ownership in West Japan Railway Isetan Ltd., an indirect ownership in Mitsukoshi Isetan Im Facilities Co., Ltd. and Yanlord Isetan Commercial Co., Ltd., and both direct and indirect ownership in Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan).

2. MI Food Style Co. Ltd. has been included in the scope of consolidation and excluded from the application of the equity method due to the acquisition of additional shares.

3) Status of specific wholly-owned subsidiaries

Name	Address	Total amount of book value	Total assets of the Company
Isetan Mitsukoshi Ltd.	3-14-1, Shinjuku, Shinjuku-ku, Tokyo	¥431,756 mln.	¥744,285 mln.

(9) Principal lines of business (As of March 31, 2023)

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

(10) Principal sales and business establishments (As of March 31, 2023)

1) Department store

<Domestic>

Company & Store Name		Location
Isetan Mitsukoshi Ltd.	Mitsukoshi Nihombashi store	1-4-1, Nihombashi Muromachi, Chuo-ku, Tokyo
	Mitsukoshi Ginza store	4-6-16, Ginza, Chuo-ku, Tokyo
	Isetan Shinjuku store	3-14-1, Shinjuku, Shinjuku-ku, Tokyo
	Isetan Tachikawa store	2-5-1, Akebono-cho, Tachikawa-shi, Tokyo
	Isetan Urawa store	1-15-1, Takasago, Urawa-ku, Saitama-shi, Saitama
Sapporo Marui Mitsukoshi Ltd.	Sapporo Marui Imai main store	2-11, Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido
	Sapporo Mitsukoshi store	3-8, Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido
Hakodate Marui Imai Ltd.		32-15, Hon-cho, Hakodate-shi, Hokkaido
Sendai Mitsukoshi Ltd.		4-8-15, Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi
Niigata Isetan Mitsukoshi Ltd.		1-6-1, Yachiyo, Chuo-ku, Niigata-shi, Niigata
Shizuoka Isetan Co., Ltd.		1-7, Gofukucho, Aoi-ku, Shizuoka-shi, Shizuoka
Nagoya Mitsukoshi Ltd.	Sakae store	3-5-1, Sakae, Naka-ku, Nagoya-shi, Aichi
	Hoshigaoka store	14-14, Hoshigaokamotomachi, Chikusa-ku, Nagoya-shi, Aichi
Hiroshima Mitsukoshi Ltd.		5-1, Ebisu-cho, Naka-ku, Hiroshima-shi, Hiroshima
Takamatsu Mitsukoshi Ltd.		7-1, Uchimachi, Takamatsu-shi, Kagawa
Matsuyama Mitsukoshi Ltd.		3-1-1, Ichiban-cho, Matsuyama-shi, Ehime
Iwataya Mitsukoshi Ltd.	Iwataya main store	2-5-35, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
	Iwataya Kurume store	1-1, Tenjinmachi, Kurume, Fukuoka
	Fukuoka Mitsukoshi store	2-1-1, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
West Japan Railway Isetan Ltd.	JR Kyoto Isetan	901, Higashishiokojimachi, Karasumadorishiokouji-kudaru, Shimogyo-ku, Kyoto-shi, Kyoto

<Overseas>

Company Name	Location
Shanghai Mei Long Zhen Isetan Department Store Co., Ltd.	Shanghai, China
Tianjin Isetan Co., Ltd.	Tianjin, China
Tianjin Binhai New Area Isetan Co., Ltd	Tianjin, China
Isetan (Singapore) Ltd.	Singapore
Isetan of Japan Sdn. Bhd.	Kuala Lumpur, Malaysia
Mitsukoshi (U.S.A.) Inc.	Florida, U.S.A.
Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)	Taipei, Taiwan
Yanlord Isetan Commercial Co., Ltd.	Tianjin, China

2) Credit & finance / customer organization management

Company Name	Location
MICARD Co. Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo
MI TOMONOKAI Co., Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo

3) Real estate

Company Name	Location
Isetan Mitsukoshi Ltd.	3-14-1, Shinjuku, Shinjuku-ku, Tokyo
Isetan Mitsukoshi Property Design Ltd.	3-2-5 Nishishinjuku, Shinjuku-ku, Tokyo
ISETAN KAIKAN co., ltd	3-15-7, Shinjuku, Shinjuku-ku, Tokyo

Note: ISETAN KAIKAN co., ltd has been included in the scope of consolidation in the fiscal year under review due to an increase in materiality.

(11) Employees (As of March 31, 2023)

Employees of the Company and its subsidiaries

	Number of employees	Change from the end of previous fiscal year
Department store	7,526	332 decrease
Credit & finance / customer organization management	613	15 increase
Real estate	270	5 increase
Other businesses	1,336	366 increase
Total	9,745	54 increase

Notes: 1. The figures do not include temporary or part-time staff.

2. Other increases are due to the inclusion of MI Food Style Co., Ltd, in the scope of consolidation in the fiscal year under review due to the acquisition of additional shares.

(12) Principal lenders and borrowings (As of March 31, 2023)

Borrowing made by the Company and its subsidiaries

Lenders	Amounts borrowed (¥ million)
MUFG Bank, Ltd.	16,120
Sumitomo Mitsui Banking Corporation	16,120
Development Bank of Japan Inc.	11,000
Sumitomo Mitsui Trust Bank, Limited	7,500
Syndicated loan	35,000

Note: Borrowings include borrowings from overseas subsidiaries of lenders.

2. Matters related to the Company shares (As of March 31, 2023)

(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, 2023	396,931,154
Change from the end of previous fiscal year	+ 194,500

Note: The above figures include 15,048,154 treasury shares.

(3) Number of shareholders

	Number of Shareholders
At the end of the fiscal year ended March 31, 2023	297,396
Change from the end of previous fiscal year	+ 6,335

(4) Major shareholders

Name of Shareholders	Number of Shares Held	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	66,217,700	17.34
Custody Bank of Japan, Ltd. (Trust account)	30,314,700	7.94
The Mitsukoshi Health and Welfare Foundation	13,067,832	3.42
Isetan Mitsukoshi Group's partner holding companies	8,333,178	2.18
SHIMIZU CORPORATION	6,200,000	1.62
Meiji Yasuda Life Insurance Company	5,697,279	1.49
RBC 1ST 15 PCT LENDING ACCOUNT – CLIENT ACCOUNT	5,021,859	1.32
Isetan Mitsukoshi Group Employees Shareholding Association	4,588,586	1.20
STATE STREET BANK WEST CLIENT – TREATY 505234	4,089,600	1.07
TAIJU LIFE INSURANCE COMPANY LIMITED	3,806,300	1.00

Note: Treasury stock (15,048,154 shares) is deducted from Voting Rights Percentage.

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

Total shares delivered to Directors and other officers by position

	Number of Shares	Number of Recipients
Directors (excluding External Directors, including Executives)	27,000	4
Directors (External Directors)	5,400	6
Executives who are not Directors	11,800	2

Note: The shares above were delivered based on the company's stock compensation system.

(6) Other significant matters relating to shares

Not applicable.

3. Matters related to the stock acquisition rights issued by the Company (As of March 31, 2023)

Stock acquisition rights issued and outstanding held by the Company's Directors and Executives as of the end of the fiscal year under review

	Name of stock acquisition rights	No. of stock acquisition rights issued	No. of holders
Directors (not including External Directors)	18th Stock Acquisition Rights	117	1
	19th Stock Acquisition Rights	95	1
	20th Stock Acquisition Rights	108	1
	21st Stock Acquisition Rights	136	2
	23rd Stock Acquisition Rights	113	2
	25th Stock Acquisition Rights	107	2
	27th Stock Acquisition Rights	72	1
	29th Stock Acquisition Rights	324	3
	31st Stock Acquisition Rights	243	2
	33rd Stock Acquisition Rights	340	2
Directors (External Directors)	N/A		
Executives	N/A		

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

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

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

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

Number of the stock acquisition rights issued (as of the date issued)	2,053
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	205,300 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥88,500 per unit (¥885 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2014 through February 15, 2029
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating Officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

Number of the stock acquisition rights issued (as of the date issued)	1,540
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	154,000 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥88,500 per unit (¥885 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2014 through February 15, 2029
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating Officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

Number of the stock acquisition rights issued (as of the date issued)	1,800
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	180,000 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥114,600 per unit (¥1,146 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2015 through February 14, 2030
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating Officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

Number of the stock acquisition rights issued (as of the date issued)	1,514
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	151,400 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥169,000 per unit (¥1,690 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2016 through February 17, 2031
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating Officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

Number of the stock acquisition rights issued (as of the date issued)	1,307
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	130,700 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥126,600 per unit (¥1,266 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2017 through February 16, 2032
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating Officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

Number of the stock acquisition rights issued (as of the date issued)	1,962
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	196,200 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥133,600 per unit (¥1,336 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2018 through February 14, 2033
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating Officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

29th Stock Acquisition Rights (Issued on October 13, 2017)

Number of the stock acquisition rights issued (as of the date issued)	1,683
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	168,300 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥121,400 per unit (¥1,214 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	November 1, 2018 through October 13, 2033
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating Officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

31st Stock Acquisition Rights (Issued on July 3, 2018)

Number of the stock acquisition rights issued (as of the date issued)	1,045
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	104,500 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥130,200 per unit (¥1,302 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	August 1, 2019 through July 3, 2034
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating Officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

33rd Stock Acquisition Rights (Issued on July 2, 2019)

Number of the stock acquisition rights issued (as of the date issued)	1,233
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	123,300 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥85,400 per unit (¥854 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	August 1, 2020 through July 2, 2035
Main conditions for exercise of the stock acquisition rights	Stock acquisition rights may be exercised while holding the position of director, executive, corporate auditor, Operating Officer, consultant, counselor or Group officer (as defined in the Regulations for Group Officers of the Company) at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

4. Matters concerning Directors and Auditors (As of March 31, 2023)

(1) Names, etc. of Directors and Executives

1) Directors

Position	Name	Areas of responsibility	Representation at other companies, etc.
Director (Chairman)	Ken Akamatsu	Chairman of the Audit Committee	Director, Shin Kong Mitsukoshi Department Store Co., Ltd.
Director (President and CEO)	Toshiyuki Hosoya	Nominating Committee Member	President, Representative Director, Operating Officer, Isetan Mitsukoshi Ltd. Director, Shin Kong Mitsukoshi Department Store Co., Ltd.
Director (Executive Vice President)	Toru Takeuchi		Executive Vice President, Isetan Mitsukoshi Ltd.
Director	Yuki Ishizuka	Audit Committee Member	
Director (Outside)	Masami Iijima	Chairman of the Nominating Committee, Compensation Committee Member	Advisor, MITSUI & CO., LTD. External Director, Ricoh Company, Ltd. External Board Director, SoftBank Group Corp. Counsellor, the Bank of Japan External Director, Takeda Pharmaceutical Company Limited
Director (Outside)	Miwako Doi	Chairperson of the Compensation Committee, Nominating Committee Member	Auditor (Part-time), National Institute of Information and Communications Technology Executive Director (Part-time), Nara Institute of Science and Technology Vice President (Part-time), TOHOKU UNIVERSITY External Director, SUBARU CORPORATION External Director, NGK SPARK PLUG CO., LTD.
Director (Outside)	Takashi Oyamada	Nominating Committee Member, Audit Committee Member	Special Advisor, MUFG Bank, Ltd. External Director, Mitsubishi Research Institute DCS Co., Ltd. External Director, Mitsubishi Electric Corporation External Director, Kyowa Kirin Co., Ltd. Vice Chair, The Japan Institute of International Affairs
Director (Outside)	Hidetoshi Furukawa	Nominating Committee Member, Audit Committee Member	Special Advisor, SMBC Trust Bank Ltd. Chairman, General Incorporated Company, Kobe City Property Research Outside Director, Toagosei Co., Ltd.

Position	Name	Areas of responsibility	Representation at other companies, etc.
Director (Outside)	Fukutaka Hashimoto	Chairman of the Board of Directors	Representative Partner Attorney and Director, Tokyo Hatchobori Law Office Outside Audit & Supervisory Board Member, Sompo Japan Insurance Inc. Outside Auditor, KOKUYO Co., Ltd.
Director (Outside)	Tomoko Ando	Compensation Committee Member, Audit Committee Member	Outside Director, PRESS KOGYO CO., LTD. Outside Director, Kansai Paint Co., Ltd. Representative Director, Open the Door Inc.

2) Executives

Position	Name	Areas of responsibility	Representation at other companies, etc.
President and CEO	Toshiyuki Hosoya	CEO	President, Representative Director, Operating Officer, Isetan Mitsukoshi Ltd. Director, Shin Kong Mitsukoshi Department Store Co., Ltd.
Executive Vice President	Toru Takeuchi	CMO	Executive Vice President, Isetan Mitsukoshi Ltd.
Managing Operating Officer	Yoshinori Makino	CSDO and CFO	Director, West Japan Railway Isetan Ltd. Director, Shin Kong Mitsukoshi Department Store Co., Ltd.
Managing Operating Officer	Hiroki Taguchi	CAO, CRO and CHRO	

Notes:

- Directors Mr. Toshiyuki Hosoya and Mr. Toru Takeuchi serve concurrently as Executives.
- The Company has designated External Directors Mr. Masami Iijima, Ms. Miwako Doi, Mr. Takashi Oyamada, Mr. Hidetoshi Furukawa, Mr. Fukutaka Hashimoto, and Ms. Tomoko Ando as Independent Directors based on the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has notified both stock exchanges thereof.
- Audit Committee Member Takashi Oyamada has years of experience working and management experience at a financial institution, and has considerable knowledge of finance and accounting.
- Audit Committee Member Hidetoshi Furukawa has years of experience working and management experience at a financial institution, and has considerable knowledge of finance and accounting.
- Non-executive Director Ken Akamatsu has been selected as full-time Audit Committee Member. The Company appoints a full-time Audit Committee Member to increase the effectiveness of audit activities.
- Non-executive Director Yuki Ishizuka has been selected as full-time Audit Committee Member. The Company appoints a full-time Audit Committee Member to increase the effectiveness of audit activities.
- As of April 1, 2023, the Company has appointed the following Executives.

President and CEO	Toshiyuki Hosoya (CEO)
Managing Operating Officer	Yoshinori Makino (CSDO and CFO)
Managing Operating Officer	Akira Kimbara (CAO, CRO and CHRO)
Managing Operating Officer	Takuya Yamashita (CMO)

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

8. There are no special relationships between each External Director and his or her significant concurrent posts and the Company that would cause an issue in the execution of duties as an External Director. Although the following business relationships exist between organizations to which External Directors belong and the Company, we believe that there are no risks affecting the independence of any of the External Directors.

- (1) One subsidiary of the Company has a business relationship regarding sales of commodities etc., with MITSUI & CO., LTD., where External Director Masami Iijima holds a concurrent post, but the amount of these transactions with the Company in the past three fiscal years is less than 1% of the consolidated net sales of both parties for each fiscal year.
- (2) MUFG Bank, Ltd., where External Director Takashi Oyamada holds a concurrent post, is a shareholder, holding 0.94% of the Company's total issued shares. The Company and the Group have transactional relationships such as borrowings with MUFG Bank, Ltd., but the amount of these borrowings in the current business year is less than 3% of the most recent consolidated total assets of the Company.
- (3) The Company has a business relationship with Sompo Japan Insurance Inc., where External Director Fukutaka Hashimoto holds a concurrent post, but this is limited to general insurance coverage, and there is no special relationship that represents a conflict of interests with the Company's general shareholders.

(2) Changes in Directors during the fiscal year

During the fiscal year, changes occurred in the positions of Directors as at the conclusion of the Ordinary General Meeting of Shareholders held on June 27, 2022.

1) New appointments

As of June 27, 2022

Director	Yuki Ishizuka
Director (Outside)	Tomoko Ando

2) Resignation

As of June 27, 2022

Director (Outside)	Michiko Kuboyama
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(3) Outline of limited liability agreements

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

(4) Outline of directors and officers liability insurance contract

The Company has concluded a directors and officers liability insurance contract with an insurance company, as set forth in Article 430-3, Paragraph 1 of the Companies Act. The insurance covers

Directors, Executives, Corporate Auditors and Operating Officers of the Company and Isetan Mitsukoshi Ltd. for litigation expenses and legal damages, should such persons be held accountable in the event of a stockholders' representative action, corporate action or third-party action. The company is fully responsible for paying all insurance premiums. The insurance contract contains exclusions related to coverage in the case of intentional actions or gross negligence by the insured parties.

(5) Total payments to Directors and Executives

Classification	Number of Payees	Total Payments (Millions of yen)	Total Amount of Payments by Type (Millions of yen)		
			(Fixed Compensation) Basic Compensation	(Performance-Linked Compensation) Bonuses	(Non-monetary Compensation) Share-Based Compensation
Directors (External Directors)	11 (7)	170 (86)	159 (81)	- (-)	11 (5)
Executives	4	249	156	58	35
Total	15	420	315	58	46

Notes:

1. The table above includes one (1) Director who resigned at the conclusion of the 14th Ordinary General Meeting of Shareholders held on June 27, 2022.
2. Regarding compensation paid to Executives who concurrently serve as Directors, the amounts paid have been shown separated into their compensation as Directors, and compensation as Executives. They have been shown in both rows in the Number of Payees column.
3. The Company introduced a performance-linked calculation method for bonuses for Operating Officers, and uses the amount of operating income that has been established as a companywide target for the Company as the evaluation index. The above bonus amount is for the period from April 2022 to March 2023, and the amount of unpaid bonus to be paid in July 2023 is stated.
4. The Company introduced restricted stock compensation. Non-monetary compensation in the table above represents the expenses recorded during fiscal 2022 associated with this restricted stock compensation. The status of shares delivered during the fiscal year under review as consideration for the execution of duties is presented in "Matters related to the Company shares."

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

◆ Basic principles on officer’s compensation

- The Company established “Basic principles on officer’s compensation” as a policy relating to details of compensation for individual Executives, etc., an outline of which follows. We provide incentives that contribute to the demonstration of a sound entrepreneurial spirit based on the following four basic principles.

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

- Based on the aforementioned “Basic principles on officers’ compensation,” the Compensation Committee, which consists solely of External Directors, determines the policy regarding compensation, and deliberates and determines the amounts of individual compensation.

The Committee is continuing to consider making the executive compensation system even more functional as a sound incentive for the sustainable growth of the Company.

◆ Composition of compensation

(Executives) * Including Executives concurrently serving as Directors)

Basic Compensation x 12 months	Bonuses Basic Compensation x 5 months (when the payment rate is 1.00)	Share-Based Compensation Basic Compensation x 3 months
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(Non-executive Directors) * Including External Directors

Basic Compensation x 12 months	← Share-based Compensation Basic compensation x 1 month
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◆ Basic compensation

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

◆ Bonuses (Performance-linked compensation)

- The Company has introduced a performance-linked bonus system for Executives as shown below, to reflect its compensation principles and provide a strong motivation to achieve targets.

[1] Bonus payment calculation formula

Executives: Base amount of bonus (Monthly basic compensation (5 months) x corporate performance payment rate)

[2] Corporate performance payment rate

The payout ratio is set at 1.00 (100%) when the Company achieves its operating income goal, and is designed to vary within the range from a minimum 0.00 (0%) to a maximum of no upper limit, in proportion to the degree to which the goal is achieved.

(Corporate performance goal/Actual result)

	12th Term Fiscal 2019 (From April 1, 2019 to March 31, 2020)	13th Term Fiscal 2020 (From April 1, 2020 to March 31, 2021)	14th Term Fiscal 2021 (From April 1, 2021 to March 31, 2022)	15th Term Fiscal 2022 (From April 1, 2022 to March 31, 2023)
Consolidated operating income goal	¥30.0 billion	-	¥3.0 billion	¥14.0 billion
Consolidated operating income result	¥15.6 billion	¥(20.9) billion	¥5.9 billion	¥29.6 billion

◆ Share-based compensation (Non-monetary compensation)

- The Company has been granting its own shares with transfer restrictions covering a certain period of time, and has introduced a restricted stock compensation system to align the interests of shareholders and officers in order to increase awareness of enhancing shareholder value.

(Restricted stock compensation system)

Monetary compensation claims	Executives/Operating Officers (including Executives concurrently serving as Directors): 3 months' monthly basic compensation Non-executive Directors: 1 month monthly basic compensation
Calculation of the number of allotted shares	Individual monetary compensation receivables ÷ base share price * ¹ (rounded down to the nearest 100 shares)
Transfer restriction period	30 years * ²

*¹ The closing price of the Company's shares on the Tokyo Stock Exchange on the trading day before the allotment resolution date (or the prior trading day if there no share price is allocated on that day)

*² Transfer restrictions shall be lifted if the term of office expires or if the recipient retires during the transfer restriction period due to reasons deemed justified by the Board of Directors of the Company.

◆ Reason why the details of individual compensation for Executives, etc. for the fiscal year under review are deemed appropriate by the Compensation Committee in view of the "Basic principles on officer's compensation"

- Details of individual compensation, etc. determined by the Compensation Committee
 - (1) Basic compensation to be calculated as monetary compensation for each individual in accordance with positions and responsibilities
 - (2) Bonuses to be monetary compensation linked to corporate performance goals and results
 - (3) It was confirmed during deliberations by the committee that share-based compensation is incentive compensation that aligns with the interests of shareholders. Based on this, the Compensation Committee has determined that the details of compensation for individual Executives, etc. for the fiscal year under review are deemed to be in accordance with the "Basic principles on officer's compensation."

- In addition, levels of compensation are benchmarked against the industry as a whole (companies listed on the Prime Market), based on “3. Ensuring there is no shortfall in compensation level compared with the industry as a whole” in the aforementioned basic principles. Following this, the Company then participates in a compensation survey each fiscal year, together with numerous other listed companies, and the levels of total annual compensation have been validated by the Compensation Committee to be average on a yearly basis, provided the corporate performance target amounts are met.

(7) Matters concerning External Directors and Outside Corporate Auditors

Major activities in the fiscal year

Position	Name	Attendance at meetings of the Board of Directors, etc.	Outline of comments made and duties carried out related to roles expected to be fulfilled by External Director
Director	Masami Iijima	<p>Meetings of the Board of Directors: 12 out of 12</p> <p>Meetings of the Nominating Committee: 10 out of 10</p> <p>Meetings of the Compensation Committee: 8 out of 8</p>	<p>He is expected to use his extensive experience in corporate management and deep insight into governance to contribute to supervision of the Company’s management. At meetings of the Board of Directors, he made necessary comments on management discussion items and deliberation items as appropriate based on this perspective.</p> <p>At the meetings of the Nominating Committee, he deliberated on matters including a succession plan for the President and CEO, personnel change of officers including Executives, and the determination of proposals for reappointment of Directors to be submitted to the General Meeting of Shareholders, etc. As Chairman of the Nominating Committee, he endeavored to manage meetings objectively and transparently.</p> <p>At the meetings of the Compensation Committee, he deliberated on the compensation system for officers including Directors and the determination of individual compensation amounts, etc. for the Company’s officers.</p>

Position	Name	Attendance at meetings of the Board of Directors, etc.	Outline of comments made and duties carried out related to roles expected to be fulfilled by External Director
Director	Miwako Doi	<p>Meetings of the Board of Directors: 12 out of 12</p> <p>Meetings of the Nominating Committee: 10 out of 10</p> <p>Meetings of the Compensation Committee: 8 out of 8</p>	<p>She is expected to use her extensive knowledge and experience in the digital and IT fields to contribute to supervision of the Company's management. At meetings of the Board of Directors, she made necessary comments on management discussion items and deliberation items as appropriate based on this perspective.</p> <p>At the meetings of the Nomination Committee, she deliberated on matters including a succession plan for the President and CEO, personnel change of officers including Executives, and the determination of proposals for reappointment of Directors to be submitted to the General Meeting of Shareholders, etc.</p> <p>At the meetings of the Compensation Committee, she deliberated on the compensation system for officers including Directors and the determination of individual compensation amounts, etc. for the Company's officers. As Chairperson of the Compensation Committee, she endeavored to manage meetings objectively and transparently.</p>
Director	Takashi Oyamada	<p>Meetings of the Board of Directors: 12 out of 12</p> <p>Meetings of the Nominating Committee: 10 out of 10</p> <p>Meetings of the Audit Committee: 17 out of 17</p>	<p>He is expected to use his extensive experience in corporate management, knowledge of finance and accounting, and insight into governance to contribute to supervision of the Company's management. At meetings of the Board of Directors, he made necessary comments on management discussion items and deliberation items as appropriate based on this perspective.</p> <p>At the meetings of the Nomination Committee, he deliberated on matters including a succession plan for the President and CEO, personnel change of officers including Executives, and the determination of proposals for reappointment of Directors to be submitted to the General Meeting of Shareholders, etc.</p> <p>Moreover, at the meetings of the Audit Committee, he received reports from Executives regarding issues deemed necessary to be monitored by the Audit Committee, and audited the execution of duties by Directors and Executives.</p>

Position	Name	Attendance at meetings of the Board of Directors, etc.	Outline of comments made and duties carried out related to roles expected to be fulfilled by External Director
Director	Hidetoshi Furukawa	Meetings of the Board of Directors: 12 out of 12 Meetings of the Compensation Committee: 10 out of 10 Meetings of the Audit Committee: 17 out of 17	He is expected to use his extensive experience in corporate management and insight into finance and accounting to contribute to supervision of the Company's management from these perspectives. At meetings of the Board of Directors, he made necessary comments on management discussion items and deliberation items as appropriate based on this perspective. At the Nominating Committee, he deliberated on matters including a succession plan for the President and CEO, personnel change of officers including Executives, and the determination of proposals for reappointment of Directors to be submitted to the General Meeting of Shareholders, etc. As an Audit Committee Member, he received reports from Executives regarding issues deemed necessary to be monitored by the Audit Committee, and audited the execution of duties by Directors and Executives.
Director	Fukutaka Hashimoto	Meetings of the Board of Directors: 12 out of 12	He is expected to use his specialist knowledge in corporate legal affairs and deep insight into auditing to contribute to supervision of the Company's management from these perspectives. At meetings of the Board of Directors, he made necessary comments on management discussion items and deliberation items as appropriate based on this perspective. In addition, as Chairman of the Board of Directors, he demonstrated leadership in strengthening the monitoring of management.
Director	Tomoko Ando	Meetings of the Board of Directors: 9 out of 9 Meetings of the Compensation Committee: 7 out of 7 Meetings of the Audit Committee: 13 out of 13	She is expected to use her extensive knowledge and experience in marketing to contribute to the supervision of the Company's management. At meetings of the Board of Directors, she made necessary comments on discussion items and deliberation items as appropriate based on this perspective. In addition, at the meetings of the Compensation Committee, she deliberated on the determination of policy for the compensation system for officers including Directors and the determination of individual compensation amounts, etc. for the Company's officers. Moreover, at the meetings of the Audit Committee, she received reports from Executives regarding issues deemed necessary to be monitored by the Audit Committee, and audited the execution of duties by Directors and Executives.

(Note) * Ms. Tomoko Ando assumed office as Director at the 14th Ordinary General Meeting of Shareholders held on June 27, 2022, and her attendance at meetings of the Board of Directors, etc. after assumption of office has been shown.

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 compensation, etc. to be paid by the Company as Accounting Auditor	¥115 Million
2) Total monetary and other financial benefits payable by the Company and its subsidiaries	¥230 Million

Notes:

1. After considering matters such as whether or not the basis for the content of the audit plans of the independent auditor, status of progress in duties of the independent auditor, and the basis for calculating compensation estimates are appropriate, the Audit Committee has agreed upon the compensation for the independent auditor as stated in Article 399, Paragraph 1 and Paragraph 4 of the Companies Act.
2. The audit engagement agreements between the Company and the independent auditor does not distinguish between compensation and other fees for audits performed pursuant to the Companies Act and compensation and other fees for audits performed pursuant to the Financial Instruments and Exchange Act, and since it is virtually impossible to make such a distinction, the above amount stated under classification 1) is the total figure for both audits.
3. Of the Company's principal subsidiaries, Isetan (China) Investment Co., Ltd., Shanghai Mei Long Zhen Isetan Department Store Co., Ltd., Tianjin Isetan Co., Ltd., Tianjin Binhai New Area Isetan Co., Ltd., Isetan (Singapore) Ltd., and Isetan of Japan Sdn. Bhd. are audited by another auditor with regard to the statutory audit of Accounting Documents.

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

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

In the event that the independent auditor falls under any of the items of Article 340, Paragraph 1 and Paragraph 6 of the Companies Act, the Audit Committee shall discharge the independent auditor upon a unanimous resolution by the Audit Committee.

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

Basic policies for internal control systems

Isetan Mitsukoshi Holdings Ltd. (the “Company”) shall establish a system to ensure appropriate conduct of business (the “internal control”), and aim for healthy and highly transparent Group management as well as maximizing corporate value.

1. Compliance System

“Systems to ensure that the performance of duties by the Executives and employees of the Company conform with laws, regulations, and the Articles of Incorporation” (Article 416, Paragraph 1, Item 1 (e) of the Companies Act and Article 112, Paragraph 2, Item 4 of the Regulation for Enforcement of the Companies Act)

- (1) The Board of Directors shall hold regular meetings in accordance with the “Regulation of the Board of Directors,” where they shall resolve mainly the matters required by laws and regulations to be discussed at the Board of Directors meetings (hereinafter referred to as the “statutory matters to be discussed”) and oversee the performance of duties by Executives, preventing violation of laws, regulations, and the Articles of Incorporation.
- (2) The Company shall establish a section and designate a person in charge of compliance oversight in the General Affairs Department to maintain and improve internal control systems and legal compliance.
- (3) Majority of Directors shall be External Directors to enhance legality, efficiency, and adequacy of decision making and oversight in the Board of Directors.
- (4) The Company shall establish the Internal Audit Division as the independent section that specializes in internal audit. The internal audit should be in accordance with the “Regulations of Internal Audits” and performed by the Internal Audit Division in corporation with each division, to audit the legality and adequacy of the conduct of the business.
- (5) In the case that the Company or the Group commits an illegal act, the Company shall promptly confirm the nature of the situation and establish the “Isetan Mitsukoshi Group Hotline” as a point of contact for internal reports from employees for self-betterment.

2. Risk Management System

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

- (1) The Company shall identify, assess, and analyze risks involved in the business, determine the risks that need to be addressed with high priority based on the analyses and assessment, and prevent the risk events before they materialize.
- (2) The Company shall establish a cross-departmental, enterprise risk management system that will swiftly initiate the establishment of a countermeasures headquarters and information

management in the event that the risks materialize, aiming to prevent the spread of damages and secondary damages, as well as to prevent the recurrence of the risk events.

- (3) The Company shall establish relevant regulations from the standpoint of recognition, assessment, and response to risks, and ensure acknowledgment and observance among employees.
- (4) Through inspections by the Internal Audit Division, the Company shall detect its risks in the early stages and address these risks.
- (5) The Company shall not tolerate any relationship with antisocial groups, shall not accept any unlawful request and shall prevent damages from them.

3. Internal Control system for financial reporting

“Systems to ensure appropriateness of the financial reporting” (Article 24-4-4 of the Financial Instruments and Exchange Act)

- (1) The Company shall specify company-wide policies and procedures to ensure adequate financial reporting, as well as maintain and implement them appropriately.
- (2) The Company shall appropriately evaluate and address the risks of misstatement of material items in financial reporting and shall appropriately maintain and implement the structures to mitigate these risks.
- (3) The Company shall maintain and implement mechanism to ensure identification, capturing and processing of true and fair information, and to ensure timely communication of the information to appropriate person.
- (4) The Company shall maintain and implement a monitoring system regarding financial reporting.
- (5) The Company shall maintain a system to ensure timely and appropriate reporting of weaknesses (deficiencies) of the internal control identified through the monitoring.
- (6) The Company shall handle IT (information infrastructure) concerning internal control over financial reporting appropriately, including preventing information leaks and unauthorized access.

4. Data Retention and Management System

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

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

5. Framework for efficient execution of duties

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

- (1) The segregation of duties and chain of command among Executives shall be determined by the Board of Directors.
- (2) The Board of Directors shall resolve mainly statutory matters to be discussed and delegate authority for decision-making on other significant matters to Executives. The Board of Executives, primarily consisting of Executives, shall deliberate, resolve, and decide on such important matters.
- (3) The Company shall adopt an Operating Officer system to streamline the business execution through clarification of the executive duties of Operating Officers.
- (4) The Company shall adopt a Chief Officer system, and the Chief Officers, who have been delegated important responsible fields from the President and CEO, shall promote control of issues of the entire Group, which covers multiple departments.

- (5) The Company shall define details of duties, responsibilities and procedures in “Regulations of Decision-Making Process for the Group,” “Regulations of Duties and Authority”, and “Regulations of Signature Authority” for execution of duties.

6. Framework of group corporate principles

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

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

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

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

- (2) “Regulations and other systems concerning the management of risks of loss to subsidiaries of the Company” (Article 112, Paragraph 2, Item 5 (b) of the Regulation for Enforcement of the Companies Act)
 - (1) Regarding risk management for the Group, requisite items shall be established in the “Basic Regulations on Risk Management” and an independent division dedicated for risk management shall be established in the Company. Said division shall work with companies in the Group as it promotes risk management.
 - (2) In order to realize comprehensive risk management across the entire Group, a Compliance and Risk Management Promotion Committee shall be created consisting of the Company’s President and CEO as the chairman as well as members selected by said chairman.

- (3) “Systems to ensure the efficient execution of business duties by Directors, etc. of subsidiaries of the Company” (Article 112, Paragraph 2, Item 5 (c) of the Regulation for Enforcement of the Companies Act)
 - 1) The Company shall optimize its business operations by respecting the independence of the Group companies while also managing their managerial affairs and providing advice and guidance, as well as by dispatching Directors and Corporate Auditors as necessary to understand the state of their management.
 - 2) Based on the “Regulations of Decision-Making Process for the Group,” Group companies shall receive resolutions of approval of either Board of Executives or Board of Directors of the Company for important items deemed to have significant effects on the business operation.
- (4) “Systems to ensure the compliance of the execution of duties by Directors, etc. and employees of the Company’s subsidiaries with laws, regulations, and the Articles of Incorporation” (Article 112, Paragraph 2, Item 5 (d) of the Regulation for Enforcement of the Companies Act)
 - 1) The Internal Audit Division shall conduct internal audits of the Group companies, auditing the legal compliance, appropriateness, etc. of executed business duties.
 - 2) A compliance guidebook and other documents shall be created and thoroughly disseminated throughout the Group while training regarding legal compliances, etc. is held to foster an awareness of compliance.
 - 3) An “Isetan Mitsukoshi Group Hotline” shall be established as a point of contact for internal reports regarding the Group as a whole, and corrective measures and future preventive measures shall be undertaken from a compliance standpoint with regards to these reports from employees, etc.

7. Matters concerning Audit Committee staff

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

- (1) The Company shall establish a dedicated organization that assists the Audit Committee with their duties and appoint the staff (hereinafter referred to as “Audit Committee staff”). The Audit Committee may give instructions to the staff regarding items necessary for auditing duties.
- (2) Audit Committee staff shall provide reports on the items requested by the Audit Committee and have authority to collect information required for such reporting.
- (3) Audit Committee staff shall be independent of executive operational systems and carry out their duties as dedicated resources under the instruction of the Audit Committee. Personnel changes,

evaluation, discipline, and other such treatment pertaining to the staff shall require the consent of the Audit Committee.

- (4) To enhance the audit system of the entire Group, the Company shall dispatch Audit Committee staff to the Group companies as part-time Corporate Auditors.

8. Framework for reporting to the Audit Committee

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

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

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

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

9. Policy for Processing Auditing Fees

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

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

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

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

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

Operational status of the system to ensure appropriate conduct of business

The operational status of this system during the fiscal year under review was as follows.

1. Compliance system

- (1) In accordance with the Regulation of the Board of Directors, 12 meetings of the Board of Directors were held during the fiscal year ended March 31, 2023. Directors conducted deliberations, resolutions, business execution, and reports on matters mainly relating to matters to be determined by the Board of Directors stipulated in the Companies Act, as well as matters stipulated in the Articles of Incorporation, Regulation of the Board of Directors, and Regulations of Decision-Making Process for the Group.
- (2) The Company establishes a section and designates a person in charge of internal control and compliance in the General Affairs Department to maintain and improve internal control systems, legal compliance, and social ethics, and to work on overall control.
- (3) The Company holds meetings of the “Compliance Subcommittee” for management of each Group company to promote understanding of the latest laws and regulations and administrative trends, etc., and link this to their practical implementation. The basic knowledge and case studies necessary for management at the frontlines of business are shared through the “Isetan Mitsukoshi Compliance Committee,” and a system is established to enable education and instruction within each operating company.
- (4) As an Internal Audit Division, the Company establishes the “Internal Audit Office” as an independent organization under the direct control of the President and CEO. The Internal Audit Office formulates an annual audit plan and conducts audit activities based on the “Regulations of Internal Audits,” and reports important audit results, etc. to the President and CEO, the Board of Directors and the Audit Committee as necessary.
- (5) The “Isetan Mitsukoshi Group Hotline,” which is a point of contact for internal reports for the Group as a whole, establishes points of contact both inside and outside the Company, and sets up a system for receiving reports, conducting investigations, and taking corrective measures. In accordance with the enforcement of the revised Whistleblower Protection Act in June 2022, the Company revised the “Group Hotline Regulations” and conducted training for all Group employees.

2. Risk management system

- (1) The “Compliance and Risk Management Promotion Committee,” chaired by the President and CEO, thoroughly communicates the risk management system and action plan, and takes effective measures to prevent the occurrence of priority risks through the “four risk subsections” (Risk Management Subcommittee, Compliance Subcommittee, Cyber Risk Management Project, and COVID-19 Task Force Committee).

- (2) Using a “risk list” that comprehensively organizes the risks facing the Group as a whole, the Company establishes a flow for evaluating the status of response to individual risks on a monthly basis and confirming the progress of countermeasures, and introduces a system that enables us to respond to changes in the environment, etc. in a timely manner.
- (3) By revising the Group BCP(*), the Company strengthened its ability to respond to a wide range of risks (earthquakes, floods, pandemics, etc.)

*BCP: Business Continuity Plan

3. Internal control system for financial reporting

- (1) In order to realize adequate financial reporting, the Company maintains and operates a system to ensure reliability based on laws and regulations and internal regulations, such as the development of an information infrastructure relating to internal control over financial reporting, and technical measures to prevent unauthorized access.
- (2) In addition, information is exchanged between responsible persons (Accounting Auditor and General Manager of Corporate Finance and Accounting Department) on systems and implementation status on a quarterly basis.
- (3) As part of the internal control reporting system (J-SOX) under the Financial Instruments and Exchange Act, the Internal Audit Office evaluates internal control over financial reporting based on the implementation standards of the Financial Services Agency’s Business Accounting Council.
- (4) As countermeasures against external threats such as unauthorized access, the Company implements technical measures to detect and eliminate unauthorized access. As countermeasures against internal threats such as information leaks, the Company maintains a record of computer logins to enable follow-up investigations.

4. Data retention and management system

- (1) Based on laws and regulations and “Document Retention Policies,” important documents such as the minutes of decision-making bodies, including the General Meeting of Shareholders, the Board of Directors, and the Board of Executives, are appropriately recorded, retained, and managed by each responsible department.
- (2) Important regulations relating to information management are defined as Regulations A, and are organized following deliberations by the Board of Directors and the Board of Executives, etc., and disclosed to the Group to ensure thorough communication with all relevant parties.

5. Framework for efficient execution of duties

- (1) Executives selected and appointed by the Board of Directors decide on and execute business operations based on the division of duties and relationships of direction and order determined

by the Board of Directors. While determining the scope of duties as Executives, important matters are resolved or deliberated through consensus by the Board of Executives based on the “Regulations of Decision-Making Process for the Group,” and determined by the President and CEO.

- (2) Executives make regular reports to the Board of Directors on the status of execution of their areas of responsibility.

6. Framework of group corporate principles

- (1) The Company has established the “Regulations on Group Company Management,” and the Company has established policies to manage and support Group companies with the aim of conducting Group management in cooperation between the Company, which is the parent company, and Group companies.
- (2) By clarifying the scope of decision-making by the Company’s subsidiaries in the Regulations of Decision-Making Process for the Group, the Company has established a framework that enables the Directors, etc. of each subsidiary to efficiently perform their duties. In addition, the Company dispatches part-time Directors and Corporate Auditors to Group companies to understand the state of their management, confirm the appropriateness of operations, and be involved in important decision-making.

7. Matters concerning Audit Committee staff

The Company has set up the Audit Committee Administration Department as the organization that assists the Audit Committee with its duties, under the Office of Board of Directors that was newly established, and appointed dedicated staff. Also, part-time Corporate Auditors were dispatched from the Audit Committee Administration Department to Group companies in Japan to enhance the audit system of the Group.

8. Framework for reporting to the Audit Committee

- (1) Executives and employees of the Internal Audit Division, etc., in accordance with the provisions of the “Audit Committee Standards” and requests of the Audit Committee, report to the Audit Committee the status of execution of duties, the financial and accounting status, and the status of the internal control systems of the Group as a whole on a regular or timely basis. In addition, the Audit Committee receives reports on the status of each company from the Corporate Auditors of each Group company.
- (2) The Company periodically reports the operational status of the Isetan Mitsukoshi Group Hotline, the contents informed through the system and the investigation results to the Audit Committee.

9. Policy for processing auditing fees

The “Audit Committee Standards” and the “Auditing Standards of the Audit Committee” contain stipulations to the effect that the Audit Committee may claim necessary expenses, etc., for the execution of their duties, and the Company pays these expenses, etc. accordingly.

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

- (1) The Audit Committee exchanges opinions with Representative Executives and each of the other Executives. In addition, information is shared and opinions are exchanged through meetings between the Chairman of the Board of Directors and all External Directors who are not Audit Committee Members.
- (2) The Full-time Audit Committee Members participate in important internal meetings such as the meetings of the Board of Executives to understand the processes of making important decisions and the state of executed duties by Executives, etc.
- (3) The Audit Committee adequately works with the internal audit departments and the Accounting Auditor including the exchange of information and opinions on auditing plans, audit findings, and audit status to improve the effectiveness of audits.

7. Policies on determination of surplus dividend

The Company aims to return profits to shareholders while endeavoring to increase corporate value in the long term.

The Company maintains a stable level of dividends, increases dividends over the medium- to long-term in line with profit growth, and provides total returns in combination with the acquisition of treasury stock, keeping in mind a total payout ratio at a level of 50%, while comprehensively considering the management environment, business performance, and the soundness of the Group’s financial position.

The Company adopts a flexible approach when deciding on the acquisition of treasury stock to improve capital efficiency, including the amount and timing, taking into account business performance trends, growth investment opportunities, and other factors.

(Reference) Policy on cross-shareholdings

1) Policy regarding cross-shareholdings by the Company

The basic policy of the Group is not to acquire or hold cross-shareholdings in principle, except when it is deemed to contribute to sustainable growth and enhancement of corporate value of the Group over the medium- to long-term. With regard to the cross-shareholdings the Company currently holds, every year at the Board of Directors, the Company comprehensively verifies the rationality of continued holding from quantitative and qualitative aspects including the purpose of

holding, transaction status, and dividend earnings. Regardless, the Company will proceed with phased sales in consideration of factors such as the market environment and status of shares held with the aim of reducing cross-shareholdings.

2) Standards for exercising voting rights in relation to cross-shareholdings

Regarding the exercise of voting rights for cross-shareholdings, an overall judgment is made as to whether or not exercise of such rights would spur sustainable corporate value of said company or contribute to sustainable growth and enhancement of corporate value of the Group over the mid-to long-term. Such voting rights are duly exercised for each agenda item.

3) Policy in the case that cross-shareholders indicate their intention to sell shares

When shareholders who hold the Company’s shares for the purpose of cross-shareholding (cross-shareholders) indicate their intention to sell their shares, the Company will not hinder the sale of the shares by, for instance, implying a possible reduction of business transactions.

8. Measures regarding corporate governance

(1) Basic views

The Group is overhauling its corporate governance structure by continuing to take a range of ongoing measures including ensuring the transparency of our business activities, speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems. In addition, the Company has adopted the organizational structure of a company with a nominating committee, etc.

In order to build excellent relationships with customers, employees, shareholders, investors, business partners, local communities and other communities – our stakeholders – the Company examines its approach to corporate governance and make necessary improvements as appropriate.

(2) Structure and status of activities of the Board of Directors and the three statutory committees

Board of Directors	Role: Determination of the Group’s direction from a broad perspective and the supervision and monitoring of the execution of business			
	Status of activities in fiscal 2022			
	<p>■ Chairperson</p> <p>Director Hashimoto</p>	<p>■ No. of members and structure</p> <p>10 [External Directors: 6 (60%)]</p>	<p>■ No. of meetings held and rate of attendance</p> <p>12 100%</p>	<p>■ Main agenda</p> <ul style="list-style-type: none"> • Resolutions and reports required under the Companies Act, Articles of Incorporation, etc. • Deliberation on rebuilding the Group corporate philosophy • Monitoring of Medium-Term Management Plan and important business execution • Monitoring of internal control system

Nominating Committee	Role: Deliberations and decision-making regarding the nomination of officers											
	Status of activities in fiscal 2022											
	<table border="1"> <tr> <th>■ Chairperson</th> <th>■ No. of members and structure</th> <th colspan="2">■ No. of meetings held and rate of attendance</th> <th rowspan="2"> ■ Main agenda ● Deliberations on the reappointment and succession plan of the President and CEO ● Determination of candidates for Directors ● Deliberations on resolutions regarding the appointment of committee members and officers, including Executives </th> </tr> <tr> <td>Director Iijima</td> <td>5 [External Directors: 4 (80%)]</td> <td>10</td> <td>100%</td> </tr> </table>	■ Chairperson	■ No. of members and structure	■ No. of meetings held and rate of attendance		■ Main agenda ● Deliberations on the reappointment and succession plan of the President and CEO ● Determination of candidates for Directors ● Deliberations on resolutions regarding the appointment of committee members and officers, including Executives	Director Iijima	5 [External Directors: 4 (80%)]	10	100%		
■ Chairperson	■ No. of members and structure	■ No. of meetings held and rate of attendance		■ Main agenda ● Deliberations on the reappointment and succession plan of the President and CEO ● Determination of candidates for Directors ● Deliberations on resolutions regarding the appointment of committee members and officers, including Executives								
Director Iijima	5 [External Directors: 4 (80%)]	10	100%									

Compensation Committee	Role: Decision-making regarding compensation for officers											
	Status of activities in fiscal 2022											
	<table border="1"> <tr> <th>■ Chairperson</th> <th>■ No. of members and structure</th> <th colspan="2">■ No. of meetings held and rate of attendance</th> <th rowspan="2"> ■ Main agenda ● Deliberations and decision-making on compensation for officers ● Deliberations and decisions on incentive systems, such as performance-linked compensation and non-monetary compensation </th> </tr> <tr> <td>Director Doi</td> <td>3 [All External Directors (100%)]</td> <td>8</td> <td>100%</td> </tr> </table>	■ Chairperson	■ No. of members and structure	■ No. of meetings held and rate of attendance		■ Main agenda ● Deliberations and decision-making on compensation for officers ● Deliberations and decisions on incentive systems, such as performance-linked compensation and non-monetary compensation	Director Doi	3 [All External Directors (100%)]	8	100%		
■ Chairperson	■ No. of members and structure	■ No. of meetings held and rate of attendance		■ Main agenda ● Deliberations and decision-making on compensation for officers ● Deliberations and decisions on incentive systems, such as performance-linked compensation and non-monetary compensation								
Director Doi	3 [All External Directors (100%)]	8	100%									

Audit Committee	Role: Auditing of Executives' and Directors' fulfillment of their duties, auditing of the status of internal control systems, and evaluations related to the appointment and dismissal of independent auditors											
	Status of activities in fiscal 2022											
	<table border="1"> <tr> <th>■ Chairperson</th> <th>■ No. of members and structure</th> <th colspan="2">■ No. of meetings held and rate of attendance</th> <th rowspan="2"> ■ Main agenda ● Formulation of audit policies and audit plans ● Risk management reports ● Reports from the Internal Audit Office ● Reports from the Independent Auditor ● Interviews with executive departments on the status of business execution </th> </tr> <tr> <td>Director Akamatsu</td> <td>5 [External Directors: 3 (60%)]</td> <td>17</td> <td>100%</td> </tr> </table>	■ Chairperson	■ No. of members and structure	■ No. of meetings held and rate of attendance		■ Main agenda ● Formulation of audit policies and audit plans ● Risk management reports ● Reports from the Internal Audit Office ● Reports from the Independent Auditor ● Interviews with executive departments on the status of business execution	Director Akamatsu	5 [External Directors: 3 (60%)]	17	100%		
■ Chairperson	■ No. of members and structure	■ No. of meetings held and rate of attendance		■ Main agenda ● Formulation of audit policies and audit plans ● Risk management reports ● Reports from the Internal Audit Office ● Reports from the Independent Auditor ● Interviews with executive departments on the status of business execution								
Director Akamatsu	5 [External Directors: 3 (60%)]	17	100%									

(3) Activities other than those of the Board of Directors and the three statutory committees

As part of measures to improve the effectiveness of the Board of Directors, the Company holds extensive discussions on the Group's management challenges and their vision for the Group's future. These discussions include "regular meetings for External Directors," "meetings for Non-executive Directors," and regular opportunities for the exchange of opinions between External Directors and the President and CEO. In addition, the Company provides External Directors with support for promoting awareness of issues facing the Company, and opportunities to check the progress of management plans and issues by visiting strategically important bases to promote understanding of the Group and contribute to improved communication.

(4) Business execution mechanisms

Executives, who are elected and selected by the Board of Directors, have the role of Chief Officers, whose authority is delegated based on the division of duties and relationships of direction and order determined by the Board of Directors. They decide on the execution of business operations, and execute business operations. The Company has established a Board of Executives as a decision-making and deliberative organ for Executives. It deliberates and decides on important issues for the Group, including matters over which authority has been transferred from the Board of Directors.

(5) Effectiveness evaluation of the Board of Directors

The Company continuously analyzes and evaluates the effectiveness of the Board of Directors through self-assessment “questionnaires,” “interviews,” and other means. Based on these analyses and evaluations, the Company works to further improve the effectiveness of the Board of Directors through multiple discussions among officers and the formulation and execution of action plans.

When considering the effectiveness of the Board of Directors, a process is designed under the guidance of the Chairman of the Board of Directors, who is an External Director, based on the fiduciary responsibility and accountability to shareholders.

Effectiveness evaluation efforts in fiscal 2022

Process	<ul style="list-style-type: none"> • Evaluation results for the previous fiscal year • Policies and plans for the current fiscal year 	October	End of December – Early February	
		<ul style="list-style-type: none"> • Confirm the progress of the plan • Confirm how to proceed in the current fiscal year 	For all Directors and Executives <ul style="list-style-type: none"> • Questionnaires • Individual interviews 	
	March	End of February	Mid-February	
	<ul style="list-style-type: none"> • Final report on plan for the following fiscal year 	<ul style="list-style-type: none"> • Evaluation results/Following fiscal year’s policy (draft) proposal • Discussions among internal and External Directors and Executives 	<ul style="list-style-type: none"> • Reports on results of questionnaires and individual interviews/Organization of issues • Discussion among External Directors • Discussion among Directors and Executives 	
Evaluation items	1) Roles and responsibilities of the Board of Directors	2) Scale and composition of the Board of Directors	3) Operation and discussions by the Board of Directors	4) Agenda setting for the Board of Directors
	5) Meetings for External Directors	6) Constructive dialogue with stakeholders	7) Support system for External Directors	8) Nominating, Compensation, and Audit Committees
Evaluation results	<ul style="list-style-type: none"> ● The results showed that more than a certain percentage responded with either “effective” or “generally effective” to many of the questions, and the average score for all questions improved from the previous fiscal year. The Company confirmed that the effectiveness of the Board of Directors, and the Nominating, Compensation, and Audit Committees is sufficiently ensured. ● In particular, significant improvement was seen in the score for “operation and discussions by the Board of Directors,” and a certain degree of affirmation and satisfaction was obtained with items such as improvement in the content of the proceedings and the frequency of meetings, as well as the realization of open-minded and constructive discussion. ● However, regarding the evaluation of the “roles and responsibilities of the Board of Directors,” the opinion was expressed that “As the Group moves in a more challenging direction, progressing from the department store revitalization phase to the development phase and the fruiting phase, it is necessary to evolve the monitoring perspective of the Medium-Term Management Plan and activate discussions from a long-term perspective.” 			
Operating policy and action plan	<p>Based on the results of the evaluation, the Company established an operating policy and action plan for the next fiscal year as follows, upon discussions among internal Directors, and among External Directors, Executives, and the Board of Directors.</p> <p>< Operating policy ></p> <ul style="list-style-type: none"> ● Further evolve monitoring by the Board of Directors, and create an environment that supports appropriate risk-taking by execution ● Realize the direction of the next medium-term management plan through discussions on the future of the Company from a long-term perspective. <p>< Action plan ></p> <ol style="list-style-type: none"> 1) Global direction of the Group (discussions from a long-term perspective) 2) Supervision and monitoring of business execution (clarification of monitoring points) 3) Improving the effectiveness of the Nominating, Compensation, and Audit Committees (cooperation between the Board of Directors and each committee) 4) Continuously improving operations and support (enhance support for External Directors) 			

Consolidated Balance Sheet

(As of March 31, 2023)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets	1,217,308	Liabilities	664,788
Current assets	287,735	Current liabilities	403,709
Cash and deposits	105,692	Notes and accounts payable	104,802
Notes and accounts receivable, and contract assets	133,922	Current portion of bonds payable	10,000
Marketable securities	859	Short-term borrowings	26,568
Inventories	25,983	Commercial paper	40,000
Other	25,544	Income taxes payable	4,969
Allowance for doubtful accounts	(4,266)	Contract liabilities	100,386
Fixed assets	929,517	Gift certificates	25,054
Tangible fixed assets	703,470	Accrued bonuses	10,423
Buildings and structures	149,007	Allowance for customer-discount points	2,103
Land	528,032	Allowance for redemption of gift certificates	14,523
Construction in progress	8,619	Other	64,876
Right-of-use assets	2,167	Long-term liabilities	261,079
Other	15,643	Corporate bonds	20,000
Intangible fixed assets	51,052	Long-term debt	68,300
Software	17,334	Deferred tax liabilities	118,027
Goodwill	10,332	Net defined benefit liability	33,470
Other	23,386	Provision for loss on business of subsidiaries and affiliates	9
Investments and other assets	174,993	Liabilities from application of equity method	3,520
Investment securities	120,864	Other	17,752
Long-term loans receivable	80	Net assets	552,519
Guarantee deposits	40,624	Shareholders' equity	519,434
Net defined benefit asset	3,538	Common stock	51,276
Deferred tax assets	4,249	Capital surplus	323,609
Other	5,816	Retained earnings	162,708
Allowance for doubtful accounts	(181)	Treasury stock	(18,159)
Deferred assets	55	Accumulated other comprehensive income	26,685
Corporate bond issuance cost	55	Unrealized gain on other securities	5,514
		Deferred gains/losses on hedge	2
		Foreign currency translation adjustments	20,931
		Remeasurements of defined benefit plans	237
		Stock acquisition rights	886
		Non-controlling interests	5,512
Total assets	1,217,308	Total liabilities, net assets and non-controlling interests	1,217,308

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

Consolidated Statement of Income
(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Account item	Amount	
Net sales		487,407
Cost of sales		200,857
Gross profit		286,550
Selling, general and administrative expenses		256,943
Operating income		29,606
Nonoperating income		
Interest and dividend income	972	
Share of profit of entities accounted for using equity method	1,801	
Other	1,762	4,536
Nonoperating expenses		
Interest expenses	776	
Loss on retirement of fixed assets	1,218	
Transfer from allowance for loss on collected gift certificates	252	
Other	1,878	4,126
Recurring income		30,017
Extraordinary gain		
Gain on step acquisitions	3,810	3,810
Extraordinary loss		
Impairment loss	4,969	
Loss on closing of stores	649	
Business structure improvement expenses	66	
Losses due to COVID-19	315	5,999
Income before income taxes		27,827
Corporate taxes	6,125	
Deferred taxes	(10,668)	(4,542)
Net income		32,370
Loss attributable to non-controlling interests		7
Net income attributable to parent company shareholders		32,377

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

Summary of Consolidated Statement of Cash Flow [For Reference]

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Account item	Amount
Cash flow from operating activities	66,301
Cash flow from investment activities	(27,026)
Cash flow from financing activities	(16,198)
Translation adjustments related to cash and cash equivalents	1,489
Changes in cash and cash equivalents	24,565
Beginning balance of cash and cash equivalents	84,472
Increase in cash and cash equivalents resulting from change of scope of consolidation	1
Ending balance of cash and cash equivalents	109,039

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

Consolidated Statement of Changes in Net Assets

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Account item	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2022	51,162	323,812	134,558	(18,364)	491,168
Changes during current period					
Issuance of new shares	114	114	–	–	229
Dividends from surplus	–	–	(4,198)	–	(4,198)
Net income attributable to parent company shareholders	–	–	32,377	–	32,377
Acquisition of treasury stock	–	–	–	(7)	(7)
Disposal of treasury stock	–	(25)	–	212	186
Change of scope of application for consolidation and equity method	–	–	(29)	–	(29)
Change in ownership interest of parent due to transactions with non-controlling interests	–	(292)	–	–	(292)
Net changes other than shareholders' equity during current period	–	–	–	–	–
Total change during current period	114	(203)	28,149	204	28,265
Balance as of March 31, 2023	51,276	323,609	162,708	(18,159)	519,434

(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			
Balance as of April 1, 2022	5,450	43	15,501	(367)	20,627	1,115	4,748	517,660
Changes during current period								
Issuance of new shares	–	–	–	–	–	–	–	229
Dividends from surplus	–	–	–	–	–	–	–	(4,198)
Net income attributable to parent company shareholders	–	–	–	–	–	–	–	32,377
Acquisition of treasury stock	–	–	–	–	–	–	–	(7)
Disposal of treasury stock	–	–	–	–	–	–	–	186
Change of scope of application for consolidation and equity method	–	–	–	–	–	–	–	(29)
Change in ownership interest of parent due to transactions with non-controlling interests	–	–	–	–	–	–	–	(292)
Net changes other than shareholders' equity during current period	64	(41)	5,430	604	6,057	(229)	764	6,592
Total change during current period	64	(41)	5,430	604	6,057	(229)	764	34,858
Balance as of March 31, 2023	5,514	2	20,931	237	26,685	886	5,512	552,519

Note: Amounts less than one million yen have been omitted

Notes to Consolidated Financial Statements

[Basis for Preparation of Consolidated Statutory Reports]

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 37

(2) Name of principal consolidated subsidiaries:

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

In the fiscal year under review, as ISETAN KAIKAN co., ltd increased in materiality and additional shares of MI Food Style Co., Ltd. were acquired by the Company, both companies were included in the scope of consolidation.

(3) Name of principal nonconsolidated subsidiaries

Leotex Co., Ltd., Isetan Soleil Co., Ltd., Aiu Co., Ltd., Fashion Headline Ltd., LEO MART Ltd.

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

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

2. Application of equity method

(1) Number of affiliates accounted for by the equity method: 7

Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), West Japan Railway Isetan Ltd., ITM Clover Co., Ltd., Shinjuku Subnade Co., Ltd., Mitsukoshi Isetan Im Facilities Co., Ltd., NOMURA FUDOSAN MITSUKOSHI ISETAN KAIHATSU GODO KAISYA, and Yanlord Isetan Commercial Co., Ltd.

In the fiscal year under review, the Company excluded MI Food Style Co., Ltd. from the application of the equity method due to the acquisition of additional shares.

(2) Name of subsidiaries and affiliates not accounted for by the equity method and reason for not applying the equity method

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

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

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

3. Closing date of consolidated subsidiaries

The fiscal year ends on December 31 for the following consolidated subsidiaries: Isetan (China) Investment Co., Ltd., Shanghai Mei Long Zhen Isetan Department Store Co., Ltd., Tianjin Isetan Co., Ltd., Tianjin Binhai New Area Isetan Co., Ltd., Chengdu Isetan Co., Ltd., Isetan (Singapore) Ltd., Isetan (Thailand) Co., Ltd., Isetan of Japan Sdn. Bhd., Mitsukoshi (U.S.A.) Inc., Mitsukoshi Italia S.r.l., and Isetan Mitsukoshi (Italia) S.r.l. Financial documents as of the closing date of the respective companies were used in preparing the consolidated statutory reports.

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

4. Accounting policies

(1) Standards and methods for evaluation of significant assets

Securities

Bonds held to maturity	Amortized cost method
Available-for-sale securities	
Securities other than those without market prices	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 prices	Basically stated at cost using the moving-average method
	Investments in investment limited partnerships and similar associations (investments deemed to be securities pursuant to Article 2, Paragraph 2, of the Financial Instruments and Exchange Act) are stated at the net value of the equities based on the most recent financial statements available prepared according to the financial reporting dates specified in the respective partnership agreements.

Inventories

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

(2) Depreciation methods for significant depreciable assets

Tangible fixed assets (except Lease assets and right-of-use assets)

Basically the straight-line method

Intangible fixed assets (except Lease assets and right-of-use assets)

Straight-line method

As for software for in-house use the straight-line method is used with a useful life of 5 years.

Lease assets

Lease assets relating to finance lease without transfer of ownership

The straight-line method is used with a useful life of the lease period and with a residue value of zero.

Right-of-use assets

The straight-line method is used with a useful life of the lease period and with a residue value of zero.

(3) Accounting standards for significant allowances and accruals

Allowance for doubtful accounts

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

Accrued bonuses

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

Allowance for customer-discount points

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

Allowance for redemption of gift certificates

In order to prepare for possible losses relating to the all-Japan department store gift certificates issued by the Japan Department Stores Association that can be used at other companies collected after cancellation of inclusion in liabilities, provision is made for estimated redemption amount according to the historical percentage of collection of such gift certificates.

Provision for loss on business of subsidiaries and affiliates

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

(4) Accounting policies for significant revenue and expenses

The Company recognizes revenue based on the five-step approach below:

Step 1: Identify the contract with customers

Step 2: Identify the separate performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to each of the separate performance obligations in the contract.

Step 5: Recognize revenue when (or as) each performance obligation is satisfied.

Under the holding company structure, the Group operates businesses centering on the Department store business, as well as the Credit & finance / customer organization management business and the Real estate business. The accounting standards for revenue by segment are as follows.

(Department store)

(1) Revenue recognition for sale of merchandise

In the department store business, the Company sells clothing, sundries, household goods, and food products, and recognizes revenue from the sale of such merchandise at the time the products are delivered. In addition, with regard to the sale of products through the e-commerce site, etc., the Company considers that control of the product is transferred to the customer at the time the products are delivered. However, since the period from the time of shipment to the time of delivery is the normal period, the Company applies alternative treatment relating to materiality, etc., and recognizes revenue at the time of shipment. Of sales of merchandise, revenue on consignment buying is recognized at the net amount of the gross consideration received from the customer less the amount paid to the consignor.

(2) Revenue recognition for the Company's own point system (customer royalty program)

In the department store business, the Company offers a customer loyalty program through MICARD, which awards points to members according to their spending amounts and provides goods or services based on the number of points redeemed. The Company identifies points awarded as performance obligations, allocate the transaction price based on the stand-alone selling price calculated in consideration of estimated future expiration and other factors, and recognizes revenue at the time the points are redeemed.

(3) Revenue recognition for gift certificates

In the department store business, gift certificates issued by the Company are recognized as performance obligations, and recognizes related revenue when they are used. Revenue from unused gift certificates are recognized when the customers become highly unlikely to exercise the right.

(Credit & finance/customer organization management)

In the Credit & finance/customer organization management business, the Company issues and operates credit cards, and recognizes revenue mainly from annual membership fees from members and commissions from the department stores and outside franchisees of the credit card operation. The revenue from the membership fees is recognized over the period the fees cover. The Company recognizes revenues from commissions based as the credit cards are used in accordance with the rates and other terms set forth in the agreements.

(Real estate)

In the real estate business, the Company conducts the construction and design business and recognizes revenue over time as the Company satisfies its performance obligations under construction contracts. If the contract has a very short effective period from commencement date to the expected full satisfaction of the performance obligation, the Company recognizes revenue at the time when the performance obligation is fully satisfied, instead of over time. The Company recognizes the revenue from the rental of real estate over the period in which the revenue is incurred in accordance with the Accounting Standard for Lease Transactions.

- (5) Other significant matters relating to the preparation of consolidated statutory reports
- 1) Accounting for deferred assets
Bond issue costs
Bond issue costs are amortized by the straight-line method over the period until bond redemption.
 - 2) Significant methods of hedge accounting
Method of hedge accounting
Deferred hedge accounting is employed. However, with regard to foreign currency receivables/payables with forward exchange contracts, designated hedge accounting (“*furiate-shori*”) is employed and with regard to interest rate swaps that meet the requirements for exceptional accounting (“*tokurei-shori*”), exceptional accounting is employed.
Means of hedging and hedged items
Hedging instruments: Forward exchange transactions, swaps and options to hedge foreign exchange-rate fluctuation risk and interest-rate fluctuation risk
Hedged items: Interest payable on foreign currency-denominated trade payables and borrowings
Hedging policy
The purpose of hedging activities is to reduce exchange-rate fluctuation risk and interest-rate fluctuation risk in accordance with the risk management policy of the Group.
Assessment of hedge effectiveness
Hedge effectiveness is assessed for each specific transaction at the end of the consolidated fiscal year under review. However, hedge effectiveness is not assessed if the substantial terms and conditions such as principal, interest rates and contract period of the hedging instruments and the hedged assets or liabilities are the same.
 - 3) Accounting for employees’ retirement benefits
Method for attributing the estimated employees’ retirement benefits to periods
For calculation of retirement benefit obligations, we principally use the benefit formula method for attributing the estimated retirement benefits to the periods up to the end of the fiscal year under review.
Amortization of actuarial difference and prior service costs
Prior service costs are recognized on an accrual basis by the straight-line method over various periods (mainly 7 to 11 years) that are not more than the average remaining service period of employees at the time of the accrual.
The actuarial differences that resulted are mainly recognized in the following fiscal year by the straight-line method over various periods (7 to 11 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference.
 - 4) Method and period for amortization of goodwill
Amortization of goodwill uses the straight-line method over 13 years.
 - 5) Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System
The Company and some of its domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from the fiscal year under review. Accordingly, accounting treatment and disclosure for corporate taxes, local corporation tax, and tax effect accounting is in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021; hereinafter referred to as “PITF No. 42”). In addition, based on PITF No. 42, Paragraph 32 (1), the Company deems that there is no impact from the change in accounting policy due to the adoption of PITF No. 42.

[Notes on Changes in Accounting Policies]

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

Effective from the beginning of the fiscal year ended March 31, 2023, the Group adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter, “Fair Value Measurement Accounting Standard Application Guidance”). Under the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Application Guidance, the Group decided to adopt the new accounting policy stipulated by the Fair Value Measurement Accounting Standard Application Guidance prospectively. There is no impact on the consolidated financial statements for the fiscal year ended March 31, 2023.

[Changes in Presentation]

(Consolidated Statement of Income)

“Gain on donation of fixed assets” under non-operating income, which was separately presented in the previous fiscal year, has been included in “Other” from the fiscal year under review due to a decrease in materiality.

[Notes on Accounting Estimates]

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

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

Impairment loss: 4,237 million yen Fixed assets: 599,277 million yen

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

1) Calculation method

The Group engages in the department store business as its primary business and views each store as the basic unit representing the minimum unit responsible for generating cash flow. For the stores that show a sign of impairment losses to be incurred, the Group compares the book value to recoverable value. If the Group determines an impairment loss should be recognized, the Group writes the book value down to recoverable value and records the decrease amount as an impairment loss. A recoverable amount is estimated based on its net realizable value or its value in use.

If a recoverable amount is its value in use, the Group will continue to make the best estimate of undiscounted future cash flows based on the budget for the following fiscal year, even under the current economic climate with high uncertainty of the future, including soaring prices of energy and commodities, despite the categorization of COVID-19 being downgraded to Class 5, and the resumption of pre-COVID daily life.

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

2) Key assumptions

Key assumptions used to calculate undiscounted future cash flows include the sales growth rate based on the prospect for consumer spending trends in Japan, and the outlook for recovery in demand from inbound visitors.

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

About the outlook for recovery in demand from inbound visitors, based on international transportation forecasts from outside organizations, the Group assumes that such demand will recover within the range of their recovery forecasts, taking into consideration the degree of recovery from the impact of COVID-19.

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

The Group assesses that key assumptions used to calculate undiscounted future cash flows are deemed the best estimates based on available data, including external information. However, if these key assumptions need to be reviewed, estimates of undiscounted future cash flows may be affected. Consequently, an impairment loss may incur in the next fiscal year.

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

2. Recoverability of a deferred tax asset

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

Deferred tax assets (before offsetting deferred tax liabilities): 34,226 million yen

The amount is recorded mainly by companies and consolidated subsidiaries that apply the group tax sharing system (hereinafter collectively, the “group tax sharing companies”).

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

1) Calculation method

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

Estimates of future taxable profits for group tax sharing companies are based on the budget for the following fiscal year, making the best estimates even in the current economic environment of high future uncertainty, including soaring prices of energy and commodities, despite the categorization of COVID-19 being downgraded to Class 5, and the resumption of pre-COVID daily life.

2) Key assumptions

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

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

About the outlook for recovery in demand from inbound visitors, based on international transportation body forecasts from outside organizations, the Group assumes that such demand will recover within the range of their recovery forecasts, taking into consideration the degree of recovery from the impact of COVID-19.

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

For the projection of future taxable profits from group tax sharing companies, considering the current economic climate with high uncertainty, the Group uses available data, including external information, and makes elastic estimates over the estimation period of three years to handle uncertainty of the future. On the other hand, if key assumptions need to be reviewed, there may be a material impact on the amount of deferred tax assets recorded in the following fiscal year.

3. Determinations on indications of goodwill impairment related to MI Food Style Co., Ltd.

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

Goodwill: 10,332 million yen

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

1) Calculation method

Determinations regarding indications of impairment of fixed assets, including goodwill, are made in a larger unit, with the addition of goodwill to the asset group.

The goodwill is recorded based on the future excess earning power of said company. The amortization period of goodwill is determined based on the reasonable recovery period of the investment, which forms the basis for calculating the consideration for the business combination, and is amortized on a regular basis over the period in which the effect is realized. However, if it is recognized that the excess earning power of said company has been damaged and is showing indications of impairment, such as if profits and losses arising from operating activities continue to be negative, or if there is a significant deterioration in the business environment, the necessity for recognizing an impairment loss is determined by comparing the total undiscounted future cash flows and the book value of the asset group, including goodwill.

In the fiscal year under review, as a result of investigating whether there are any indications of impairment through a comparative analysis of business plans and actual results at the time of acquisition, and examination of the future business plan, including the budget for the following fiscal year, the Company determined that there are no indications of goodwill impairment at said company.

2) Key assumptions

The key assumptions used in the future business plan are sales growth by strengthening private brand products, and a growth strategy through new store openings.

With regard to sales growth by strengthening private brand products, the Company assumes that net sales will grow due to the sales expansion of private brand products leveraging said company's customer base, which is one of its strengths, and its highly unique product development capabilities.

With regard to the growth strategy through new store openings, the Company plans to continue opening new supermarkets under our future business plan, and we assume that sales in the supermarket business will expand and grow by achieving new store openings.

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

The Group assesses that key assumptions used in the future business plan are deemed the best estimates based on available data. However, if these key assumptions need to be reviewed, it will be recognized that there are indications of impairment in the asset group, including goodwill, and there may be a significant impact on the evaluation of goodwill in the consolidated financial statements for the following fiscal year.

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets 370,509 million yen

2. Contingent liability

Guarantee liabilities

Loan guarantees for housing loans of employees 27 million yen

Debt guarantees for bank loans of subsidiaries and affiliates

West Japan Railway Isetan Ltd. (Note) 5,923 million yen

Yanlord Isetan Commercial Co., Ltd. (Note) 130 million yen

Total of guarantee liabilities 6,081 million yen

Note: The amounts shown above are the loan guarantee amount minus the liability corresponding to the application of equity method accounting.

3. Details of inventories

Finished goods 24,644 million yen

Semifinished goods 401 million yen

Work in process 332 million yen

Raw materials and supplies 606 million yen

Total 25,983 million yen

[Notes to Consolidated Statement of Income]

1. Impairment losses

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

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

Usage	Item	Impairment losses (Million yen)	Location
Store	Land	1,189	Matsuyama Mitsukoshi store (Matsuyama-shi, Ehime)
	Buildings and structures	1,921	
	Other	124	
Store	Buildings and structures	464	Small and middle size stores (Yokohama-shi, Kanagawa and other)
	Other	52	
Store	Buildings and structures	16	Isetan Singapore (Singapore)
	Right-of-use assets	276	
	Other	79	
Store	Buildings and structures	229	Isetan Tachikawa store (Tachikawa-shi, Tokyo)
	Other	30	
Store	Buildings and structures	125	Fukuoka Mitsukoshi store (Fukuoka-shi, Fukuoka)
	Other	83	
Store	Buildings and structures	17	Hiroshima Mitsukoshi store and other (Hiroshima-shi, Hiroshima)
	Other	8	
Other	Buildings and structures	353	Chuo-ku, Tokyo and other
	Software	1	
	Other	27	
	Total	5,002	

(Note) Of impairment losses recorded in the consolidated income statement, 33 million yen is 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 or use value. If recoverable amounts are based on their net realizable value, estimates for asset groups with a high level of significance are conducted using valuation amounts issued by a real estate appraiser in accordance with the Real Estate Appraisal Standards of Japan. Additionally, if the recoverable amount is the use value, calculations are made by discounting the future cash flows by approximately 7 to 9%.

2. Business structure improvement expenses

These expenses were ones associated with the implementation of the Next Career Plan at Hiroshima Mitsukoshi Ltd. and Takamatsu Mitsukoshi Ltd.

3. Losses due to COVID-19

These expenses were primarily fixed costs (personnel expenses, lease payments, depreciation, etc.) at the Company's overseas consolidated subsidiaries incurred due to the temporary closure of stores in response to requests from local governments, etc. to prevent the spread of COVID-19.

[Notes to Consolidated Statement of Changes in Net Assets]

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

Common stock 396,931,154 shares

2. Matters concerning dividends of surplus

(1) Amount of dividend payment

Resolution	Types of stock	Total dividends (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders June 27, 2022	Common stock	1,907	5.00	March 31, 2022	June 28, 2022
Board of Directors' Meeting November 11, 2022	Common stock	2,290	6.00	September 30, 2022	December 12, 2022

(2) Dividends for which the base date falls in the fiscal year under review, but the effective date comes after the last day of the fiscal year under review.

The following items regarding dividends on common stock are being proposed as a proposal for the Ordinary General Meeting of Shareholders scheduled for June 20, 2023.

Resolution	Types of stock	Resource for dividend	Total dividends (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders June 20, 2023	Common stock	Retained earnings	3,055	8.00	March 31, 2023	June 21, 2023

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

Common stock 781,000 shares

[Notes to Financial Instruments]

1. Status of financial instruments

(1) Policy on handling of financial instruments

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

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

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

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

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

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

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

2. Market value, etc. of financial instruments

Amounts posted on the consolidated balance sheet as of March 31, 2023, market values, and the corresponding differences between the two are as follows.

(Millions of yen)

Items	Amounts posted on the consolidated balance sheet	Market values	Differences
(1) Marketable securities and investment securities			
a. Bonds held to maturity	2,572	2,627	54
b. Available-for-sale securities	23,598	23,598	–
(2) Guarantee deposits	40,624	38,880	(1,744)
Total assets	66,796	65,106	(1,689)
(1) Corporate bonds	30,000	29,825	(175)
(2) Long-term debt	87,800	86,907	(892)
Total liabilities	117,800	116,732	(1,067)
Derivative transactions	2	2	–

(Note 1) Cash and deposits, notes and accounts receivable and contract assets, notes and accounts payable, short-term borrowings and commercial papers are omitted as such accounts comprise cash and their book value approximates fair value due to their short maturities.

(Note 2) For interest rate swaps that meet the requirements for exceptional accounting, their fair value is included in long-term debt, which is the hedged item, because it is accounted for as an integral part of the long-term debt.

(Note 3) The above table excludes securities without market prices, etc. The amount of such financial instruments in the consolidated balance sheet is 95,220 million yen.

(Note 4) The above table excludes the fair value of investment in limited partnerships and similar associations that is recorded at the net amount equivalent to equity in the consolidated balance sheets. The amount of investment in limited partnerships in the consolidated balance sheet is 332 million yen.

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments measured at fair value

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Other securities				
Stock	23,598	–	–	23,598
Derivative transactions	–	2	–	2
Total assets	23,598	2	–	23,601

(2) Financial instruments other than those measured at fair value

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Bonds held to maturity	–	2,627	–	2,627
Guarantee deposits	–	–	38,880	38,880
Total assets	–	2,627	38,880	41,507
Corporate bonds	–	29,825	–	29,825
Long-term debt	–	86,907	–	86,907
Total liabilities	–	116,732	–	116,732

Note: A description of the valuation techniques and inputs used in the fair value measurements

Marketable securities and investment securities

Listed stocks are valued using market prices. As listed stocks are traded in active markets, their fair value is classified as Level 1. However, the Company has classified bonds issued by companies and municipalities held by its group companies as Level 2 because the bonds are traded infrequently in the market and then are not considered quoted prices in an active market.

Derivative transactions

Fair values of forward exchange contracts are determined using the discounted cash flow method with observable inputs such as exchange rates. The Company has classified such fair values as Level 2.

Corporate bonds

Fair values of corporate bonds issued by the Company are determined based on quoted market prices. The Company has classified fair values of the bonds as Level 2 because such corporate bonds have market prices but not from transaction in an active market.

Guarantee deposits

Fair values of guarantee deposits are determined based on the present value of future cash flows reflecting collectability discounted by the yield of government bonds of Japan, etc. corresponding to the remaining period. The Company classifies the fair value of guarantee deposits as Level 3 because such fair values are calculated based on unobservable inputs of future cash flows reflecting collectability.

Long-term debt

Fair value of long-term debt is calculated by discounting the total amount of principal and interest by an interest rate that reasonably applies to a similar new loan. Interest rate swaps are calculated by the

discounted cash flow method using observable inputs such as market interest rates. The Company classifies fair value of long-term debt as Level 2 because long-term debt, the hedged item for interest rate swaps that meet the requirements for exceptional accounting, is accounted for as an integral part of the interest rate swaps.

[Notes to Lease Properties and Other Real Estate]

1. Status of lease properties and other real estate

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

2. Market value of lease properties and other real estate

(Millions of yen)

	Amounts posted on the consolidated balance sheet	Market value as of the end of the fiscal year under review
Lease properties and other real estate	116,071	190,291

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

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

[Notes to Revenue Recognition]

1. Disaggregation of revenue from contracts with customers
The fiscal year under review (April 1, 2022 to March 31, 2023)

(Millions of yen)

		Reporting segment				Other	Total
		Department store	Credit & finance /customer organization management	Real estate	Subtotal		
Isetan Mitsukoshi Ltd.	Isetan Shinjuku Main store	136,897	–	–	136,897	–	136,897
	Mitsukoshi Nihombashi Main store	57,684	–	–	57,684	–	57,684
	Mitsukoshi Ginza store	28,153	–	–	28,153	–	28,153
	Isetan Urawa store	11,808	–	–	11,808	–	11,808
	Isetan Tachikawa store	11,530	–	–	11,530	–	11,530
	Iwataya Mitsukoshi Ltd.	Iwataya Main store	26,436	–	–	26,436	–
Nagoya Mitsukoshi Ltd.	Sakae store	14,720	–	–	14,720	–	14,720
Niigata Isetan Mitsukoshi Ltd.	Niigata Isetan store	14,830	–	–	14,830	–	14,830
Other stores		101,408	–	–	101,408	–	101,408
Credit & finance /customer organization management		–	27,726	–	27,726	–	27,726
Real estate		–	–	13,272	13,272	–	13,272
Other		–	–	–	–	77,685	77,685
Revenue from contracts with customers		403,470	27,726	13,272	444,468	77,685	522,154
Revenue from other sources		12,549	3,097	7,245	22,893	42	22,935
Intersegment sales or transfers		(2,674)	(12,708)	(2,909)	(18,291)	(39,391)	(57,683)
Sales to outside customers		413,346	18,115	17,608	449,070	38,337	487,407

Note: The “Other” segment includes the services of other retail, manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service and travel business that are not included in other reporting segments.

2. Useful information in understanding revenue from contracts with customers

Useful information for understanding revenue is as described in “Basis for Preparation of Consolidated Statutory Reports 4. Accounting policies (4) Accounting policies for significant revenue and expenses.”

3. Information for understanding revenue for the fiscal year under review and the following fiscal years

(1) Contract balances

The following is the breakdown of receivables, contract assets and contract liabilities from contracts with customers.

(Millions of yen)

	Balance as of April 1, 2022	Balance as of March 31, 2023
Receivables from contracts with customers	120,324	133,285
Contract assets	600	636
Contract liabilities	99,067	100,386

Contract liabilities consist primarily of the balance of points granted and gift certificates issued by the Company, for which the Company has not yet satisfied its performance obligation as of the fiscal year end.

(2) Transaction price allocated to remaining performance obligations

As of March 31, 2023, the Company has allocated the total transaction price of 80,983 million yen to remaining performance obligations related to gift certificates, and expects to recognize revenue from the remaining performance obligations mainly over the next one to seven years as the gift certificates are used. The Company also has allocated the total transaction price of 6,278 million yen to remaining performance obligations related to points awarded to customers, and expects to recognize revenue from the remaining performance obligations over the next one to two years as the points are actually used.

Applying the practical expedient, the Company has omitted the statement of remaining performance obligations for transactions with an initial expected contract period of one year or less.

[Notes to Per-share Information]

1. Net assets per share	1,430.07 yen
2. Net income per share	84.82 yen

INDEPENDENT AUDITOR'S REPORT

May 9, 2023

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young
ShinNihon LLC
Tokyo Office

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Eri Sekiguchi

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Kiyotaka Kinugawa

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Kazunori Yoshida

Opinion

Pursuant to Article 444, Paragraph 4 of the Corporation Law, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Isetan Mitsukoshi Holdings Ltd. (the "Company") for the fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Isetan Mitsukoshi Group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

Other information consists of the information included in the Company's business report and accompanying supplementary schedules, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection to our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for monitoring the execution of Executives' and Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

The auditor's responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on its audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

The auditor makes professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and performs the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Nonconsolidated Balance Sheet

(As of March 31, 2023)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets	744,285	Liabilities	288,889
Current assets	194,070	Current liabilities	193,107
Cash and deposits	84,464	Current portion of bonds payable	10,000
Short-term loans receivable from subsidiaries and affiliates	111,821	Short-term borrowings	24,200
Corporate tax refund receivable, etc.	1,812	Short-term borrowings payable to subsidiaries and affiliates	115,165
Accrued income	8,054	Commercial paper	40,000
Other	1,281	Accounts payable	1,241
Allowance for doubtful accounts	(13,364)	Accrued expenses	1,774
Fixed assets	550,159	Accrued bonuses	95
Tangible fixed assets	3	Income taxes payable	354
Appliance and fixtures	3	Other	277
Intangible fixed assets	5	Fixed Liabilities	95,781
Software	5	Corporate bonds	20,000
Investments and other assets	550,150	Long-term debt	68,300
Investment securities	1,247	Provision for loss on business of subsidiaries and affiliates	4,284
Stocks of subsidiaries and affiliates	460,111	Provision for loss on guarantees	3,197
Long-term loans receivable from subsidiaries and affiliates	88,300	Net assets	455,395
Deferred tax assets	487	Shareholders' equity	454,509
Other	3	Common stock	51,276
Deferred assets	55	Capital surplus	397,813
Corporate bond issuance cost	55	Capital reserve	19,624
		Other capital surplus	378,189
		Retained earnings	23,581
		Other retained earnings	23,581
		Retained earnings carried forward	23,581
		Treasury stock	(18,162)
		Stock acquisition rights	886
Total	744,285	Total	744,285

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

Nonconsolidated Statement of Income

(From April 1, 2022 to March 31, 2023)

(Millions of yen)

Account item	Amount	
Operating revenues		
Dividend income	9,560	
Management service income	7,407	
Service revenue	1,027	17,994
Selling, general and administrative costs		8,342
Operating income		9,652
Nonoperating income		
Interest income	1,152	
Miscellaneous income	26	1,178
Nonoperating expenses		
Interest expenses	1,076	
Miscellaneous expenses	1,607	2,683
Recurring income		8,146
Income before income taxes		8,146
Corporate tax, corporate inhabitant tax, business tax	149	
Deferred taxes	(108)	40
Net income		8,106

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

Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2022 to March 31, 2023)

(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
Balance as of April 1, 2022	51,162	19,510	378,214	397,724	19,673	19,673
Changes during current period						
Issuance of new shares	114	114	–	114	–	–
Dividends from surplus	–	–	–	–	(4,198)	(4,198)
Net income for current period	–	–	–	–	8,106	8,106
Acquisition of treasury stock	–	–	–	–	–	–
Disposal of treasury stock	–	–	(25)	(25)	–	–
Net changes other than shareholders' equity during current period	–	–	–	–	–	–
Total change during current period	114	114	(25)	89	3,908	3,908
Balance as of March 31, 2023	51,276	19,624	378,189	397,813	23,581	23,581

(Millions of yen)

Account item	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Total valuation and translation adjustments		
Balance as of April 1, 2022	(18,367)	450,192	–	–	1,115	451,308
Changes during current period						
Issuance of new shares	–	229	–	–	–	229
Dividends from surplus	–	(4,198)	–	–	–	(4,198)
Net income for current period	–	8,106	–	–	–	8,106
Acquisition of treasury stock	(7)	(7)	–	–	–	(7)
Disposal of treasury stock	212	186	–	–	–	186
Net changes other than shareholders' equity during current period	–	–	–	–	(229)	(229)
Total change during current period	204	4,316	–	–	(229)	4,087
Balance as of March 31, 2023	(18,162)	454,509	–	–	886	455,395

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

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

2. Standards of accounting for allowances and accruals

Allowance for doubtful accounts

In order to prepare for possible losses from bad debts, for certain receivables such as doubtful receivables, estimated uncollectible amount is accounted for considering the collectability of respective receivables.

Accrued bonuses

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

Provision for loss on business of subsidiaries and affiliates

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

Provision for loss on guarantees

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

3. Accounting policies for revenue and expenses

Revenue arising from contracts with customers for the Company, which is a holding company, consists primarily of business management fees from subsidiaries. Performance obligations for business management fees are to provide consigned services in accordance with the agreement to subsidiaries, and the Company recognizes revenue as performance obligations are satisfied.

4. Other important accounting policies for preparation of financial statements

Accounting for deferred assets

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

[Changes in Accounting Policies]

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

Effective from the beginning of the fiscal year ended March 31, 2023, the Group adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter, “Fair Value Measurement Accounting Standard Application Guidance”). Under the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Accounting Standard Application Guidance, the Group decided to adopt the new accounting policy stipulated by the Fair Value Measurement Accounting Standard Application Guidance prospectively. There is no impact on the nonconsolidated financial statements for the fiscal year ended March 31, 2023.

[Notes on Accounting Estimates]

1. Evaluation of stocks of subsidiaries and affiliates related to MI Food Style Co., Ltd.

(1) Amounts recorded in the nonconsolidated financial statements for the fiscal year under review
MI Food Style Co., Ltd. shares: 12,059 million yen

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

1) Calculation method

Since stocks of subsidiaries and affiliates do not have a market price, when evaluating the stocks of said companies, the necessity for recording a loss on valuation of stocks of subsidiaries and affiliates is determined by comparing the real value of the stocks of subsidiaries and affiliates with the book value. The real value of stocks of subsidiaries and affiliates is evaluated by reflecting the amount of excess earning power in the net assets of said companies, and the excess earning power is evaluated based on the future business plan. In the fiscal year under review, a comparative analysis of the business plan and actual results at the time of acquisition, and a review of the future business plan, including the budget for the following fiscal year, did not identify any phenomenon that would indicate impairment of the excess earning power, and it was determined that there has been no significant decline in real value. Therefore, the Company has not recorded a loss on valuation with regard to the stocks of subsidiaries and affiliates of MI Food Style Co., Ltd.

2) Key assumptions

The excess earning power reflected in the real value of stocks of subsidiaries and affiliates is evaluated based on the future business plan. For details of key assumptions used in said business plan, please refer to “Notes to Consolidated Financial Statements [Notes on Accounting Estimates] 3. Determinations on indications of goodwill impairment related to MI Food Style Co., Ltd.”

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

Key assumptions used in the future business plan are deemed the best estimates based on available data. However, if these key assumptions need to be reviewed, there may be a significant decline in the real value of stocks of subsidiaries and affiliates of MI Food Style Co., Ltd., which could have a major impact on the valuation of stocks of subsidiaries and affiliates in the nonconsolidated financial statements for the following fiscal year.

[Notes to Nonconsolidated Balance Sheet]

Accumulated depreciation of tangible fixed assets 4 million yen

Guarantee liabilities

Debt guarantees in respect to funds borrowed by subsidiaries and affiliates

West Japan Railway Isetan Ltd. 5,923 million yen

Note: The above figure shows debt guarantees after deducting the provision for loss on guarantees.

Short-term receivables from subsidiaries and affiliates 8,399 million yen

Short-term payables to subsidiaries and affiliates 2,733 million yen

[Notes to Nonconsolidated Statement of Income]

Transactions with subsidiaries and affiliates

Turnover based on operating transactions

Operating revenues 17,993 million yen

Selling, general and administrative expenses 894 million yen

Other revenues 1,757 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	15,199,783	24,081	175,710	15,048,154

- Notes:
1. The increase of 5,881 shares due to requests for purchase of odd-lot shares and 18,200 shares due to repurchase without consideration of own shares granted as restricted stock compensation.
 2. The number of shares decreased by 210 shares due to requests for the additional purchase of odd-lot shares and by 175,500 shares due to disposal of treasury stock as restricted stock compensation.

[Notes to Tax Effect Accounting]

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

(Deferred tax assets)

Accrued bonuses	29	million yen
Accounts payable	250	million yen
Accrued enterprise tax	103	million yen
Stock option expenses	200	million yen
Loss on valuation of stocks of subsidiaries and affiliates	7,236	million yen
Provision for loss on business of subsidiaries and affiliates	1,311	million yen
Provision for loss on guarantees	978	million yen
Allowance for doubtful accounts	4,092	million yen
Tax losses carried forward	5,603	million yen
Other	281	million yen
<hr/>		
Sub-total deferred tax assets	20,087	million yen
Valuation reserve	(19,599)	million yen
<hr/>		
Total deferred tax assets	487	million yen

Note: Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

The Company transitioned from the consolidated taxation system to the group tax sharing system from the fiscal year ended March 31, 2023. Accordingly, accounting treatment and disclosure for corporate taxes, local corporation tax, and tax effect accounting is in accordance with the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021; hereinafter referred to as “PITF No. 42”). In addition, based on PITF No. 42, Paragraph 32 (1), the Company deems that there is no impact from the change in accounting policy due to the adoption of PITF No. 42.

[Notes to Transactions with Related Parties]

1. Subsidiaries and affiliates, etc.

(Millions of yen)

Attributes	Name of companies, etc.	Ratio of holding of voting rights, etc. (or Ratio of voting rights held) (%)	Relationship with the related parties	Contents of transactions	Transaction amount	Account item	Term-end balance
Subsidiaries	Isetan Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Business administration Borrowing and lending of fund	Proceeds from management (Note 1)	6,962	Accrued income	7,658
				Accounting fees (Note 1)	402	–	
				Receipt of funds (Note 2)	34,427	Affiliates short-term loans receivable	55,200
						Affiliates long-term loans receivable	88,300
				Receipt of interest (Note 3)	818	Accrued income	65
				Borrowing of funds (Note 2)	7,273	Affiliates short-term borrowings	7,273
				Payment of interest	10		
	3,577	Accrued expenses	227				
Subsidiaries	Matsuyama Mitsukoshi Ltd.	Direct: 100%	Borrowing and lending of fund	Lending of funds (Note 2) (Note 5)	466	Affiliates short-term loans receivable	7,521
Subsidiaries	MICARD Co. Ltd.	Direct: 100%	Interlocking directorate Borrowing and lending of fund	Lending of funds (Note 2)	8,900	Affiliates short-term loans receivable	29,057
				Receipt of interest (Note 3)	159		
Subsidiaries	MI TOMONO-KAI Co., Ltd.	Indirect: 100%	Borrowing and lending of fund	Repayment of funds (Note 2)	3,640	Affiliates short-term borrowings	81,538
				Payment of interest (Note 3)	494		
Affiliates	West Japan Railway Isetan Ltd.	Direct 40%	Interlocking directorate	Debt guarantees	9,120	Provision for loss on guarantees	3,197

Transaction conditions and decision policies thereof

Notes:

- (1) Proceeds from management and accounting fees are determined based on contract conditions.
- (2) With respect to the borrowing and lending of fund, the Company has a cash management system (CMS) that manages funds within the Group in an integral manner.
- (3) The loans and borrowings interest rates are determined in a reasonable manner in consideration of market interest rates.
- (4) The personnel expenses for loaned employees paid by Isetan Mitsukoshi Ltd. were settled at cost.
- (5) An allowance for doubtful accounts of 7,521 million yen has been recorded for short-term loans receivable to said subsidiary.

In addition, provision of allowance for doubtful accounts of 466 million yen has been recorded in the fiscal year under review. Provision for loss on business of subsidiaries and affiliates of 399 million yen has been recorded for the amount of excess liabilities of said subsidiary. Provision for loss on business of subsidiaries and associates of (77) million yen has been recorded in the fiscal year under review.

2. Officers and major individual shareholders, etc. (Millions of yen)

Category	Name of companies, etc. and persons	Ratio of holding of voting rights, etc. (or Ratio of voting rights held) (%)	Relationship with the related parties	Contents of transactions	Transaction amount	Account item	Term-end balance
Officer	Toshiyuki Hosoya	(Held) Direct: 0.0%	Director, President and CEO of the Company	Disposal of treasury stock pertaining to in-kind contribution of monetary compensation claim	14	—	—

Transaction conditions and decision policies thereof

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

The disposal price of treasury stock was determined based on the closing price of the Company's common stock on the Tokyo Stock Exchange as of July 29, 2022 (business day immediately before the date of the resolution concerning the disposal of treasury stock by the Board of Directors).

[Note to Revenue Recognition]

Useful information for understanding revenue is as described in "Significant Accounting Policies 3. Accounting policies for revenue and expenses."

[Notes to Per-share Information]

- | | |
|-------------------------|--------------|
| 1. Net assets per share | 1,190.18 yen |
| 2. Net income per share | 21.24 yen |

INDEPENDENT AUDITOR'S REPORT

May 9, 2023

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young
ShinNihon LLC
Tokyo Office

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Eri Sekiguchi

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Kiyotaka Kinugawa

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Kazunori Yoshida

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Corporation Law, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Isetan Mitsukoshi Holdings Ltd. (the "Company") for the 15th fiscal year from April 1, 2022 through March 31, 2023.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Information

Other information consists of the information included in the Company's business report and accompanying supplementary schedules, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and

operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit Committee are responsible for monitoring the execution of Executives' and Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

The auditor's responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on its audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

The auditor makes professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and performs the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.

- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Audit Report of the Audit Committee

AUDIT REPORT

The Audit Committee has audited the execution of duties by Directors and Executives for the 15th fiscal term from April 1, 2022 to March 31, 2023. It has prepared this Audit Report on the auditing methods and results, and hereby submits it as follows:

1. Auditing Methods and Contents

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

- (1) The Audit Committee coordinated with the Company's internal audit departments and other departments responsible for internal control, attended important meetings, and received reports regarding the status of the execution of duties from Directors and Executives, etc., and requested explanations as necessary, based on the auditing standards of the Audit Committee, in accordance with the auditing policies and division of duties established by the Audit Committee. It inspected important decision-making and other documents, and investigated the status of operations and assets at the Company's headquarters, etc. In addition, for subsidiaries, it received from subsidiaries their reports on their business as necessary through communication and information sharing with their directors and corporate auditors.
- (2) The Audit Committee audited whether or not the Accounting Auditor is maintaining an independent position and conducting the audits appropriately, and also received reports and requested explanations as necessary on the status of execution of duties from the Accounting Auditor. In addition, Corporate Auditors were informed by the Accounting Auditor the "the system to ensure the duties are performed properly" (the matters stipulated in the respective items of Article 131 of Corporate Accounting Rules) has been implemented in accordance with the "quality management standards concerning audits" (Business Accounting Deliberation Council, October 28, 2005), and requested explanations as necessary.

In accordance with the aforementioned procedures, the Audit Committee reviewed the business report, supplementary schedules thereto, the statutory reports (nonconsolidated balance sheets, nonconsolidated statement of income, nonconsolidated statement of changes in net assets, notes to nonconsolidated statutory reports), supplementary schedules thereto, and consolidated statutory reports (consolidated balance sheets, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated statutory reports) for the year ended on March 31, 2023.

2. Results of Audit

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

- 1) The business report and supplementary schedules thereto fairly present the financial condition of the Company in accordance with the laws, regulations and the Articles of Incorporation of the Company.
 - 2) Regarding the execution of duties by Directors and Executives, there were no instances of misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation of the Company.
 - 3) The contents of resolutions by the Board of Directors with regard to the internal control system are reasonable. Additionally, regarding the description of the relevant internal control system in the business report and the execution of duties by Directors and Executives under the relevant internal control system, there are no matters to be pointed out.
- (2) Results of audit of the nonconsolidated statutory reports and supplementary schedules thereto
The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC are fair and reasonable.
- (3) Results of audit of the consolidated statutory reports
The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC are fair and reasonable.

May 9, 2023

Audit Committee of Isetan Mitsukoshi Holdings Ltd.

Full-time Audit Committee Member Ken Akamatsu

Full-time Audit Committee Member Yuki Ishizuka

Audit Committee Member Takashi Oyamada

Audit Committee Member Hidetoshi Furukawa

Audit Committee Member Tomoko Ando

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