Securities Code: 3099
May 27, 2019

To Shareholders with Voting Rights

Ken Akamatsu
Chairman and Representative Director
Isetan Mitsukoshi Holdings Ltd.
5-16-10, Shinjuku, Shinjuku-ku, Tokyo, Japan

NOTICE OF THE CONVOCATION OF THE 11TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 11th Ordinary General Meeting of Shareholders of Isetan Mitsukoshi Holdings Ltd. (the "Company"). The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet, etc., as described in "Guide to Exercising Voting Rights" on the next page. Please review the Reference Documents for the General Meeting of Shareholders in the following pages and exercise your voting rights by 8 p.m., Friday, June 14, 2019.

1. Date and Time: Monday, June 17, 2019, at 10:00 a.m.
The reception is scheduled to begin at 9:00 a.m.

2. Place: Palais Royal, B1F, Grand Nikko Tokyo Daiba
2-6-1, Daiba, Minato-ku, Tokyo, Japan
* Please be aware that if Palais Royal is full, you will be shown to a second meeting room.

3. Agenda of the Meeting:

Matters to be reported:
1. The Business Report and the Consolidated Financial Statements for the 11th term (from April 1, 2018 to March 31, 2019) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
2. The Nonconsolidated Financial Statements for the 11th term (from April 1, 2018 to March 31, 2019)

Proposals to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Nine Directors

Proposal No. 3: Election of One Corporate Auditor

Proposal No. 4: Payment of Bonuses to Directors

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

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 in the following pages and exercise your voting rights.
Shareholders may use the following three methods to exercise voting rights.

Attending the General Meeting of Shareholders

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

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

Date and time of the Meeting: Monday, June 17, 2019, at 10 a.m.
(Reception starts at 9 a.m.)

Exercising Voting Rights in Writing

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 8 p.m. Friday, June 14, 2019

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 8 p.m. Friday, June 14, 2019.

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 8 p.m. on the day before the General Meeting of Shareholders (Friday, June 14, 2019).
- 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. prepared its eleventh financial statements as of March 31, 2019, which we hereby submit to you in this report for your perusal.

On the tenth anniversary of the integration of the Isetan Mitsukoshi Group, we compiled the Group's raison d'être and vision as The Isetan Mitsukoshi Way, and embarked on reforms that will "connect people and bridge times." As globalization accelerates and a new level of change is called for, we aim to be future department stores that make use of the power of IT, stores, and human resources, aspiring to become a mediator that connects customers with goods and events from around the world through digital technology.

In addition, we are pursuing measures to strengthen our corporate governance system and address the issues and demands of a changing society through our corporate activities. In this way we will contribute to the realization of a sustainable society and a prosperous future for our customers and other stakeholders.

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

Toshihiko Sugie
President, Representative Director, and Executive Officer (CEO)

Reference Documents for the General Meeting of Shareholders

Proposal and References

Proposal No. 1: Appropriation of Surplus

Comprehensively taking into account the maintenance of a stable dividend to shareholders along with appropriate internal reserves required to invest in existing and new businesses, the Company proposes to pay a year-end dividend of ¥6 per share for the 11th term. Accordingly, with the interim dividend of ¥6, the annual dividend will be ¥12.

Matters related to the year-end dividend:

(1) Type of dividend property
Cash

(2) Matters related to distribution of dividend property to shareholders and the total amount
¥6 per common share of the Company
Total amount: ¥2,339,975,784

(3) Effective date of dividend of surplus
June 18, 2019

Proposal No. 2: Election of Nine Directors

The terms of office of nine (9) Directors, Ken Akamatsu, Toshihiko Sugie, Toru Takeuchi, Toshinori Shirai, Takaaki Muto, Shouei Utsuda, Yoshinori Ida, Katsunori Nagayasu and Michiko Kuboyama will expire at the conclusion of this meeting.

Accordingly, the Company proposes the election of nine (9) Directors and nominates the following candidates:

Candidate No.	Name		Positions and responsibilities concurrently held at the Company	Years in office as Director	Attendance status Rate of attendance at meetings of Board of Directors
1	[Renominated]	Ken Akamatsu	Chairman and Representative Director	2 years	14 out of 14 100%
2	[Renominated]	Toshihiko Sugie	President, Representative Director and Executive Officer (CEO)	7 years	14 out of 14 100%
3	[Renominated]	Toru Takeuchi	Executive Vice President, Representative Director and Chief Merchandising Officer (CMO)	2 years	14 out of 14 100%
4	[Renominated]	Takaaki Muto	Director, Managing Executive Officer and Chief Administrative Officer (CAO)	1 year	11 out of 11 100%
5	[Newly nominated]	Hidehiko Igura	Managing Executive Officer and Chief Financial Officer (CFO)	—	—
6	[Renominated] [Outside Director] [Independent Director]	Michiko Kuboyama	Outside Director	1 year	11 out of 11 100%
7	[Newly nominated] [Outside Director] [Independent Director]	Masami Iijima	—	—	—
8	[Newly nominated] [Outside Director] [Independent Director]	Miwako Doi	—	—	—
9	[Newly nominated] [Outside Director]	Takashi Oyamada	—	—	—

* Attendance status at meetings of Board of Directors for candidates in office as Director for one year refers only to the period after assumption of a directorship.

**Regarding the number of years in office, candidate attendance at Board of Directors meetings over one year refers only to the period after assumption of a directorship.

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
1	Ken Akamatsu (Sep 5, 1952) [Renominated]	Jun 1975 Joined Mitsukoshi, Ltd. Feb 2006 Executive Officer, General Manager, Operations Department Feb 2007 Executive Officer, General Manager, Group Operations Department May 2007 Director, Senior Executive Officer, General Manager, Group Operations Department Apr 2008 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Mitsukoshi, Ltd. Apr 2009 Director, Isetan Co., Ltd Apr 2013 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Ltd. Jun 2016 Vice Chairman, Shin Kong Mitsukoshi Department Store Co., Ltd. May 2017 Consultant, Isetan Mitsukoshi Holdings Ltd. Chairman, Japan Department Stores Association (to the present) Jun 2017 Chairman and Representative Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Chairman and Representative Director, Isetan Mitsukoshi Ltd. Apr 2019 Chairman (to the present) Significant posts concurrently held Chairman, Isetan Mitsukoshi Ltd. Chairman, Japan Department Stores Association	38,140
	Reasons for selecting the candidate for Director Mr. Ken Akamatsu assumed the office of Director, Managing Executive Officer at the Company's founding in 2008. Since then, he has promoted the building of an operating platform for the Group, cutting costs and establishing a governance framework as General Manager of Operations (Administration) Headquarters, overseeing general affairs, accounting, financial management, logistics and other operations. He subsequently became Vice Chairman of Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), an equity-method affiliate of the Company in 2016, before serving as Chairman and Representative Director of the Company since 2017. Mr. Akamatsu is renominated as a candidate for Director because we believe that through his deep knowledge and excellent leadership, he can contribute to further enhancement of the Group's corporate value and strengthening of its corporate governance.		

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
2	Toshihiko Sugie (Feb 15, 1961) [Renominated]	Apr 1983 Joined Isetan Co., Ltd. Apr 2009 Executive Officer, General Manager in charge of foods in general and food sales, MD Administration Department, Department Store Business Planning & Operation Headquarters Apr 2011 Executive Officer, General Manager in charge of foods in general, MD Administration Department, Department Store Business Planning & Operation Headquarters, Isetan Mitsukoshi Ltd. Apr 2012 Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Jun 2012 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters Apr 2013 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd. Apr 2016 Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd. Apr 2017 President, Representative Director, Executive Officer, Isetan Mitsukoshi Holdings Ltd. President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. (to the present) Apr 2018 President, Representative Director, Executive Officer (CEO) and CDTO, Isetan Mitsukoshi Holdings Ltd. *CEO (Chief Executive Officer) CDTO (Chief Digital Transformation Officer) Apr 2019 President, Representative Director and Executive Officer (CEO) (to the present) Significant posts concurrently held President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd.	30,000
	Reasons for selecting the candidate for Director Mr. Toshihiko Sugie gained experience in household goods, ladies' fashion and accessories, foods, and other sales departments and sales support departments after joining the Company, before being appointed as Director and Managing Executive Officer of the Company in 2012. Since then, he has led the Group to achieve management plans as General Manager, Strategic Planning Headquarters. In April 2017, he became President, Representative Director, and Executive Officer of the Company and Isetan Mitsukoshi Ltd. In addition, he has been driving the digital strategy of the Company, serving concurrently as CDTO in 2018. In light of his ability in widely managing the Department Store Business and the overall business of the Group based on his rich experience in both sales departments and planning departments, as well as his excellent leadership skills, we believe that Mr. Sugie is able to make significant contributions to further improvement of the Group's corporate value, and thus we renominate him as a candidate for Director.		

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
3	Toru Takeuchi (May 21, 1960) [Renominated]	Apr 1983 Joined Isetan Co., Ltd. Apr 2009 Executive Officer, General Manager in charge of ladies fashion, MD Administration Department, Department Store Business Planning & Operation Headquarters Mar 2010 Director, Managing Executive Officer, General Manager, MD Administration Department, Department Store Business Planning & Operation Headquarters, General Manager in charge of ladies Apr 2011 Managing Executive Officer, General Manager, MD Administration Department, Department Store Business Planning & Operation Headquarters, Isetan Mitsukoshi Ltd. Apr 2013 Managing Executive Officer, Isetan Mitsukoshi Holdings Ltd. President, Representative Director, Executive Officer, Sapporo Marui Mitsukoshi Ltd. Apr 2016 Managing Executive Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Holdings Ltd. Managing Executive Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Ltd. Apr 2017 Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, General Manager, Merchandising Headquarters Jun 2017 Director, Isetan Mitsukoshi Holdings Ltd. Apr 2018 Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, Isetan Mitsukoshi Ltd. Apr 2019 Executive Vice President, Representative Director and CMO, Isetan Mitsukoshi Holdings Ltd. (to the present) *CMO (Chief Merchandising Officer) Director, Isetan Mitsukoshi Ltd. (to the present) Significant posts concurrently held Director, Isetan Mitsukoshi Ltd.	24,500
	Reasons for selecting the candidate for Director Mr. Toru Takeuchi has primarily handled menswear and ladies' fashion since joining the Company, and led sales departments for many years, including postings at operating subsidiaries overseas. Since 2013, he served as President, Representative Director and Executive Officer of Sapporo Marui Mitsukoshi Ltd. as the Company's Managing Executive Officer, before being appointed General Manager, Group Human Resources Headquarters of the Company in 2016. In 2017, he took office as General Manager, Department Store Business Headquarters as Director and Senior Managing Executive Officer of Isetan Mitsukoshi Ltd. In April 2019, he was appointed Executive Vice President, Representative Director and CMO of the Company, leading the whole Group through merchandising. We believe that he is able to contribute to further enhancement of the Group's corporate value based on his wide-ranging and abundant experience, and thus we renominate him as a candidate for Director.		

<table>
<tr><th>Candidate No.</th><th>Name
(Date of Birth)</th><th>Summary of career, positions, responsibilities and significant posts concurrently held</th><th>Number of Company shares owned</th></tr>
<tr><td rowspan="2">4</td><td>Takaaki Muto
(Nov 28, 1956)
[Renominated]</td><td>Jun 1979 Joined Mitsukoshi, Ltd.
Mar 2010 Executive Officer, General Manager, General Administration Department
Apr 2011 Executive Officer, General Manager, General Administration Department, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd.
Apr 2013 Executive Officer, General Manager, General Administration Department, Administration Headquarters
Apr 2016 Executive Officer, General Manager, Risk Management Office
Apr 2017 Managing Executive Officer, General Manager, Risk Management Office
Jun 2018 Director, Managing Executive Officer and CACO
*CACO (Chief Administration and Compliance Officer)
Director, Isetan Mitsukoshi Ltd. (to the present)
Apr 2019 Director, Managing Executive Officer and CAO, Isetan Mitsukoshi Holdings Ltd. (to the present)
*CAO (Chief Administrative Officer)
Significant posts concurrently held
Director, Isetan Mitsukoshi Ltd.</td><td>27,300</td></tr>
<tr><td colspan="3">Reasons for selecting the candidate for Director
Mr. Takaaki Muto has long been engaged in the human resources and general administration departments. Since 2017, he has promoted risk management for the whole Group as Managing Executive Officer and General Manager, Risk Management Office of the Company. From June 2018, he has supervised several departments, including general administration, finance & accounting, and human resources as Director, Managing Executive Officer and CACO of the Company. In April 2019, he took office as CAO to preside over the Group’s business operations, general administration, and CSR. Mr. Muto is renominated as a candidate for Director because we believe that he is capable of further contributing to improved corporate value of the Group, based on his wealth of knowledge gained over many years.</td></tr>
<tr><td rowspan="2">5</td><td>Hidehiko Igura
(Jul 5, 1964)
[Newly nominated]</td><td>Apr 1987 Joined Isetan Co., Ltd.
Apr 2014 Director, Senior Managing Executive Officer, MICARD Co. Ltd.
President and Representative Director, MI TOMONOKAI Co., Ltd.
Apr 2017 President and Representative Director, Isetan Mitsukoshi Innovations Ltd.
Apr 2018 Executive Officer, General Manager, Corporate Planning Department, Isetan Mitsukoshi Holdings Ltd.
Apr 2019 Managing Executive Officer and CFO (to the present);
* CFO (Chief Financial Officer)
Director, Isetan Mitsukoshi Ltd. (to the present)
Significant posts concurrently held
Director, Isetan Mitsukoshi Ltd.</td><td>2,400</td></tr>
<tr><td colspan="3">Reasons for selecting the candidate for Director
Early on in his career at the Company, Mr. Hidehiko Igura was posted overseas in the US and Thailand, engaging in the finance & accounting department as well as business restructuring. After returning to Japan, he was involved in the Company’s corporate planning department as well as the management of MICARD Co., Ltd. to take charge of a wide range of duties including M&A operations, collaboration with external entities, and restructuring projects. In 2018, he was appointed General Manager, Corporate Planning Department of the Company. In April 2019, he took office as CFO to preside over budgeting, investment, finances, etc. of the whole Group. Mr. Igura is nominated as a candidate for Director because we believe that he is capable of further contributing to improved corporate value of the Group, based on his broad experience and skills in finance and accounting.</td></tr>
</table>

<table>
<tr><th>Candidate No.</th><th>Name
(Date of Birth)</th><th>Summary of career, positions, responsibilities and significant posts concurrently held</th><th>Number of Company shares owned</th></tr>
<tr><td rowspan="2">6</td><td>Michiko Kuboyama
(Apr 16, 1956)
[Renominated]
[Outside Director]
[Independent Director]</td><td>Apr 1980 Joined Kao Sekken (currently Kao Corporation)
Apr 2006 General Manager, Products Public Relations Department
Apr 2011 General Manager, Products Public Relations Center
Sep 2011 Visiting Professor, TAMA GRADUATE SCHOOL OF BUSINESS (to the present)
May 2016 Communication Fellow, Ordinary Citizens Research Center, Kao Corporation (to the present)
Jun 2017 Outside Director, JACCS CO., LTD. (to the present)
Jun 2018 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present)
Significant posts concurrently held
Communication Fellow, Ordinary Citizens Research Department, Kao Corporation
Outside Director, JACCS CO., LTD.</td><td>1,000</td></tr>
<tr><td colspan="3">Reasons for selecting the candidate for Outside Director
Ms. Michiko Kuboyama has served as General Manager, Products Public Relations Center and other positions at Kao Corporation, engaging mainly in product development and marketing departments. Her activities span diverse fields including sharing her abundant experience as Visiting Professor at TAMA GRADUATE SCHOOL OF BUSINESS. Ms. Kuboyama took office as the Company’s Outside Director in 2018. The Company operates in an industry that calls for a wide range of perspectives including that of the consumer. As she is expected to continue giving valuable advice and appropriate oversight over business execution from an independent standpoint at the Company’s Board of Directors, she is renominated as a candidate for Director.</td></tr>
<tr><td rowspan="2">7</td><td>Masami Iijima
(Sep 23, 1950)
[Newly nominated]
[Outside Director]
[Independent Director]</td><td>Apr 1974 Joined MITSUI & CO., LTD.
Apr 2008 Executive Managing Officer
Jun 2008 Representative Director, Executive Managing Officer
Oct 2008 Representative Director, Senior Executive Managing Officer
Apr 2009 Representative Director, President and Chief Executive Officer
Apr 2015 Representative Director, Chairman of the Board of Directors (to the present)
Jun 2016 Outside Director, Ricoh Company, Ltd. (to the present)
Jul 2018 External Board Director, SoftBank Group Corp. (to the present)
Significant posts concurrently held
Representative Director, Chairman of the Board of Directors, MITSUI & CO., LTD.
Outside Director, Ricoh Company, Ltd.
External Board Director, SoftBank Group Corp.</td><td>0</td></tr>
<tr><td colspan="3">Reasons for selecting the candidate for Outside Director
Mr. Masami Iijima has served as the management of one of the largest corporations in Japan with excellent achievements in its growth. As Chairman of the Board of Directors of MITSUI & CO., he has also proved to be indispensable in the promotion of its corporate governance as the supervisor of management. The Company expects him to reflect his abundant insight in the Company’s management with adequate guidance and suggestions to ensure the validity and appropriateness of decision-making by its Board of Directors from an independent standpoint. Therefore, he is nominated as a candidate for Director.</td></tr>
</table>

*Mr. Masami Iijima’s role at MITSUI & CO., LTD. is to oversee its management as Representative Director, Chairman of the Board of Directors and he is not involved in daily business execution as he does not concurrently serve as an Executive Officer.

<table>
<tr><th>Candidate No.</th><th>Name
(Date of Birth)</th><th>Summary of career, positions, responsibilities and significant posts concurrently held</th><th>Number of Company shares owned</th></tr>
<tr><td rowspan="2">8</td><td>Miwako Doi
(Jun 2, 1954)
[Newly nominated]
[Outside Director]
[Independent Director]</td><td>Apr 1979 Joined Tokyo Shibaura Electric Co., Ltd. (currently TOSHIBA CORPORATION)
Jul 2005 Chief Fellow, Humancentric Laboratory, Corporate Research & Development Center, TOSHIBA CORPORATION
Jul 2006 Chief Fellow, Corporate Research & Development Center
Jul 2008 Senior Fellow
Apr 2014 Auditor, National Institute of Information and Communications Technology (to the present)
Jun 2015 Outside Director, Nomura Research Institute, Ltd. (to the present)
Apr 2017 Executive Director, Nara Institute of Science and Technology (to the present)
Significant posts concurrently held
Auditor, National Institute of Information and Communications Technology
Outside Director, Nomura Research Institute, Ltd.
Executive Director, Nara Institute of Science and Technology</td><td>0</td></tr>
<tr><td colspan="3">Reasons for selecting the candidate for Outside Director
Ms. Miwako Doi has accumulated abundant experience at a major electronics manufacturer as a researcher and manager in the information technology field with great expert achievement in the field. Her activities are diverse, ranging from government committee member to visiting professor at a university. The Company aims to be future department stores that make use of the power of IT, stores, and human resources. She is expected to provide valuable guidance backed by her sophisticated expertise and techniques in IT as well as appropriately oversee business execution from an independent standpoint at the Company’s Board of Directors. Therefore, she is nominated as a candidate for Director.</td></tr>
</table>

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
9	Takashi Oyamada (Nov 2, 1955) [Newly nominated] [Outside Director]	Apr 1979 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.) Jan 2009 Managing Executive Officer, The Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.) Jun 2009 Managing Director Director, Mitsubishi UFJ Financial Group, Inc. May 2012 Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. May 2013 Senior Managing Executive Director Jun 2014 Deputy President May 2015 Deputy President, Mitsubishi UFJ Financial Group, Inc Jun 2015 Director, Deputy President, Group COO Apr 2016 President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Director, Mitsubishi UFJ Financial Group, Inc. Jun 2017 Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun 2017 Special Advisor Apr 2018 Special Advisor, MUFG Bank, Ltd. (to the present) Jun 2018 Representative Director & Vice Chair, The Japan Institute of International Affairs (to the present) Dec 2018 Outside Director, Mitsubishi Research Institute DCS Co., Ltd. (to the present) Significant posts concurrently held Special Advisor, MUFG Bank, Ltd. Representative Director & Vice Chair, The Japan Institute of International Affairs Outside Director, Mitsubishi Research Institute DCS Co., Ltd.	0
	Reasons for selecting the candidate for Outside Director Mr. Takashi Oyamada has served as the management of a leading financial institution in Japan with excellent achievements, and possesses broad insight and deep knowledge in finance, gained over years of experience at a financial institution. The Company expects him to provide valuable guidance and suggestions to ensure the validity and appropriateness of decision-making by its Board of Directors, leveraging his sophisticated expertise. Therefore, he is nominated as a candidate for Director.		

(Notes)

1. Ms. Michiko Kuboyama is expected to retire from the position of Outside Director of JACCS CO., LTD. on June 27, 2019.
2. Mr. Takashi Oyamada is a Special Advisor of MUFG Bank, Ltd., which is the main bank of the Group. There are no particular relationships of interest with any of the other candidates and the Company.
3. In a case agreed with New York State Department of Financial Services, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.), where Mr. Takashi Oyamada served as Director until June 2017, agreed to pay a sum of £17,850,000 in February 2017 to the Prudential Regulation Authority after the case report was deemed inadequate for reasons including delay of submission.
4. Ms. Michiko Kuboyama has concluded a limited liability agreement with the Company based on the provisions of the Articles of Incorporation, which shall limit the maximum amount of liability she may bear to the Company to the amount stipulated by laws and regulations. If her reappointment is approved, the Company plans to continue to hold the agreement stipulating liability limits. Furthermore, in the event of approval of the appointments of Mr. Masami Iijima, Ms. Miwako Doi,

and Mr. Takashi Oyamada, the Company plans to conclude with them similar agreements for limitation of liability.

5. The Company designates Ms. Michiko Kuboyama as Independent Director according to the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has registered her with the two exchanges. Assuming approval of the reelection of Director Ms. Michiko Kuboyama, the Company also plans to continuously designate her as an Independent Director and to notify both stock exchanges thereof. Furthermore, in the event of approval of the appointments of Mr. Masami Iijima and Ms. Miwako Doi, the Company plans to submit to both stock exchanges new notifications of their designation as Independent Directors.
6. Ms. Michiko Kuboyama's name on her family register is Michiko Iwasaki.

Proposal No. 3: Election of One Corporate Auditor

The terms of office of Corporate Auditor Hidenori Takeda will expire at the conclusion of this meeting.

Accordingly, the Company proposes the election of one (1) Corporate Auditor and nominates the following candidate.

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

Name (Date of Birth)	Summary of career, positions and significant posts concurrently held	Number of Company shares owned
Toshinori Shirai (Jan 28, 1959) [Newly nominated]	Apr 1982 Joined Isetan Co., Ltd. Mar 2008 Executive Officer Apr 2008 Executive Officer, General Manager, Planning & Promotion Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Apr 2011 Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters Jun 2012 Director, Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters Jun 2013 Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters Apr 2014 Executive Officer, General Manager, Planning & Promotion Division, Strategic Planning Headquarters Jan 2016 President and Representative Director, Isetan Mitsukoshi Innovations Ltd. Apr 2016 Managing Executive Officer, General Manager, Planning, Development & Promotion Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Apr 2017 Managing Executive Officer, General Manager, Strategic Planning Headquarters Director, Isetan Mitsukoshi Ltd. Jun 2017 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Apr 2018 Director, Managing Executive Officer, CSRO *CSRO (Chief Strategy and Restructuring Officer) Apr 2019 Director, Managing Executive Officer and Assistant to the President (to the present)	19,081
Reasons for selecting the candidate for Corporate Auditor After joining the Company, Mr. Toshinori Shirai has been engaged mainly in the accounting department before being seconded to operating subsidiaries in Japan and overseas, where he was in charge of general affairs, accounting and a wide range of responsibilities in overall management. Subsequently, his career focused on the corporate planning department, including the posts of Part-time Director and Corporate Auditor of the Company's equity-method affiliate. After appointment as the Company's Director and Managing Executive Officer, he took office as General Manager, Strategic Planning Headquarters in 2017, and as CSRO in 2018, working on the Group's growth businesses, structural reform and other management tasks. The Company believes that by drawing on his deep insight into the Group's business gained through his career, he can contribute to ensuring the validity and appropriateness of decision-making by its Board of Directors. Therefore, he is nominated as a candidate for Corporate Auditor.		

(Notes) 1. The Company's shares held by the candidate for Corporate Auditor indicate those as of March 31, 2019, and include his own personal holdings in the Isetan Mitsukoshi Holdings Executive Shareholding Association.

2. Mr. Toshinori Shirai has years of experience in the strategic planning department after engaging in the accounting department, and has considerable knowledge of finance and accounting.

3. In the event of approval of the appointment of Mr. Toshinori Shirai, the Company plans to conclude with him an agreement for limitation of liability based on the provisions of the Articles of Incorporation, which shall limit the maximum amount of liability he may bear to the Company to the amount stipulated by laws and regulations.

[Reference]

Independence Standards for Independent Outside Directors and Independent Outside Auditors

In designating Outside Directors and Outside Corporate Auditors 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 executive officer of a financial institution which has trading relations with 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 executive 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," and a "certain sum" in 5) above means "a sum of at least 10 million yen in any of the preceding three fiscal years."

Proposal No. 4: Payment of Bonuses to Directors

Taking into account the business performance for the year under review, we propose the payment of bonuses to four (4) Directors (of the nine (9) Directors, the Chairman and Representative Director and four (4) Outside Directors are excluded), who are in office at the end of the fiscal year under review, at a total amount of ¥58.67 million. As for the specific amount for each Director, we request that matter to be entrusted to the Board of Directors.

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

Business Report
(From April 1, 2018 to March 31, 2019)

1. Matters related to the Group's status

(1) Business developments and results

During fiscal 2018 (April 1, 2018 to March 31, 2019), the Japanese economy trended toward improvement in terms of employment and income conditions, but a decrease in visitors to Japan and supply restrictions caused by natural disasters and other factors negatively affected the consumer mindset. In addition, the second half of the fiscal year also saw rising uncertainty across the global economy.

Under these circumstances, the Group compiled The Isetan Mitsukoshi Way in April 2018, and laid out the corporate direction of the Group. In November 2018, the Group formulated the Isetan Mitsukoshi Group Medium-Term Management Plan based on The Isetan Mitsukoshi Way. In this plan, we envisioned ourselves creating new value by drawing on our strengths to connect customers with goods, events, and information, both offline (brick-and-mortar stores) and online (e-commerce), as we strive to become the Isetan Mitsukoshi Group that "connects people and bridges times."

Since fiscal 2017, the Group has been closing unprofitable stores and streamlining unprofitable businesses as part of the Medium-Term Management Plan, and as a result, a certain level of progress on major structural reforms is within reach. Cost structure reforms are ongoing, but in fiscal 2018, the Group focused on creating the business foundations for a transformation of the business model, investing in stores, reforming the store business, and other initiatives, while also embarking on challenges targeting new businesses for the next stage of growth. At the same time, the Group also focused on strengthening its corporate governance system.

Consolidated net sales for the fiscal year amounted to ¥1,196.8 billion, a decrease of 4.7% from the previous fiscal year, operating income amounted to ¥29.2 billion, an increase of 19.7%, recurring income was ¥31.9 billion, an increase of 17.1%, and net income attributable to parent company shareholders was ¥13.4 billion (The previous fiscal year was net loss attributable to parent company shareholders of ¥0.9 billion.).

The reporting segment previously disclosed as the Other Retail & Specialty Store Business was excluded from the reporting segments due to a decrease in its quantitative materiality and is included in Other Businesses.

Department store

Percentage of net sales: 86.3%

Net sales: ¥1,111.2 billion (98.2% of the previous fiscal year's net sales)

Operating income: ¥15.3 billion (105.7% of the previous fiscal year's operating income)

In the department store business, net sales exceeded the previous year on a comparable-store basis, led mainly by domestic department stores, as a result of the Company's efforts to strengthen the range of premium sundry goods, apparel, and cosmetics. In addition, selling and administrative expenses were significantly reduced, owing to progress on cost structure reforms at Group companies.

In addition to the market environment, customers' values, purchasing styles, and lifestyles are all undergoing major changes. In these circumstances, the Group aims to leverage digital technologies to establish a new department store model capable of providing the highest level of service to customers, and we have started synchronizing our personnel, stores, and IT to transform our business model with specific initiatives at flagship stores.

At the Mitsukoshi Nihombashi Store, we conducted a large-scale remodeling (the first phase of remodeling) in October 2018, for the first time in around 30 years, to convert it to a department store focused on hospitality, enhancing personal shopping services. We created a venue for providing hospitality to customers starting with the first floor of the main building, for example a desk where category specialists are on duty at all times to respond to customers' requests and queries and a lounge for special customers. By using IT technologies for information sharing, our category specialists and guides can propose a store-wide selection of products to customers at the Nihombashi Store, beyond boundaries between brands and categories.

At the Isetan Shinjuku Store, along with the brush up of products, services, and space, we remodeled the men's building for the first time in 15 years, as we aspire to become the most appreciated men's fashion store in the world. Customers can choose from global cutting-edge, top-drawer fashion as well as our expanded range of customizable products. A personalized shopping experience is offered by combining analog and digital technologies. We focused on creating a communication environment that satisfies the desires of individuals. In addition, we also renewed the Isetan wrapping paper for the first time in 22 years.

We are also focusing on new online businesses as we aim to increase our points of contact with customers. In June 2018, we launched ISETAN DOOR, a periodic home delivery service. In February 2019, we launched "meeco," an online cosmetics store that takes advantage of the Isetan Shinjuku Store's strengths, followed in March by "arm in arm," an online-only business where products are designed and made interactively with customers via SNS and other services.

Furthermore, in order to redistribute limited management resources to new growth sectors, we decided to close stores with profitability issues, namely, Isetan Sagamihara Store, Isetan Fuchu Store, Niigata Mitsukoshi, and Iwataya Kurume Store Annex (the latter was closed in March 2019). We apologize for any inconveniences caused by the store closures and thank customers for their patronage.

Credit & finance / customer organization management

Percentage of net sales: 3.0%

Net sales: ¥39.1 billion (100.5% of the previous fiscal year's net sales)

Operating income: ¥6.4 billion (119.7% of the previous fiscal year's operating income)

In the credit & finance business/customer organization management business, MICARD Co., Ltd. focused on priority areas such as expanding membership through collaboration with companies outside the Group, boosting the appeal of MI points, and enhancing the profitability of existing cards.

We issued new cards such as the FUKUOKA SoftBank HAWKS MICARD in October 2018 and the LEXUS TOKYO MICARD+ PLATINUM in November 2018 in a bid to increase membership by a line-up of cards tailored to customer needs. In addition, we are expanding the scope of our MI points program to usage outside the Group. We rolled out point exchange programs with 35 companies in the fiscal year under review to promote use outside department stores as an initiative to boost profitability.

Real estate

Percentage of net sales: 3.8%

Net sales: ¥48.3 billion (107.2% of the previous fiscal year's net sales)

Operating income: ¥7.7 billion (117.7% of the previous fiscal year's operating income)

In the real estate business, our initiatives in operating commercial facilities included the opening of FOOD & TIME ISETAN YOKOHAMA, a new store specializing in food inside Yokohama JOINUS in March 2018, and "mi:ts Kokubunji," a new community-oriented facility located at the North Exit of Kokubunji Station in April 2018.

Overseas, the first phase of residences have commenced sales in November 2018 for the residential and multipurpose property development project in the Philippines, an ongoing joint project with Nomura Real Estate Development Co., Ltd. and Federal Land Incorporated, a major Filipino real estate company. The name of the commercial facility section of the project was announced to be MITSUKOSHI, envisioned to be a new multipurpose commercial complex that distinguishes itself from the conventional department store. The complex will invite and develop store tenants and formats focused on the food category.

In addition, Isetan Mitsukoshi Property Design Ltd. transferred the building management business to Mitsukoshi Isetan Im Facilities Co., Ltd. (formerly Im Kankyo Building Management Co., Ltd.) effective April 1, 2019, for the purpose of increasing operational efficiency and productivity.

Other businesses

Percentage of net sales: 6.9%

Net sales: ¥88.9 billion (61.2% of the previous fiscal year's net sales)

Operating income: ¥(0.3) billion (In the previous fiscal year, operating loss totaled ¥2.2 billion)

In the other businesses, we closed unprofitable mail-order businesses and fashion brand businesses as part of restructuring measures. Although the streamlining of unprofitable businesses caused net sales to decrease, segment profit improved owing to improved cost structure.

In the travel business, the area of growth potential, we integrated Isetan Mitsukoshi Travel Co., Ltd. and NIKKO TRAVEL CO., LTD. in April 2019, to pursue enhanced value provided to customers through greater efficiency and synergistic effects.

In the beauty business, in spite of efforts by SOCIE WORLD CO., LTD. to open new shops in the Group's stores, net sales continued to decline. As customer needs in the beauty segment are increasingly diversifying under intensifying competition, and a prompt recovery in performance is unlikely, the Company recorded an impairment loss on goodwill, etc. of ¥12.6 billion under extraordinary loss in the fiscal year under review.

(2) Capital expenditures

Our capital expenditures during the consolidated fiscal year under review totaled some ¥56.5 billion, which consisted principally of some ¥48.5 billion for renovations of the Isetan Mitsukoshi Group stores.

(3) Fund-raising matters

We raised funds of ¥10.0 billion as corporate bond issuance to allocate them to the redemption of bonds, capital expenditures, and so forth for the consolidated fiscal year under review.

(4) Issues that need to be addressed

The declining and ageing population has caused the domestic market to shrink, while alarming changes in telecommunications technology and digitalization has changed and diversified consumer behavior. The Group must swiftly transform itself to counter such remarkable changes in the business environment. Digitalization means that anyone can access and distribute information from anywhere, at any time, so it is essential that we support a diverse range of purchasing methods including e-commerce (online), in addition to brick-and-mortar stores (offline), and we must shift from the traditional department store business model to a new retail model.

In response to these changes, the Group is moving forward with its Medium-Term Management Plan, aiming to transform into "future department stores (platformers)," the vision announced in November 2018. While continuing infrastructure development and cost structure reforms, we will shift our focus to business model reforms and initiatives for the next stage of growth, and steadily accelerate priority strategies to that end.

<u>Priority effort 1 – Initiatives to transform into "future department stores"</u>

Our measures to transform into future department stores comprise "reforming the business models of existing stores" and "creating new businesses." We will move ahead with the plan to remodel the Group's flagship stores, i.e. the Mitsukoshi Nihombashi Store (second phase) and the main building of the Isetan Shinjuku Store. Together with this remodeling, we will also promote "seamless connection between online and offline" under a new organizational structure, with products available in stores registered digitally to allow customers to experience the same services in real and online. We will strengthen and expand concierge services and the Group Customer Program services early launched at the Mitsukoshi Nihombashi Store at the first phase of remodeling, for roll-out at other stores. Our efforts will go beyond flagship stores and a series of new store models will be explored at the Matsuyama Mitsukoshi and Niigata Isetan regional stores as well. We will further develop our

digital infrastructure and make sweeping changes to old workstyles, systems, and work flows to boost productivity in our endeavors to establish a new business model.

In addition, we shall also take on the challenge of establishing new online businesses as a means of providing new value. We have launched the periodic home delivery service, online cosmetics store and an online-only brand in fiscal 2018, and a new personal styling company in fiscal 2019. Going forward, we will continue exploring new businesses for example in the secondary market and the marketing service segment.

Priority effort 2 – "Expanding the real estate and overseas businesses"

We will make maximum leverage of real estate held by the Group by participating in redevelopment projects and developing new businesses. In Japan, we will expand commercial facility operation projects to follow those in Yokohama and Kokubunji. Overseas, while a collaboration project between retail and real estate is currently underway in the Philippines, we will aggressively proceed with for example the development of midsize stores and new real estate development projects with an eye to collaboration with other companies.

Priority effort 3 – "Promoting cost structure reforms"

Cost structure reforms will continue along with priority growth strategies. We are striving to reduce SG&A expenses by fundamentally reforming the cost structure of advertising costs, lease payments, and personnel expenses. Although major store restructuring projects have settled in to a certain extent, we will continue redefining the direction, role, and position of each business within the Group to shuffle and rebuild our business portfolio.

As steps to steadily achieve the targets in the Medium-Term Management Plan, we will delegate rights and responsibilities to Group operating companies for swift management decision-making and a flexible business execution structure. To that end, our corporate governance system needs to be further strengthened through ongoing efforts such as enhancing the operational accuracy of the Chief Officer system, the control tower of the whole Group, and improving the effectiveness of the Board of Directors. Furthermore, we shall also strengthen compliance, risk management, information management systems, and other internal control systems, in order to improve corporate value and gain sustainable growth.

We aim to fulfill our corporate social responsibility by facing various social issues that are ever-changing and contributing to solving them through our corporate activities. We will thereby

play a role in realizing the prosperous future of all the people involved and a sustainable society. We are strengthening our CSR initiatives by establishing the Sustainability Promotion Council to solve changing social issues and satisfy demands from the viewpoints of environment, society, and governance (ESG) and Sustainable Development Goals (SDGs). At the same time, rapid ageing and declines in the domestic population will inevitably lead to a reduced labor force. We will strive to enhance the performance and productivity of Group employees by creating a friendly working environment and boosting employee satisfaction (ES), which in turn will ultimately improve customer satisfaction.

We take this opportunity to appreciate your continued support and patronage going forward.

Segment information (Millions of yen)

	Reporting segment				Other businesses (Note 1)	Total	Adjustments (Note 2)	Amount posted in Consolidated Financial Statements (Note 3)
	Department store	Credit & finance / customer organization management	Real estate	Total				
Net sales								
Outside customers	1,108,536	22,458	31,258	1,162,253	34,550	1,196,803	−	1,196,803
Inter-segment sales	2,665	16,658	17,044	36,368	54,420	90,788	(90,788)	−
Total	1,111,202	39,116	48,303	1,198,621	88,970	1,287,592	(90,788)	1,196,803
Segment profit/loss	15,313	6,422	7,786	29,522	(302)	29,220	9	29,229
Segment assets	1,028,103	227,796	153,361	1,409,261	51,250	1,460,511	(213,084)	1,247,427
Others								
Depreciation	17,062	3,073	998	21,134	6,980	28,114	(221)	27,893
Impairment loss (Note 4)	23,097	−	181	23,279	12,788	36,067	-	36,067
Investment in equity method affiliates	79,845	−	−	79,845	−	79,845	−	79,845
Increase in tangible/intangible fixed assets	44,575	1,259	5,774	51,608	5,317	56,926	(400)	56,526

Notes: 1. The other businesses segment includes the services of other retail & specialty store, manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service, travel business and beauty business that are not included in other reporting segments.

2. Adjustments are as follows:
   (1) The segment profit adjustment of ¥9 million is intersegment eliminations, etc.
   (2) The segment assets adjustment of negative ¥213,084 million is the intersegment elimination of receivables and payables, etc.
   (3) The adjustment of depreciation of negative ¥221 million is intersegment unrealized income.
   (4) The increase in tangible and intangible fixed assets adjustment of negative ¥400 million is intersegment elimination and intersegment unrealized income, etc.
3. Segment profit (loss) is adjusted to operating income.
4. In the Consolidated Statement of Income, of the above impairment loss, ¥3,620 million is included in “loss on closing of stores.”

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	144,775	22.8	93.2
	Mitsukoshi Ginza store	91,189	14.4	103.8
	Isetan Shinjuku store	288,879	45.5	105.4
	Isetan Tachikawa store	36,215	5.7	101.1
	Isetan Urawa store	40,516	6.4	100.3
	Isetan Sagamihara store	18,797	3.0	96.3
	Isetan Fuchu store	13,906	2.2	93.5
	Total	**634,280**	**100.0**	**97.8**
Sapporo Marui Mitsukoshi Ltd.		65,360	—	99.8
Hakodate Marui Imai Ltd.		7,289	—	96.0
Sendai Mitsukoshi Ltd.		32,390	—	98.1
Niigata Isetan Mitsukoshi Ltd.		44,030	—	99.2
Shizuoka Isetan Co., Ltd.		19,040	—	96.5
Nagoya Mitsukoshi Ltd.		67,340	—	101.9
Hiroshima Mitsukoshi Ltd.		14,002	—	94.3
Takamatsu Mitsukoshi Ltd.		22,740	—	99.1
Matsuyama Mitsukoshi Ltd.		13,096	—	96.2
Iwataya Mitsukoshi Ltd.		117,230	—	99.5
West Japan Railway Isetan Ltd.*		67,870	—	95.3

* An equity-method affiliate of the Company

Net sales by product of Isetan Mitsukoshi Ltd.

Product	Amount (Millions of yen)	Percentage of Total (%)	Year-on-year Comparison (%)
Apparel	226,695	35.8	97.5
Accessories	79,280	12.5	99.7
Sundry goods	140,326	22.1	103.9
Household goods	23,740	3.7	86.8
Foods	130,873	20.6	95.2
Others	33,364	5.3	91.1
Total	**634,280**	**100.0**	**97.8**

(5) Change in assets and earnings

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

Item \ Fiscal term	8th Term Fiscal 2015 (From April 1, 2015 to March 31, 2016)	9th Term Fiscal 2016 (From April 1, 2016 to March 31, 2017)	10th Term Fiscal 2017 (From April 1, 2017 to March 31, 2018)	11th Term Fiscal 2018 (From April 1, 2018 to March 31, 2019) Consolidated fiscal year under review
Net sales (Million yen)	1,287,253	1,253,457	1,256,386	1,196,803
Operating income (Million yen)	33,107	23,935	24,413	29,229
Recurring income (Million yen)	36,704	27,418	27,325	31,995
Net income (loss) attributable to parent company shareholders (Million yen)	26,506	14,976	(960)	13,480
Net income (loss) per share (Yen)	67.41	38.27	(2.47)	34.58
Total assets (Million yen)	1,293,043	1,312,074	1,275,535	1,247,427
Net assets (Million yen)	574,316	579,782	588,091	585,715
Net assets per share (Yen)	1,438.17	1,460.32	1,478.74	1,475.74
Capital-to-asset ratio (%)	43.56	43.36	45.19	46.14

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 11th term, with respect to the buying sales transactions of overseas consolidated subsidiaries whose financial statements comply with the International Financial Reporting Standards, the amount that corresponds to gross profit is reflected in net sales and thus presented on a net basis, while net sales for the 10th term show the amount after retrospective application.

3. During the 10th term, provisional accounting treatment for business combinations conducted during the 9th term was finalized, and net assets for the 9th term reflect the finalization of the provisional accounting treatment.

4. “Partial Amendments to Accounting Standard for Tax Effect Accounting” have been applied from the 11th term, and total assets for the 10th term show the amount after retrospective application.

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

Item \ Fiscal term	8th Term Fiscal 2015 (From April 1, 2015 to March 31, 2016)	9th Term Fiscal 2016 (From April 1, 2016 to March 31, 2017)	10th Term Fiscal 2017 (From April 1, 2017 to March 31, 2018)	11th Term Fiscal 2018 (From April 1, 2018 to March 31, 2019) Consolidated fiscal year under review
Operating revenues (Million yen)	15,886	35,970	15,572	14,542
Operating income (Million yen)	5,571	24,641	8,345	5,195
Recurring income (Million yen)	5,267	23,479	7,054	4,559
Net income (loss) (Million yen)	5,072	22,381	2,539	(8,697)
Net income (loss) per share (Yen)	12.90	57.19	6.52	(22.31)
Total assets (Million yen)	755,212	784,322	741,614	718,654
Net assets (Million yen)	453,050	467,488	465,692	452,583
Net assets per share (Yen)	1,152.47	1,195.09	1,189.52	1,155.16
Capital-to-asset ratio (%)	59.77	59.36	62.52	62.69

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

(6) Status of significant subsidiaries (As of March 31, 2019)

1) Status of subsidiaries

Company Name	Paid-in Capital	Ownership Percentage by the Company (%)	Location of Main Store	Line of Business
Isetan Mitsukoshi Ltd.	¥10,000 mln.	100.0	Shinjuku-ku, Tokyo	Department store
Sapporo Marui Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Sapporo-shi, Hokkaido	Department store
Hakodate Marui Imai Ltd.	¥50 mln.	100.0	Hakodate-shi, Hokkaido	Department store
Sendai Mitsukoshi Ltd.	¥50 mln.	100.0	Aoba-ku, Sendai-shi, Miyagi	Department store
Niigata Isetan Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Niigata-shi, Niigata	Department store
Shizuoka Isetan Co., Ltd.	¥100 mln.	100.0	Aoi-ku Shizuoka-shi, Shizuoka	Department store
Nagoya Mitsukoshi Ltd.	¥50 mln.	100.0	Naka-ku, Nagoya-shi, Aichi	Department store
Hiroshima Mitsukoshi Ltd.	¥50 mln.	100.0	Naka-ku, Hiroshima-shi, Hiroshima	Department store
Takamatsu Mitsukoshi Ltd.	¥50 mln.	100.0	Takamatsu-shi, Kagawa	Department store
Matsuyama Mitsukoshi Ltd.	¥50 mln.	100.0	Matsuyama-shi, Ehime	Department store
Iwataya Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Fukuoka-shi, Fukuoka	Department store
Isetan (China) Investment Co., Ltd.	US$60,371 thou	100.0	Shanghai, 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
Chengdu Isetan Co., Ltd.	US$18,019 thou	100.0	Chengdu, Sichuan Prov., China	Department store
Isetan (Singapore) Ltd.	S$20,625 thou	52.7	Singapore City, Singapore	Department store
Isetan (Thailand) Co., Ltd.	290,000 thou bahts	49.0	Bangkok, Thailand	Department store
Isetan of Japan Sdn. Bhd.	20,000 thou ringgit	100.0	Kuala Lumpur, Malaysia	Department store
ICJ Department Store (Malaysia) Sdn. Bhd.	60,000 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
Mitsukoshi Italia S.p.A.	5,118 thou euro	100.0	Rome, Italy	Department store
MICARD Co. Ltd.	¥1,100 mln.	100.0	Shinjuku-ku, Tokyo	Credit & finance / customer organization management

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

2) Status of affiliates accounted for by the equity method

Company Name	Paid-in Capital	Ownership Percentage by the Company (%)	Location of Main Store	Line of Business
West Japan Railway Isetan Ltd.	¥100 mln.	40.0	Shimogyo-ku, Kyoto-shi, Kyoto	Department store
MI Food Style Co. Ltd.	¥100 mln.	34.0	Shinjuku-ku, Tokyo	Other retail
Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)	12,459 mln. Taiwan dollars	43.4	Taipei, Taiwan	Department store

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

3) Status of specific wholly-owned subsidiaries

Name	Address	Total amount of book value	Total assets of the Company
Isetan Mitsukoshi Ltd.	3-14-1, Shinjuku, Shinjuku-ku, Tokyo,	¥430,854 mln.	¥718,654 mln.

(7) Principal lines of business (As of March 31, 2019)

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

(8) Principal sales and business establishments (As of March 31, 2019)

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
	Isetan Sagamihara store	4-4-3, Sagamioono, Minami-ku, Sagamihara-shi, Kanagawa
	Isetan Fuchu store	1-41-2, Miya-machi, Fuchu-shi, Tokyo
Sapporo Marui Mitsukoshi Ltd.	Sapporo Marui Imai main store	2-11, Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido
	Sapporo Mitsukoshi store	3-8, Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido
Hakodate Marui Imai Ltd.		32-15, Hon-cho, Hakodate-shi, Hokkaido
Sendai Mitsukoshi Ltd.		4-8-15, Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi
Niigata Isetan Mitsukoshi Ltd.	Niigata Mitsukoshi store	866, Nishiboridori Goban-cho, Chuo-ku, Niigata-shi, Niigata
	Niigata Isetan store	1-6-1, Yachiyo, Chuo-ku, Niigata-shi, Niigata
Shizuoka Isetan Co., Ltd.		1-7, Gofukucho, Aoi-ku, Shizuoka-shi, Shizuoka
Nagoya Mitsukoshi Ltd.	Sakae store	3-5-1, Sakae, Naka-ku, Nagoya-shi, Aichi
	Hoshigaoka store	14-14, Hoshigaokamotomachi, Chikusa-ku, Nagoya-shi, Aichi
Hiroshima Mitsukoshi Ltd.		5-1, Ebisu-cho, Naka-ku, Hiroshima-shi, Hiroshima
Takamatsu Mitsukoshi Ltd.		7-1, Uchimachi, Takamatsu-shi, Kagawa
Matsuyama Mitsukoshi Ltd.		3-1-1, Ichiban-cho, Matsuyama-shi, Ehime
Iwataya Mitsukoshi 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
Chengdu Isetan Co., Ltd.	Chengdu, Sichuan Prov., China
Tianjin Binhai New Area Isetan Co., Ltd	Tianjin, China
Isetan (Singapore) Ltd.	Singapore City, Singapore
Isetan (Thailand) Co., Ltd.	Bangkok, Thailand
Isetan of Japan Sdn. Bhd.	Kuala Lumpur, Malaysia
ICJ Department Store (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia
Mitsukoshi (U.S.A.) Inc.	Florida, U.S.A.
Mitsukoshi Italia S.p.A.	Rome, Italy
Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)	Taipei, Taiwan

2) Credit & finance / customer organization management

Company Name	Location
MICARD Co. Ltd.	5-17-18, Shinjuku, Shinjuku-ku, Tokyo
MI TOMONOKAI Co., Ltd.	2-44-1, Kabukicho, Shinjuku-ku, Tokyo

3) Real estate

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

(9) Employees (As of March 31, 2019)

Employees of the Company and its subsidiaries

	Number of employees	Change from the end of previous fiscal year
Department store	9,155	236 decrease
Credit & finance / customer organization management	673	32 decrease
Real estate	452	12 decrease
Other businesses	2,931	778 decrease
Total	**13,211**	**1,058 decrease**

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

(10) Principal lenders and borrowings (As of March 31, 2019)

Borrowing made by the Company and its subsidiaries

Lenders	Amounts borrowed (¥ million)
MUFG Bank, Ltd.	13,750
Sumitomo Mitsui Banking Corporation	13,750
Sumitomo Mitsui Trust Bank, Limited	5,000
Syndicated loan	45,000

2. Matters related to the Company shares (As of March 31, 2019)

(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, 2019	395,694,754
Change from the end of previous fiscal year	+ 212,200

Note: The above figures include 5,698,790 treasury shares.

(3) Number of shareholders

	Number of Shareholders
At the end of the fiscal year ended March 31, 2019	229,766
Change from the end of previous fiscal year	+ 2,293

(4) Major shareholders

Name of Shareholders	Number of Shares Held	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	38,385,000	9.84
Japan Trustee Services Bank, Ltd. (Trust account)	23,389,244	6.00
The Mitsukoshi Health and Welfare Foundation	13,667,832	3.50
Japan Trustee Services Bank, Ltd. (Trust account 9)	10,139,700	2.60
Isetan Mitsukoshi Group’s partner holding companies	7,822,678	2.01
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,227,400	1.85
SHIMIZU CORPORATION	6,200,000	1.59
Meiji Yasuda Life Insurance Company	5,697,279	1.46
JP MORGAN CHASE BANK 385151	5,576,247	1.43
MUFG Bank, Ltd.	5,342,995	1.37

Note: Treasury stock (5,698,790 shares) is deducted from Voting Rights Percentage.

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

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

	Name of stock acquisition rights	No. of stock acquisition rights issued	No. of holders
Directors (not including Outside Directors)	15th Stock Acquisition Rights	60	1
	17th Stock Acquisition Rights	89	1
	18th Stock Acquisition Rights	117	1
	19th Stock Acquisition Rights	276	3
	20th Stock Acquisition Rights	108	1
	21st Stock Acquisition Rights	264	4
	23rd Stock Acquisition Rights	236	5
	25th Stock Acquisition Rights	244	5
	27th Stock Acquisition Rights	280	4
	29th Stock Acquisition Rights	614	5
	31st Stock Acquisition Rights	557	5
Directors (Outside Directors)	N/A		
Corporate Auditors (not including Outside Auditors)	13th Stock Acquisition Rights	88	1
	16th Stock Acquisition Rights	60	1
	18th Stock Acquisition Rights	89	1
	20th Stock Acquisition Rights	82	1
	21st Stock Acquisition Rights	58	1
	22nd Stock Acquisition Rights	66	1
	23rd Stock Acquisition Rights	106	2
	25th Stock Acquisition Rights	52	1
Corporate Auditors (Outside Auditors)	N/A		

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

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

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

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

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

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

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

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

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

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

Number of the stock acquisition rights issued (as of the date issued)	1,496
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	149,600 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥84,500 per unit (¥845 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2013 through February 17, 2028
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, 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
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, 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
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, 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
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive officer, advisor, senior executive, 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."

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

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

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

The Company issued and delivered the stock acquisition rights whose details are outlined in (1) 31st Stock Acquisition Rights to executive officers of the Company during the fiscal year under review. In addition, the Company issued and delivered the stock acquisition rights (32nd Stock Acquisition Rights), whose details are outlined below, to executive officers of the Company's subsidiaries during the fiscal year under review.

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

	Date of delivery	Exercise price	Exercise period	No. of rights	No. of recipients
Executive officers and general managers of the Company (excluding persons serving concurrently as Directors of the Company)	July 3, 2018	¥1	From August 1, 2019 to July 3, 2034	488	8
Executive officers and general managers of subsidiaries (excluding persons serving concurrently as Directors of subsidiaries and executive officers of the Company)	July 3, 2018	¥1	From August 1, 2019 to July 3, 2034	884	16

32nd Stock Acquisition Rights (Issued on July 3, 2018)

Number of the stock acquisition rights issued (as of the date issued)	1,054
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	105,400 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
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, corporate auditor, executive 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, 2019)

(1) Name, position at the Company and areas of responsibility or representation at other companies, etc.

Position	Name	Areas of responsibility, representation at other companies, etc.
Chairman and Representative Director	Ken Akamatsu	Chairman and Representative Director, Isetan Mitsukoshi Ltd. Chairman, Japan Department Stores Association
President, Representative Director, Executive Officer (CEO) and CDTO	Toshihiko Sugie	President and Representative Director, Isetan Mitsukoshi Ltd.
Director	Toru Takeuchi	Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer and CSRO	Toshinori Shirai	Director, Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer and CACO	Takaaki Muto	Director, Isetan Mitsukoshi Ltd.
Outside Director	Shouei Utsuda	Counselor, MITSUI & CO., LTD. Chairman, The Japan – Vietnam Association Outside Director, Tokyo Electric Power Company Holdings, Incorporated Member of the Board of Governors, Japan Broadcasting Corporation (NHK)
Outside Director	Yoshinori Ida	Special Executive Advisor, Isuzu Motors Limited
Outside Director	Katsunori Nagayasu	Special Advisor, MUFG Bank, Ltd. Outside Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation Outside Audit & Supervisory Board Member, Mitsubishi Motors Corporation Outside Director, Kirin Holdings Company, Limited Outside Director, Mitsubishi Electric Corporation
Outside Director	Michiko Kuboyama	Communication Fellow, Ordinary Citizens Research Department, Kao Corporation Outside Director, JACCS CO., LTD.
Full-time Corporate Auditor	Hidenori Takeda	Corporate Auditor, MICARD Co. Ltd.
Full-time Corporate Auditor	Yoshio Takino	Corporate Auditor, West Japan Railway Isetan Ltd.

Position	Name	Areas of responsibility, representation at other companies, etc.
Outside Corporate Auditor	Koichi Miyata	Chairman of the Board, Sumitomo Mitsui Financial Group, Inc. Chairman of the Board, Sumitomo Mitsui Banking Corporation Outside Director, Sony Corporation Outside Director, Mitsui Life Insurance Company Limited
Outside Corporate Auditor	Hirotaka Fujiwara	Representative Attorney, Legal Professional Corporation Hikari Sogoh Law Offices
Outside Corporate Auditor	Takeo Hirata	Professor, Graduate School of Sport Sciences, Waseda University Outside Company Auditor, Rakuten, Inc. Special Adviser to the Cabinet Chairman, Japan Society of Sports Industry

Notes:

1. As of April 1, 2019, the position of Ken Akamatsu has changed from Isetan Mitsukoshi Holdings Ltd. ("IMH") Chairman and Representative Director and Isetan Mitsukoshi Ltd. ("IM") Chairman and Representative Director to IMH Chairman and Representative Director and IM Chairman.
2. As of April 1, 2019, the position of Toshihiko Sugie has changed from President, Representative Director, Executive Officer (CEO) and CDTO of IMH and President, Representative Director and Executive Officer of IM to President, Representative Director and Executive Officer (CEO) of IMH and President, Representative Director and Executive Officer of IM.
3. As of April 1, 2019, the position of Toru Takeuchi has changed from Director of IMH and Director, Senior Managing Executive Officer and General Manager, Department Store Business Headquarters of IM to Executive Vice President, Representative Director and CMO of IMH and Director of IM.
4. As of April 1, 2019, the position of Toshinori Shirai has changed from Director, Managing Executive Officer and CSRO of IMH and Director of IM to Director, Managing Executive Officer and Assistant to the President of IMH.
5. As of April 1, 2019, the position of Takaaki Muto has changed from Director, Managing Executive Officer and CACO of IMH and Director of IM to Director, Managing Executive Officer and CAO of IMH and Director of IM.
6. Nippon Steel & Sumitomo Metal Corporation, where Katsunori Nagayasu serves as Outside Audit & Supervisory Board Member changed its trade name to NIPPON STEEL CORPORATION on April 1, 2019.
7. Hidenori Takeda has significant knowledge of finance and accounting through his experience with financial institutions as branch manager and general manager of corporate sales division.
8. As of April 1, 2019, the position of Koichi Miyata has changed from Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. and Chairman of the Board of Sumitomo Mitsui Banking Corporation to Chairman of the Board of Sumitomo Mitsui Banking Corporation.
9. Mitsui Life Insurance Company Limited, where Koichi Miyata serves as Outside Director, changed its trade name to TAIJU LIFE INSURANCE COMPANY LIMITED on April 1, 2019.
10. The Company has designated Outside Directors Shouei Utsuda, Yoshinori Ida and Michiko Kuboyama and Outside Corporate Auditors Hirotaka Fujiwara and Takeo Hirata, each as an independent officer based on the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has notified both stock exchanges thereof.

(2) Changes in Directors and Corporate Auditors during the fiscal year

1) New appointments

As of June 18, 2018

Director, Managing Executive Officer	Takaaki Muto
Outside Director	Michiko Kuboyama

2) Resignation

As of June 18, 2018

Director, Managing Executive Officer	Hideharu Wada

(3) Outline of limited liability agreements

The Company has concluded agreements with Outside Directors Shouei Utsuda, Yoshinori Ida, Katsunori Nagayasu and Michiko Kuboyama; Full-time Corporate Auditors Hidenori Takeda and Yoshio Takino; Outside Corporate Auditors Koichi Miyata, Hirotaka Fujiwara and Takeo Hirata to limit their liabilities as provided in Article 423, Paragraph 1 of the Corporation Law of Japan, and the maximum amount of the liabilities in the agreements is set at the amount prescribed in the laws and regulations.

(4) Total payments to Directors and Corporate Auditors

Classification	Fixed Compensation		Directors' Bonuses		Stock Option	
	Number of Payees	Amount of Payment (Millions of yen)	Number of Payees	Amount of Payment (Millions of yen)	Number of Payees	Amount of Payment (Millions of yen)
Directors (Outside Directors out of total)	10 (4)	215 (40)	4 (–)	58 (–)	5 (–)	72 (–)
Corporate Auditors (Outside Corporate Auditors out of total)	5 (3)	79 (28)	– (–)	– (–)	– (–)	– (–)
Total	15 (7)	294 (69)	4 (–)	58 (–)	5 (–)	72 (–)

Notes:

1. For Directors who also assume executive role, the amount of payment above does not include the salaries for the executive portion.
2. The table above includes one (1) Director who resigned at the conclusion of the 10th Ordinary General Meeting of Shareholders held on June 18, 2018.
3. The Directors' bonuses above show the amount to be paid subject to the approval of Proposal No. 4 "Payment of Bonuses to Directors" at this Ordinary General Meeting of Shareholders as proposed.
4. With regard to stock options, this is the aggregate fair value of stock acquisition rights for which rights were established and which were granted on July 3, 2018 by resolution of a meeting of the Board of Directors held on June 18, 2018, based on a resolution at the 1st Ordinary General Meeting of Shareholders held on June 29, 2009.

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

1) Basic policy of compensation for Directors

The Company has the following four basic policies.

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

The compensation system comprises three specific elements:

- Monthly fixed basic compensation
  For the Board of Directors as a whole, the monthly compensation total is capped at ¥23 million).
- As a near-term incentive, payment of an annual performance-linked bonus
  The baseline is six months' pay, and the payout total varies within a range of 0% to 200% depending on the progress of individual Directors (excluding the Chairman and Outside Directors) in meeting their targets.
- Stock options, which are linked to corporate value as a medium- to long-term incentive
  Stock acquisition rights equivalent to 50% of the annual basic compensation shall be granted to Directors (excluding Outside Directors).

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

2) Procedures regarding the above

In order to ensure objectivity and transparency, the specific level of compensation for officers and targets for bonuses are determined by the Board of Directors after deliberation by the Nomination and Remuneration Committee based on the Company's Guidelines for Executive Remuneration.

(6) Matters concerning Outside Directors and Outside Corporate Auditors

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

	The Company's relationships with corporations where directors hold significant concurrent posts
Shouei Utsuda, Director	One subsidiary of the Company has a business relationship regarding commodities etc., with MITSUI & CO., LTD., but transaction volumes in the previous business year were less than 1% of the Company's sales on a consolidated basis. The Group has no special relationship with The Japan - Vietnam Association, Tokyo Electric Power Company Holdings, Incorporated or Japan Broadcasting Corporation (NHK).
Yoshinori Ida, Director	The Group has no special relationship with Isuzu Motors Limited.
Katsunori Nagayasu, Director	MUFG Bank, Ltd. is a major shareholder of the Company. The Company and the Group have transactional relationships such as borrowings with MUFG Bank, Ltd. The amount of these borrowings is less than 2% of the most recent consolidated total assets of the Company. The Group has no special relationship with Nippon Steel & Sumitomo Metal Corporation, Mitsubishi Motors Corporation, Kirin Holdings Company, Limited or Mitsubishi Electric Corporation.
Michiko Kuboyama, Director	The Group has no special relationship with Kao Corporation or JACCS CO., LTD.
Koichi Miyata, Corporate Auditor	The Company and the Group have a business relationship such as borrowing, etc., with Sumitomo Mitsui Banking Corporation, a subsidiary of Sumitomo Mitsui Financial Group, Inc. The amount of these borrowings is less than 2% of the most recent consolidated total assets of the Company. The Company also has transaction relationships with Mitsui Life Insurance Company Limited, but as they consist mainly of ordinary insurance contracts, no particular conflict of interest exists with general shareholders. The Group has no special relationship with Sony Corporation.
Hirotaka Fujiwara, Corporate Auditor	The Group has no special relationship with Legal Professional Corporation Hikari Sogoh Law Offices.
Takeo Hirata, Corporate Auditor	The Group has no special relationship with Waseda University, Rakuten, Inc. or Japan Society of Sports Industry

Notes:

1. Nippon Steel & Sumitomo Metal Corporation changed its trade name to NIPPON STEEL CORPORATION on April 1, 2019.
2. Mitsui Life Insurance Company Limited changed its trade name to TAIJU LIFE INSURANCE COMPANY LIMITED on April 1, 2019.

2) Major activities in the fiscal year

Position	Name	Major Activities
Director	Shouei Utsuda	He attended all of the 14 meetings of the Board of Directors held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate from his objective standpoint on overall corporate management. Utsuda is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Director	Yoshinori Ida	He attended 13 meetings of the Board of Directors out of the 14 meetings held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate from his broad knowledge on developments in industrial sectors. Ida is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Director	Katsunori Nagayasu	He attended all of the 14 meetings of the Board of Directors held during the fiscal year, and made necessary comments on discussion items and deliberation items based on his broad experience as executive officers in business. Nagayasu is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Director	Michiko Kuboyama	Since assuming the post on June 18, 2018, she attended all of the 11 meetings of the Board of Directors held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate based on her insight gained through her diverse career-path to date. Kuboyama is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.

Position	Name	Major Activities
Corporate Auditor	Koichi Miyata	He attended 14 meetings of the Board of Corporate Auditors out of the 15 meetings and 13 meetings of the Board of Directors out of the 14 meetings held during the fiscal year, and made necessary comments as a Corporate Auditor, including offering opinions on discussion items and deliberation items based on his broad experience in the finance industry.
Corporate Auditor	Hirotaka Fujiwara	He attended all of the 15 meetings of the Board of Corporate Auditors and all of the 14 meetings of the Board of Directors held during the fiscal year, and made necessary comments as a Corporate Auditor, including offering opinions on discussion items and deliberation items mainly from the standpoint of professional lawyer.
Corporate Auditor	Takeo Hirata	He attended 14 meetings of the Board of Corporate Auditors out of the 15 meetings and 13 meetings of the Board of Directors out of the 14 meetings held during the fiscal year, and has duly expressed himself as required of a Corporate Auditor, giving opinions regarding resolutions and deliberations, etc. based on his wealth of service experience to date.

As part of measures to improve the effectiveness of the Board of Directors, exchanges of opinion with Outside Directors and the Board of Corporate Auditors (Full-time Corporate Auditors and Outside Corporate Auditors) are arranged, as well as with Independent Directors (Outside Directors and Outside Corporate Auditors) and Representative Directors, in both cases annually. Wide-ranging exchanges of opinion were carried out regarding the recognition of management issues and the future orientation of the Group, and this opportunity was beneficially used for fostering an understanding of the Company among Independent Directors and improving dialogue among Directors and Corporate Auditors.

5. Matters concerning independent auditors

(1) Name of the independent auditor

Ernst & Young ShinNihon LLC

Note: Ernst & Young ShinNihon LLC changed its Japanese trade name on July 1, 2018, but its trade name in English remains unchanged.

(2) The amount of compensation to the independent auditor and other fees

Classification	Amount
1) Amount of fees, etc., relating to services stipulated in Paragraph 1 of Article 2 of the Certified Public Accountants Act	¥111 Million
2) Amount of fees, etc., relating to services other than those stipulated in Paragraph 1 of Article 2 of the Certified Public Accountants Act.	¥11 Million
Total	¥123 Million
3) Total monetary and other financial benefits payable by the Company and its subsidiaries	¥248 Million

Notes:

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

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

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

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

6. Policies on determination of surplus dividend

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 stance is to maintain a stable level of dividends while comprehensively considering the management environment, business performance, and the soundness of the Group's financial position.

With regard to retained earnings, the Company intends to enhance corporate value by allocating retained earnings primarily to investment in existing and new businesses.

7. Measures Regarding Corporate Governance

Basic Views

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

Responsibilities and composition of the Board of Directors

The Company makes efforts to create an environment where the Board of Directors can fulfil its roles and responsibilities in a highly effective manner to promote the Group's sustainable growth and the enhancement of corporate value over the mid- to long-term and sufficiently fulfil its fiduciary responsibility to shareholders. As a part of these efforts, the Company promotes separation of "execution" and "oversight" while selecting a company with the Audit & Supervisory Board as a form of corporate organization and works to strengthen decision-making functions and oversight functions to be fulfilled by the Board of Directors. To further clarify separation of "execution" and "oversight," the Chairman and Representative Director who is not an executive officer, instead of the President and CEO, serves as the Chairman of the Board of Directors.

In addition, the Company has a structure, where the Board of Directors maintains diversity in its composition and adequately fulfils its management oversight function, so that the Board of Directors

can perform its roles and responsibilities in a highly effective manner. As a part of such structure, the Company has been inviting Outside Directors with different backgrounds from industries of various specialized fields since the Company's foundation in 2008, expecting that they not only oversee business execution but also provide supervision and advice on the appropriateness of management decision-making itself.

Currently, the Company has nine (9) Directors, including four (4) Outside Directors (three (3) men and one (1) woman), among which three (3) are Independent Outside Directors who satisfy the Independence Standards of the Company.

*The Independence Standards for Independent Outside Directors and Independent Outside Auditors are provided on page 13.

Responsibilities and composition of Corporate Auditors and the Board of Corporate Auditors

Corporate Auditors contribute to establishing a sound corporate governance structure that lives up to social credibility and which realizes the Group's sustainable growth and creation of mid- to long-term corporate value by auditing the execution of Directors' duties as an independent body with a mandate from shareholders. Also, a structure is established to ensure the effectiveness of audits, in which Corporate Auditors share opinions with the Representative Director and accounting auditors periodically and exchange information such as audit results with the internal audit department.

The Company's Board of Corporate Auditors is composed of three (3) Outside Corporate Auditors and two (2) Full-time Corporate Auditors from the Company. The Outside Corporate Auditors express opinions candidly, recognizing that they are particularly expected to represent objective audit opinions from an independent and neutral position. The Full-time Corporate Auditors, considering their nature as full-time workers, actively make efforts to improve the audit environment and collect internal information as well as monitor and verify the status of the establishment and operation of internal control systems on a daily basis. In addition, Corporate Auditors also endeavor to exchange information and maintain a shared awareness while deepening relationships of trust with non-executive officers, by meeting regularly with Outside Directors, etc. to exchange opinions on issues that need to be addressed by the Company, risks surrounding the Company, important audit issues, and other matters.

Nomination and Remuneration Committee

The Company has established the Nomination and Remuneration Committee as an optional structure to act as an advisory body to the Board of Directors, and it deliberates on matters regarding "nomination," including personnel plans and succession plans of the President and CEO, personnel plans for executives, and a candidate plan for the president of associated companies, and general

matters on “remuneration,” including the Director remuneration system, a bonus plan for Directors and executive officers, and a remuneration plan for Directors and Corporate Auditors, and findings are submitted to the Board of Directors.

The Committee is composed of five (5) members, all of which are Outside Directors (three (3) Independent Outside Directors and one (1) Outside Director) excluding one (1) President and CEO and its transparency and fairness is fully ensured with an Outside Director serving as chair.

The Nomination and Remuneration Committee is held 10 times or more every year and greatly contributes to the improvement of governance functions that are pivotal for the Company’s governance.

Policies for the nomination of executives

As a prerequisite regarding the “nomination” of executives, the Company stipulates the maximum age and maximum term of executives for each position in the “Regulations of Age Limits of Executives in Office” to promote appropriate rotation. Given this, assuming that the “nomination” of executives including the selection/dismissal of the CEO should be deliberated at the Nomination and Remuneration Committee to ensure transparency and fairness, the Company specifically takes the following actions.

◆ Decision on selection and reappointment of the CEO

Decision on selection and reappointment of the CEO is positioned as the most important task and is addressed with priority at the Nomination and Remuneration Committee.

(i) Decision on reappointment of the current CEO

With respect to acceptance or non-acceptance of reappointment of the current CEO (reappointment after expiration of the term of the appointment contract), pursuant to the upper limit stipulated in the aforementioned “Regulations of Age Limits of Executives in Office,” the Nomination and Remuneration Committee follows a predetermined set of procedures.

(ii) Succession plan of the CEO

The Company actively creates opportunities where Outside Directors can monitor candidates after periodic reports and sharing of information at the Nomination and Remuneration Committee, in accordance with a predetermined set of procedures.

Furthermore, the Company creates a reserve group of candidates for the CEO successor by spending adequate time and resources by providing systematic education opportunities such as the “business leader program” which is a selective education program for managerial positions and the “business executive program” after appointment as executive officer.

◆ Policy on nomination of candidates for Director and Corporate Auditor

With regard to the nomination of candidates for Director and Corporate Auditor, the policy of the Company is to look for candidates with broad insight, high ethical standards and extensive experience, in addition to meeting eligibility requirements under laws and regulations.

Of these, we select Outside Directors from different fields and industries, to ensure account is taken of a wide range of opinions from objective and specialist perspectives, and ensure well-balanced management. Also, recruitment focuses mainly on candidates with practical business-world experience, expecting that Outside Directors not only oversee the execution of business operations, but also provide supervision and advice on the appropriateness of management decision-making itself.

Regarding Outside Corporate Auditors, recruitment focuses mainly on candidates with a wealth of knowledge and experience in relevant fields, so as to ensure that audits are carried out from a neutral and objective standpoint including whether the processes and contents of management decision-making are appropriate from legal and accounting perspectives.

Effectiveness evaluation of the Board of Directors

The Company evaluates the effectiveness of the Board of Directors by using objective and quantitative methods, including a questionnaire to all Directors and Corporate Auditors inside and outside the Company. To confirm that effectiveness is properly maintained at the Board, various viewpoints are taken into account, including institutional design, nomination, and remuneration, in addition to the composition and operation of the Board of Directors. At the same time, aiming to further reinforce its function, the Company continues to develop and carry out improvement plans for issues concerning the Board of Directors that were identified in the evaluation process.

Owing to this approach, specific positive results have been achieved, such as an increase of one (1) Independent Outside Director (from June 2018) and the improvement of timely and effective agenda preparation. Furthermore, the initiative led to not only operational improvement but also a multifaceted and drastic review of the Company's ideal governance including institutional design, criteria of selection/dismissal of executives, and Director remuneration system.

Policy on cross-shareholdings

◆Policy regarding cross-shareholdings by the Company

To ensure effective corporate governance, and to contribute to sustainable growth and enhancement of corporate value of the Group over the mid- to long-term, the Company may enter into cross-shareholding arrangements with companies as deemed necessary, with the purpose of safeguarding and strengthening product supplies, capital procurement and other trading relationships.

Every year at the Board of Directors, the Company comprehensively verifies factors including the purpose of holding individual cross-shareholdings, transaction status, and dividend earnings. The Company works to reduce cross-shareholdings by selling shares which possession is deemed no longer reasonable.

◆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.

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

Basic policies for internal control systems

1. Compliance System

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

(1) The Board of Directors shall hold regular meetings once a month in accordance with the "Regulation of the Board of Directors" to promote communication between Directors, as well as to prevent violation against laws, regulations and the Company's articles of incorporation through mutual oversight over performance of duties.

(2) The Company shall establish the section and designate the person in charge of compliance oversight in the General Administration Department, to maintain and improve the systems of internal control and legal compliance.

(3) Two or more Directors shall be Outside Directors to enhance legality, efficiency and adequacy of decision making in the Board of Directors.

(4) The Company shall establish the Internal Audit Office as the independent section that specializes in internal audit. The internal audit should be in accordance with the "Regulations of Internal Audits" and performed by the Internal Audit Office in corporation with each division, to audit the legality and adequacy of the conduct of the business.

(5) In the case that the Company or the Group commits an illegal act, the Company shall promptly confirm the nature of the situation and establish the "Isetan Mitsukoshi Group Hotline" as a point of contact for internal reports from employees for self-betterment.

2. Risk Management System

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

(1) The Company shall identify, assess and analyze risks involved in the business, determine the risks that need to be addressed with high priority based on the analyses and assessment, and prevent the risk events before they materialize.

(2) The Company shall establish cross departmental, enterprise risk management system that enables swift response in the event that the risks should materialize, to prevent the spread of damages and secondary damages, as well as to prevent the recurrence of the risk events.

(3) The Company shall establish relevant regulations from the standpoint of recognition, assessment, and response to risks, and ensure acknowledgment and observance among employees.

(4) Through inspections by the Internal Audit Division, the Company shall detect risks of the Company in the early stages and address these risks.

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

3. Internal Control system for financial reporting

"System to ensure appropriateness of the financial reporting" (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 misrepresentation 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 monitoring system regarding financial reporting.

(5) The Company shall maintain 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

"System for retention and management of information relating to performance of duties by Directors at the Company" (Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Corporation Law)

(1) The following documents related to performance of duties by Directors shall be recorded, retained and managed with related materials for prescribed periods in accordance with "Document Retention Policies":

a. Minutes of the General Meeting of Shareholders
b. Minutes of the Meetings of the Board of Directors
c. Minutes of the Meetings of the Chief Officer Committee
d. Accounting Documents
e. Copies of documents submitted to government offices and other public organizations, and stock exchanges

f. Other Documents as determined by the Board of Directors

(2) The Company shall establish regulations and rules such as “Information Retention Policies” regarding protection and management of such information as management information, trade secrets and personal information of customers and others that need to be managed as confidential information in accordance with laws and regulations such as the Corporation Law of Japan, the Financial Instruments and Exchange Act, etc., and the related Directors and employees shall observe these rules and regulations to protect securities of these information.

5. Framework for efficient execution of duties

“System to ensure that Directors perform their duties efficiently at the Company” (Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Corporation Law)

(1) The segregation of duties among Directors shall be determined and reviewed as appropriate.

(2) The Board of Directors shall hold regular meetings once a month and extraordinary meetings as necessary to ensure that deliberations on important matters take place without delay. The Chief Officer Committee shall discuss the matters prior to the Board of Directors’ meeting, which then shall discuss the matters and make resolutions at the Board of Directors.

(3) The Company shall adopt an executive officer system to streamline the business execution through clarification of the executive duties of executive officers.

(4) A Director in charge of a division shall be established for each division, and the Director shall conduct internal business execution and supervision by directing to and requiring reports from a General Manager of the division. In addition, a Chief Officer shall be established, and promote control of the entire Group.

(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 the Conduct of the Business” for execution of duties that are based on the decisions by the Board of Directors.

6. Framework of group corporate principles

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

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

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

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

b. “Regulations regarding the management or risk of loss to subsidiaries of the Company and other systems” (Article 100, Paragraph 1, Item 5-ii of the Ordinance for Enforcement of the Corporation Law)

(1) Regarding risk management for the Group, needed items shall be established in the “Basic Regulations on Risk Management,” and a specialized independent division, the risk management division, shall be created.

The risk management division shall work with companies in the Group as it conducts risk management.

(2) In order to realize comprehensive risk management across the entire Group, a Compliance and Risk Management Promotion Committee shall be created consisting of the Company’s Representative Director and President as the chairman as well as members selected by said chairman.

c. “Systems to ensure the efficient execution of business duties by Directors, etc. of subsidiaries of the Company” (Article 100, Paragraph 1, Item 5-iii of the Ordinance for Enforcement of the Corporation Law)

(1) The Company shall optimize its business operations by respecting the independence of the Group companies while also managing their managerial affairs and providing advice and guidance, as well as by dispatching Directors and Corporate Auditors as necessary to understand the state of their management.

(2) The Group companies shall receive the approval of the Company’s Chief Officer Committee or its Board of Directors for important items whose management is deemed to have major effects, based on the “Regulations of Decision Making Process for the Group.”

d. “Systems to ensure the compliance of the execution of duties of Directors and employees of subsidiaries of the Company with laws, regulations, and Articles of Incorporation” (Article 100, Paragraph 1, Item 5-iv of the Ordinance for Enforcement of the Corporation Law)

(1) The Internal Audit Division shall conduct internal audits of Company Group companies, auditing the legal compliance, appropriateness, etc. of executed business duties.

(2) A compliance guidebook and other documents shall be created and thoroughly disseminated throughout the Group while training regarding appropriateness and legal compliances is held to foster an awareness of compliance.

(3) An "Isetan Mitsukoshi Group Hotline" shall be established as a point of contact for internal reports regarding the Group as a whole, and corrective measures and future prevention measures shall be undertaken from a compliance standpoint with regards to these reports from employees, etc.

7. Matters concerning audit staff

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

(1) The Company may appoint audit staff to assist Corporate Auditors with their duties upon discussions therewith. Corporate Auditors may give instructions to audit staff regarding items necessary for auditing duties.

(2) Audit staff shall be independent from executive operational systems and carry out their duties as instructed by Corporate Auditors. Personnel changes, evaluation, discipline, and other such treatment pertaining to audit staff shall require the consent of Corporate Auditors.

8. Framework for reporting to the Corporate Auditor

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

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

(2) The Company shall work in cooperation with the Board of Corporate Auditors to ensure that adequate reporting system is in place (including periodic reporting to Corporate Auditors of

the contents reported through the system) for matters concerning violations of laws and regulations and other compliance related issues through implementation of internal hotline system, the Isetan Mitsukoshi Group Hotline, and maintenance of appropriate operations of the system.

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

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

c. "Systems to ensure that individuals who give applicable reports under items 1) and 2) are not subject to unfavorable treatment because of such reporting" (Article 100, Paragraph 3, Item 5 of the Ordinance for Enforcement of the Corporation Law)

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

9. Policy for Processing Auditing Fees

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

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

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

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

(1) The Corporate Auditors shall hold meetings to exchange opinions with the Representative Directors and the Independent Auditor respectively on a regular basis in accordance with the "Corporate Audit Standards."

(2) In addition to the Board of Directors, Corporate Auditors may attend important meetings after discussion with Directors in order to understand the decision-making process for important matters as well as the state of executed duties.

Operational status of the system to ensure appropriate conduct of business

In fiscal 2018, the Company focused on developing the system to ensure appropriate conduct of business Group-wide by introducing a Chief Officer System, thus making business execution more flexible and strengthening cross-departmental functions. The operational status of this system during the fiscal year under review was as follows.

◆ Status of measures regarding compliance

- During the fiscal year under review, 14 meetings of the Board of Directors were held, and reports were made regarding deliberation, resolution, and business execution of significant matters.
- In order to maintain and improve the system of legal compliance, the Company revised the Compliance Guidebook, and also implemented new employee training, training for managers, etc. upon promotion, new position training, compliance training according to duties and management level, training via e-learning, etc.
- The Internal Audit Office, implemented internal control evaluations based on the Financial Instruments and Exchange Act targeting Group companies that were selected based on financial and qualitative significance in an aim to secure appropriateness of financial reporting, and conducted audits on the effectiveness and adequacy of business, followed by evaluation and proposals on improvements.
- By establishing the "Isetan Mitsukoshi Group Hotline" based on the Whistleblower Protection Act, the Company has constructed a system for a dedicated internal department and an outside attorney office to receive reports. Furthermore, in fiscal 2018, the scope of reporting was expanded to include overseas subsidiaries.

  In addition, the Group is endeavoring to strengthen and ensure thorough awareness of fair trade, including stipulating the prohibition of undue restriction of business related to fair trade, as it makes a renewed effort to promote fair trade.

◆ Status of measures regarding risk management

- In order to enhance the effectiveness of the "Compliance and Risk Management Committee," which served until fiscal 2017, the "Compliance and Risk Management Promotion Committee" met twice per year from fiscal 2018, with the President and Representative Director serving as chair, and shared information and exchanged views regarding significant risks facing the Group.

- The Company has formulated a “Business Continuity Plan” that supposes a large-scale natural disaster or pandemic. Drills and other measures to increase the effectiveness of the plan are implemented, and efforts are made to realize continuous improvement.

◆ Status of measures regarding the management of Group companies

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

◆ Status regarding business execution of Corporate Auditors

- Corporate Auditors attend significant meetings such as the meetings of the Board of Directors, Chief Officer Committee, and the Compliance and Risk Management Promotion Committee, in addition to periodically receiving reports from Directors and employees in order to confirm the state of executed duties and the development and operational status of internal controls.
- In addition, Corporate Auditors receive reports regarding the audit results of the fiscal year under review from the independent auditor, and confirm the status of audits. In measures to improve the effectiveness of auditing, information and opinions are exchanged as necessary in cooperation with the Internal Audit Office.

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

Consolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets	**1,247,427**	**Liabilities**	**661,711**
Current assets	**268,251**	**Current liabilities**	**372,704**
Cash and deposits	47,345	Notes and accounts payable	106,486
Notes and accounts receivable	137,239	Short-term borrowings	22,446
Marketable securities	405	Commercial paper	4,000
Inventories	46,834	Income taxes payable	4,848
Other	38,542	Gift certificates	79,814
Allowance for doubtful accounts	(2,116)	Accrued bonuses	12,253
Fixed assets	**979,014**	Allowance for customer-discount points	9,690
Tangible fixed assets	**739,754**	Allowance for redemption of gift certificates	31,014
Buildings and structures	173,332	Other	102,150
Land	539,852	**Long-term liabilities**	**289,007**
Construction in progress	6,426	Corporate bonds	40,000
Other	20,142	Long-term debt	70,300
Intangible fixed assets	**43,225**	Deferred tax liabilities	123,970
Software	19,867	Net defined benefit liability	37,729
Goodwill	23	Provision for loss on business of subsidiaries and affiliates	103
Other	23,334	Liabilities from application of equity method	1,402
Investments and other assets	**196,034**	Other	15,501
Investment securities	122,849	**Net assets**	**585,715**
Long-term loans receivable	278	**Shareholders' equity**	**566,084**
Guarantee deposits	53,997	**Common stock**	**50,573**
Net defined benefit asset	3,503	**Capital surplus**	**322,770**
Deferred tax assets	9,975	**Retained earnings**	**202,040**
Other	5,591	**Treasury stock**	**(9,300)**
Allowance for doubtful accounts	(162)	**Accumulated other comprehensive income**	**9,446**
Deferred assets	**161**	**Unrealized gain on other securities**	**6,448**
Corporate bond issuance cost	161	**Deferred gains/losses on hedge**	**42**
		Foreign currency translation adjustments	**4,964**
		Remeasurements of defined benefit plans	**(2,008)**
		Stock acquisition rights	**2,077**
		Non-controlling interests	**8,106**
Total assets	**1,247,427**	**Total liabilities, net assets and non-controlling interests**	**1,247,427**

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

Consolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Account item	Amount	
Net sales		1,196,803
Cost of sales		848,521
Gross profit		348,282
Selling, general and administrative expenses		319,052
Operating income		29,229
Nonoperating income		
Interest and dividend income	1,417	
Share of profit of entities accounted for using equity method	3,058	
Income on uncollected gift certificates	5,747	
Gain on donation of fixed assets	2,645	
Other	977	13,846
Nonoperating expenses		
Interest expenses	770	
Loss on retirement of fixed assets	1,342	
Transfer from allowance for loss on collected gift certificates	5,744	
Other	3,223	11,080
Recurring income		31,995
Extraordinary gain		
Gain on sales of non-current assets	29,961	
Other	54	30,015
Extraordinary loss		
Loss on closing of stores	4,166	
Loss on disposal of fixed assets	2,580	
Impairment loss	32,447	
Loss on valuation of investment securities	251	
Business structure improvement expenses	5,828	
Other	1,491	46,766
Income before income taxes		15,244
Corporate taxes	5,878	
Deferred taxes	(3,213)	2,664
Net income		12,579
Loss attributable to non-controlling interests		(900)
Net income attributable to parent company shareholders		13,480

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

Summary of Consolidated Statement of Cash Flow [For Reference]

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Account item	Amount
Cash flow from operating activities	**28,286**
Cash flow from investment activities	**(22,450)**
Cash flow from financing activities	**(9,063)**
Translation adjustments related to cash and cash equivalents	**(595)**
Changes in cash and cash equivalents	**(3,822)**
Beginning balance of cash and cash equivalents	**53,969**
Increase in cash and cash equivalents resulting from change of scope of consolidation	–
Ending balance of cash and cash equivalents	**50,147**

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

Consolidated Statement of Changes in Net Assets

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Account item	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2018	**50,461**	**322,807**	**193,239**	**(9,294)**	**557,214**
Changes during current period					
Issuance of new shares	112	112	–	–	224
Allocation of retained earnings	–	–	(4,677)	–	(4,677)
Net income attributable to parent company shareholders	–	–	13,480	–	13,480
Acquisition of treasury stock	–	–	–	(7)	(7)
Disposition of treasury stock	–	(0)	–	0	0
Change of scope of application for consolidation and equity method	–	–	(1)	–	(1)
Changes in equity interest of parent company after transactions with non-controlling interest	–	(149)	–	–	(149)
Net changes other than shareholders' equity during current period	–	–	–	–	–
Total change during current period	**112**	**(37)**	**8,801**	**(6)**	**(8,869)**
Balance as of March 31, 2019	**50,573**	**322,770**	**202,040**	**(9,300)**	**566,084**

(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, 2018	**10,094**	**39**	**9,858**	**(810)**	**19,182**	**2,028**	**9,666**	**588,091**
Changes during current period								
Issuance of new shares	–	–	–	–	–	–	–	224
Allocation of retained earnings	–	–	–	–	–	–	–	(4,677)
Net income attributable to parent company shareholders	–	–	–	–	–	–	–	13,480
Acquisition of treasury stock	–	–	–	–	–	–	–	(7)
Disposition of treasury stock	–	–	–	–	–	–	–	0
Change of scope of application for consolidation and equity method	–	–	–	–	–	–	–	(1)
Changes in equity interest of parent company after transactions with non-controlling interest	–	–	–	–	–	–	–	(149)
Net changes other than shareholders' equity during current period	(3,646)	3	(4,893)	(1,198)	(9,735)	49	(1,559)	(11,246)
Total changes during current period	**(3,646)**	**3**	**(4,893)**	**(1,198)**	**(9,735)**	**49**	**(1,559)**	**(2,376)**
Balance as of March 31, 2019	**6,448**	**42**	**4,964**	**(2,008)**	**9,446**	**2,077**	**8,106**	**585,715**

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: 41

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

In the consolidated fiscal year under review, Isetan Mitsukoshi Food Service Ltd. extinguished as a result of an absorption-type merger with Isetan Mitsukoshi Ltd. as the surviving company, and the liquidation of MAMMINA CO., Ltd. was completed. Accordingly, Isetan Mitsukoshi Food Service Ltd. and MAMMINA CO., Ltd. were excluded from the scope of consolidation.

(3) Name of principal nonconsolidated subsidiaries
Mitsukoshi (U.K.) Ltd., Isetan Soleil Co., Ltd., Kyushu Communication Service Co., Ltd., Aiu Co., Ltd., Fashion Headline Ltd., Isetan Mitsukoshi Innovations Ltd., 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: 9

Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), West Japan Railway Isetan Ltd., ITM Clover Co., Ltd., Shinjuku Subnade Co., Ltd., JP Mitsukoshi Merchandising Co., Ltd., Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd., Im Kankyo Building Management Co., Ltd., NOMURA FUDOSAN MITSUKOSHI ISETAN KAIHATSU GODO KAISYA, MI Food Style Co. Ltd.

In the consolidated fiscal year under review, NOMURA FUDOSAN MITSUKOSHI ISETAN KAIHATSU GODO KAISYA and MI Food Style Co. Ltd. were included in the scope of the equity method.

(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 incomes (calculated according to our equity interest) and retained earnings (calculated according to our equity interest). Therefore, the equity method has not been applied to these companies.

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

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

3. Closing date of consolidated subsidiaries

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

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

4. Accounting policies

(1) Standards and methods for evaluation of significant assets

Securities

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

Inventories

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

(2) Depreciation methods for significant depreciable assets

Tangible fixed assets (except Lease assets)

Basically the straight-line method

Intangible fixed assets (except Lease assets)

Straight-line method

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

Lease assets

Lease assets relating to finance lease without transfer of ownership

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

(3) Accounting standards for significant allowances and accruals

Allowance for doubtful accounts

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

Accrued bonuses

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

Allowance for customer-discount points

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

Allowance for redemption of gift certificates

In order to prepare for possible losses relating to gift certificates collected after cancellation of inclusion in liabilities, provision is made for estimated redemption amount according to the historical percentage of collection of such gift certificates.

Provision for loss on business of subsidiaries and affiliates

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

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

1) Accounting for Deferred assets

Bond issue costs

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

2) Significant Methods of Hedge Accounting

Method of hedge accounting

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

Means of hedging and hedged items

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

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

Hedging policy

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

Assessment of hedge effectiveness

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

3) Accounting for employees' retirement benefits

Method for attributing the estimated employees' retirement benefits to periods

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

Amortization of actuarial difference and prior service costs

Prior service costs are recognized on an accrual basis by the straight-line method over various periods (mainly 5 to 12 years) that are not more than the average remaining service period of employees at the time of the accrual.

The actuarial differences that resulted are mainly recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 12 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference.

4) Accounting for consumption taxes, etc.

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

5) Method and period for amortization of goodwill

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

[Notes regarding changes in accounting policies]

(Accounting treatment for net sales concerning buying sales transactions of overseas consolidated subsidiaries)

Regarding the transactions in which products are purchased from suppliers at the same time they are sold to customers, so-called buying sales transactions, the Group recorded the transaction amount in each of "Net sales" and "Cost of sales." However, from the fiscal year under review, with respect to the buying sales transactions of overseas consolidated subsidiaries whose financial statements comply with the International Financial Reporting Standards, the accounting treatment is changed to record the amount that corresponds to gross profit in "Net sales."

As a result, the income from these transactions that was shown using gross presentation is shown using net income presentation.

[Notes regarding changes in presentation]

(Consolidated Balance Sheet)

In line with the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018), the "Ministerial Order on Partial Revisions to the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting" (Ministry of Justice Order No. 5; March 26, 2018) has been applied from the fiscal year under review, and therefore, presentation of deferred tax assets and liabilities has been changed to present them under the classifications of investments and other assets and long-term liabilities, respectively.

As a result, deferred tax assets, which were classified as current assets in the previous fiscal year (16,439 million yen in the previous fiscal year) have been included in deferred tax assets of 9,975 million yen under investments and other assets, and deferred tax liabilities, which were classified as current liabilities in the previous fiscal year (1 million yen in the previous fiscal year) have been included in deferred tax liabilities of 123,970 million yen under long-term liabilities.

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets 377,474 million yen

2. Contingent liability

Guarantee liabilities

Loan guarantees for housing loans of employees	69 million yen
Guarantee liabilities for bank loans of subsidiaries and affiliates	
West Japan Railway Isetan Ltd.	(Note) 9,198 million yen
Total of guarantee liabilities	9,267 million yen

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

3. Details of inventory assets

Finished goods	45,487 million yen
Semifinished goods	112 million yen
Work in process	619 million yen
Raw materials and stores	615 million yen
Total	46,834 million yen

[Notes to Consolidated Statement of Income]

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

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

Usage	Item	Impairment losses (Million yen)	Location
Stores	Buildings and structures Land Other	1,959 448 153	Niigata Mitsukoshi store (Niigata-shi, Niigata)
Stores	Buildings and structures Other	914 200	Mitsukoshi Ebisu store (Shibuya-ku, Tokyo)
Stores	Buildings and structures Other	650 77	Fukuoka Mitsukoshi store (Fukuoka-shi, Fukuoka)
Stores	Buildings and structures Other	384 87	Nagoya Mitsukoshi Hoshigaoka store (Nagoya-shi, Aichi)
Stores	Buildings and structures Other	307 120	Matsuyama Mitsukoshi (Matsuyama-shi, Ehime)
Stores	Buildings and structures Guarantee deposits Other	112 48 88	Iwataya Kurume store (Kurume-shi, Fukuoka)
Stores	Buildings and structures Other	173 35	Isetan Tachikawa store (Tachikawa-shi, Tokyo)
Stores	Buildings and structures Other	10 952	Singapore City, Singapore
Stores	Buildings and structures Other	141 30	Shanghai Mei Long Zhen, Shanghai
Other stores	Buildings and structures Land Guarantee deposits Other	207 18 272 40	Shinjuku-ku, Tokyo and other
Other	Buildings and structures Land Other	71 15,518 253	Isetan West 1 (Shinjuku-ku, Tokyo)
Stores and other	Buildings and structures Goodwill Other	646 5,993 6,055	SOCIE (Shibuya-ku, Tokyo and other)
Computer systems for business operations	Software Other	92 0	Chuo-ku, Tokyo
	Total	36,067	

(Note) Of impairment losses recorded in the consolidated income statement, 3,620 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 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 8%.

2. Business structure improvement expenses for the fiscal year under review were primarily expenses associated with the implementation of the Next Career Plan at Isetan Mitsukoshi Ltd.

[Notes to Consolidated Statement of Changes in Net Assets]

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

   Common stock 395,694,754 shares

2. Matters concerning dividend of surplus

(1) Amount of dividend payment

Resolution	Types of stock	Total dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effectuation date
Ordinary General Meeting of Shareholders June 21, 2018	Common stock	2,338	6.00	March 31, 2018	June 19, 2018
Board of Directors' Meeting November 7, 2018	Common stock	2,339	6.00	September 30, 2018	November 27, 2018

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

The following items regarding dividends on common stock are being proposed as a proposal for the Ordinary General Meeting of Shareholders scheduled for June 17, 2019.

Resolution	Types of stock	Resource for dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effectuation date
Ordinary General Meeting of Shareholders June 17, 2019	Common stock	Retained earnings	2,339	6.00	March 31, 2019	June 18, 2019

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

   Common stock 1,555,800 shares

[Notes to Financial Instruments]

1. Status of financial instruments

(1) Policy for initiatives pertaining to financial instruments

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

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

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

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

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

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

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

2. Market value, etc. of financial instruments

Amounts posted on the consolidated balance sheet as of March 31, 2019, market values, and the corresponding differences between the two are as follows.

(Millions of yen)

Items	Amounts posted on the consolidated balance sheet (Note 1)	Price (Note 1)	Differences
(1) Cash and deposits	47,345	47,345	—
(2) Notes and accounts receivable	137,239	137,239	—
(3) Marketable securities and investment securities			
Bonds held to maturity	4,512	4,542	29
Available-for-sale securities	33,528	33,528	—
(4) Guarantee deposits	53,997	51,669	(2,327)
(5) Notes and accounts payable	(106,486)	(106,486)	—
(6) Short-term borrowings (Note 2)	(11,446)	(11,446)	—
(7) Corporate bonds	(40,000)	(40,648)	648
(8) Long-term debt (Note 2)	(81,300)	(80,490)	(809)
(9) Derivative transactions	(1)	(1)	—

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

Note 2: Long-term debt expected to repay within a year is not included in (6) Short-term borrowings but in (8) Long-term debt.

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

(1) Cash and deposits

Cash and deposits are settled within a short time frame and therefore have a market value nearly equivalent to their book value. Consequently, these are posted according to their book value.

(2) Notes and accounts receivable

Notes and accounts receivable are settled within a short time frame and therefore have a market value nearly equivalent to their book value. Consequently, these are posted according to their book value.

(3) Marketable securities and investment securities

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

(4) Guarantee deposits

The market value of guarantee deposits is computed according to their present value calculated by taking into account future cash flow that factors in potential collectability and discounting it by the yield on government bonds relative to their residual period and other factors.

(5) Notes and accounts payable
Because notes and accounts payable are settled in the short term, the fair value is almost equivalent to the book value, therefore notes and accounts payable are based on the book value.

(6) Short-term borrowings
Short-term borrowings and commercial paper are settled within a short time frame and therefore have a market value nearly equivalent to their book value. Consequently, these are posted according to their book value.

(7) Corporate bonds
The value of the corporate bonds is calculated according to the market value.

(8) Long-term debt
The market value of long-term debt is calculated by taking into account the total amount of principal and interest and discounting it by the assumed rate of interest when executing new borrowings. Long-term debt under a variable interest rate are subject to exceptional accounting treatment for interest swaps, in which the total amount of principal and interest, which is treated as one with the interest swap in question, is discounted by a logically estimated rate of interest that would be applied in the event similar borrowings are conducted. This yields the market value of such long-term debt.

(9) Derivative transactions
Calculated based on prices, etc., designated by financial institutions, etc., that serve as counterparties. Derivative transactions conducted through exceptional accounting treatment of interest swaps are treated as being one with the long-term debt under the relevant hedge. As such, the market value of such transactions is presented as being included in the market value for the long-term debt concerned. (Please refer to (8) above.)

Note 4: Non-listed shares and shares in subsidiaries and affiliates, etc. (posted as 85,213 million yen on the consolidated balance sheet) have no market price, their future cash flow cannot be estimated, and it is recognized that ascertaining their market value is extremely difficult. Accordingly, these items are not included in "Available-for-sale securities" under (3) Marketable securities and investment securities above.

[Notes to lease properties and other real estate]

1. Status of rental properties and other real estate
Some of the Company's subsidiaries are in possession of office buildings for rental purposes, rented commercial facilities, as well as rental housing, in the city of Tokyo and other regions.

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

(Millions of yen)

	Amounts posted on the consolidated balance sheet	Market value as of the end of the consolidated fiscal year under review
Rental properties and other real estate	142,843	177,605

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

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

[Notes to Per-share Information]

1.	Net asset per share	1,475.74 yen
2.	Net income per share	34.58 yen

[Notes to Significant Post-balance Sheet Events]

Not applicable.

Certified Copy of the Accounting Auditor's Report Relating to Statutory Reports (Consolidated)

INDEPENDENT AUDITOR'S REPORT

May 7, 2019

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young ShinNihon LLC

Designated Limited Partner Engagement Partner
Certified Public Accountant
Kazuhiko Umemura

Designated Limited Partner Engagement Partner
Certified Public Accountant
Eri Sekiguchi

Designated Limited Partner Engagement Partner
Certified Public Accountant
Kiyotaka Kinugawa

Pursuant to Article 444, Section 4 of the Corporation Law, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Isetan Mitsukoshi Holdings Ltd. (the "Company") applicable to the fiscal year from April 1, 2018 through March 31, 2019.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Isetan Mitsukoshi Holdings Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

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

Nonconsolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets	**718,654**	**Liabilities**	**266,070**
Current assets	**155,091**	**Current liabilities**	**153,410**
Cash and deposits	17,863	Short-term borrowings	18,200
Short-term loans receivable from subsidiaries and affiliates	137,522	Short-term borrowings payable to subsidiaries and affiliates	128,138
Corporate tax refund receivable, etc.	614	Commercial paper	4,000
Accrued income	8,946	Accounts payable	89
Other	392	Accrued expenses	2,171
Allowance for doubtful accounts	(10,248)	Accrued bonuses	85
Fixed assets	563,406	Other	725
Tangible fixed assets	**1**	**Fixed Liabilities**	**112,660**
Appliance and fixtures	1	Corporate bonds	40,000
Investments and other assets	**563,404**	Long-term debt	70,300
Investment securities	550	Provision for loss on business of subsidiaries and affiliates	958
Stocks of subsidiaries and affiliates	452,125	Provision for loss on guarantees	1,402
Long-term loans receivable from subsidiaries and affiliates	110,300	**Net assets**	**452,583**
Deferred tax assets	426	**Shareholders' equity**	**450,506**
Other	2	**Common stock**	**50,573**
Deferred assets	**156**	**Capital surplus**	**397,582**
Corporate bond issuance cost	156	Capital reserve	18,921
		Other capital surplus	378,661
		Retained earnings	**11,654**
		Other retained earnings	11,654
		Retained earnings carried forward	11,654
		Treasury stock	**(9,303)**
		Stock acquisition rights	**2,077**
Total	**718,654**	**Total**	**718,654**

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

Nonconsolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Account item	Amount	
Operating revenues		
Dividend income	5,158	
Management service income	8,517	
Service revenue	866	14,542
Selling, general and administrative costs		9,347
Operating income		5,195
Nonoperating income		
Interest income	1,427	
Miscellaneous income	26	1,453
Nonoperating expenses		
Interest expenses	1,237	
Miscellaneous expenses	851	2,088
Recurring income		4,559
Extraordinary loss		
Loss on valuation of stocks of subsidiaries and affiliates	7,016	
Provision of allowance for doubtful accounts	6,280	
Loss on valuation of investment securities	110	13,406
Loss before income taxes		(8,846)
Corporate tax, corporate inhabitant tax, business tax	100	
Deferred taxes	(249)	(149)
Net loss		(8,697)

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

Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2018 to March 31, 2019)

(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, 2018	**50,461**	**18,809**	**378,661**	**397,470**	**25,029**	**25,029**
Changes during current period						
Issuance of new shares	112	112	–	112	–	–
Dividends from surplus	–	–	–	–	(4,677)	(4,677)
Net loss for current period	–	–	–	–	(8,697)	(8,697)
Acquisition of treasury stock	–	–	–	–	–	–
Disposition of treasury stock	–	–	(0)	(0)	–	–
Net changes other than shareholders' equity during current period	–	–	–	–	–	–
Total change during current period	**112**	**112**	**(0)**	**112**	**(13,375)**	**(13,375)**
Balance as of March 31, 2019	**50,573**	**18,921**	**378,661**	**397,582**	**11,654**	**11,654**

(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, 2018	**(9,297)**	**463,663**	**–**	**–**	**2,028**	**465,692**
Changes during current period						
Issuance of new shares	–	224	–	–	–	224
Dividends from surplus	–	(4,677)	–	–	–	(4,677)
Net loss for current period	–	(8,697)	–	–	–	(8,697)
Acquisition of treasury stock	(7)	(7)	–	–	–	(7)
Disposition of treasury stock	0	0	–	–	–	0
Net changes other than shareholders' equity during current period	–	–	–	–	49	49
Total change during current period	**(6)**	**(13,157)**	–	–	49	**(13,108)**
Balance as of March 31, 2019	**(9,303)**	**450,506**	**–**	**–**	**2,077**	**452,583**

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

Notes to Nonconsolidated Financial Statements

[Significant Accounting Policies]

1. Standards and methods of valuation of assets

   Securities

Stocks of majority-owned subsidiaries and affiliates	Stated at cost using the moving-average method
Available-for-sale securities	
Securities with market value	Market value method based on the market price as of the closing date (Differences in valuation are included directly in net assets and the costs of securities sold are calculated primarily using the moving-average method)
Securities without market value	Basically stated at cost using the moving-average method

2. Standards of accounting for allowances and accruals

   Allowance for doubtful accounts

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

   Accrued bonuses

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

   Provision for loss on business of subsidiaries and affiliates

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

   Provision for loss of guarantee liabilities

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

3. Other important accounting policies for preparation of financial documents

   1) Accounting method for deferred assets

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

   2) Accounting for consumption taxes, etc.

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

[Notes to Nonconsolidated Balance Sheet]

Accumulated depreciation of tangible fixed assets 0 million yen

Guarantee liabilities

Guarantee liabilities in respect to funds borrowed by subsidiaries and affiliates

West Japan Railway Isetan Ltd. 9,198 million yen

Note: The above figure shows the amount after deduction of the provision for loss of guarantee liabilities from the amount of guarantee liabilities.

Short-term receivables from subsidiaries and affiliates 8,993 million yen

Short-term payables to subsidiaries and affiliates 1,720 million yen

[Notes to Nonconsolidated Statement of Income]

Transactions with subsidiaries and affiliates

Turnover based on operating transactions

Operating revenues 14,542 million yen

Selling, general and administrative expenses 1,051 million yen

Other revenues 2,168 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	5,693,442	5,754	406	5,698,790

Notes: 1. The increase consists of shares acquired in response to requests for the redemption of odd-lot shares.

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

[Notes to Tax Effect Accounting]

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

(Deferred tax assets)

Accrued bonuses	26 million yen
Accounts payable	271 million yen
Accrued enterprise tax	97 million yen
Stock option expenses	421 million yen
Loss on valuation of stocks of subsidiaries and affiliates	9,516 million yen
Provision for loss on business of subsidiaries and affiliates	293 million yen
Provision for loss on guarantees	429 million yen
Allowance for doubtful accounts	3,138 million yen
Other	250 million yen
Sub-total deferred tax assets	14,444 million yen
Valuation reserve	(14,017) million yen
Total deferred tax assets	426 million yen

[Notes to Transactions with Related Parties]

Subsidiaries and affiliates, etc. (Millions of yen)

Attributes	Name of companies, etc.	Ratio of holding of voting rights, etc. (or Ratio of voting rights held) (%)	Relationship with the related parties	Contents of transactions	Transaction amount	Account item	Term-end balance
Subsidiaries	Isetan Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Business administration Borrowing and Lending of Fund	Proceeds from management (Note 1)	8,064	Accrued income	8,709
				Accounting fees (Note 1)	485	—	—
				Receipt of funds (Note 2)	10,000	Affiliates short-term loans receivable	69,000
						Affiliates long-term loans receivable	110,300
				Receipt of interest (Note 3)	1,053	Accrued income	62
				Repayment of funds (Note 2)	7,169	Affiliates short-term borrowings	1,953
				Payment of interest	5		
				Advance payment of personnel expenses for loaned employees (Note 4)	4,311	Accrued expenses	267
Subsidiaries	Iwataya Mitsukoshi Ltd.	Direct: 100%	Borrowing and Lending of Fund	Receipt of funds (Note 2)	1,581	Affiliates short-term loans receivable	7,129
Subsidiaries	Nagoya Mitsukoshi Ltd.	Direct: 100%	Borrowing and Lending of Fund	Borrowing of funds (Note 2)	324	Affiliates short-term borrowings	7,915
Subsidiaries	MICARD Co. Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Lending of funds (Note 2)	6,024	Affiliates short-term loans receivable	37,788
				Receipt of interest (Note 3)	203		
Subsidiaries	MI TOMONO-KAI Co., Ltd.	Indirect: 100%	Borrowing and Lending of Fund	Repayment of funds (Note 2)	1,628	Affiliates short-term borrowings	86,279
				Payment of interest (Note 3)	506		
Subsidiaries	Isetan Mitsukoshi System Solutions Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Receipt of funds (Note 2)	1,500	Affiliates short-term loans receivable	7,500
Affiliates	West Japan Railway Isetan Ltd.	Direct 40%	Interlocking directorate	Guarantee liabilities	10,600	Provision for loss on guarantees	1,402

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 a consideration of market interest rates.
4. The personnel expenses for loaned employees paid by Isetan Mitsukoshi Ltd. were settled at cost.
5. The above amounts do not include consumption and other taxes.

[Notes to Per-share Information]

1. Net asset per share	1,155.16 yen
2. Net loss per share	(22.31) yen

[Notes to Significant Post-balance Sheet Events]

Not applicable.

Certified Copy of the Accounting Auditor's Report Relating to Statutory Reports

INDEPENDENT AUDITOR'S REPORT

May 7, 2019

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young ShinNihon LLC

Designated Limited Partner Engagement Partner Certified Public Accountant
Kazuhiko Umemura

Designated Limited Partner Engagement Partner Certified Public Accountant
Eri Sekiguchi

Designated Limited Partner Engagement Partner Certified Public Accountant
Kiyotaka Kinugawa

Pursuant to Article 436, Section 2, Paragraph 1 of the Corporation Law, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the notes to the financial statements and the related supplementary schedules of Isetan Mitsukoshi Holdings Ltd. (the "Company") applicable to the 11th fiscal year from April 1, 2018 through March 31, 2019.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules
Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Isetan Mitsukoshi Holdings Ltd., applicable to the fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

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

Certified Copy of Audit Report of the Board of Corporate Auditors

AUDIT REPORT

The Board of Corporate Auditors, following review and deliberations on the audit reports made by each Corporate Auditor concerning the execution of duties by Directors for the 11th fiscal term from April 1, 2018 to March 31, 2019, have prepared this Audit Report, and hereby submit it as follows:

1. Auditing Methods and Contents of Audit by Corporate Auditors and Board of Corporate Auditors

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

   (2) In accordance with the auditing standards for Corporate Auditors determined by the Board of Corporate Auditors and auditing policies and the division of duties, each Corporate Auditor made efforts to collect information and established auditing circumstances through communication with internal audit staff and other employees, and audits were implemented in the following methods.

      1) Each Corporate Auditor attended the Board of Directors' meeting and other important meetings to receive reports regarding execution of duties from directors and employees. Each Corporate Auditor also inspected the approved documents and examined the status of operations and conditions of assets at its head office and principal offices. Corporate Auditors received from subsidiaries their reports as necessary through communication and information sharing with their directors and corporate auditors.

      2) With regard to the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the directors' duties described in the business report are performed in conformity of laws, regulations and the Articles of Incorporation of the Company as well as the establishment of the system necessary to ensure proper business operations of the Corporate Group that comprises the Company and its subsidiaries as set forth in Paragraphs 1 and 3 of Article 100 of Enforcement Regulations of the Corporation Law of Japan and the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Corporate Auditor also received reports on a regular basis from Directors and employees regarding its status of design and operation, and expressed their opinions.

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

   In accordance with the aforementioned procedures, the Corporate Auditors reviewed the business report, supplementary schedules thereto, the statutory reports (nonconsolidated balance sheets, nonconsolidated statement of income, nonconsolidated statement of changes in net assets, notes to nonconsolidated statutory reports), supplementary schedules thereto, and consolidated statutory reports (consolidated balance sheets, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated statutory reports) for the year ended on March 31, 2019.

2. Results of Audit

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

1) The business report and supplementary schedules thereto fairly present the financial condition of the Company in accordance with the laws, regulations and the Articles of Incorporation of the Company.

2) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation of the Company.

3) The contents of resolutions by the Board of Directors with regard to the internal control system are reasonable. Additionally, regarding the description of the relevant internal control system in the business report and the execution of duties by Directors under the relevant internal control system, there are no matters to be pointed out.

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

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

May 8, 2019

Board of Corporate Auditors of Isetan Mitsukoshi Holdings Ltd.

Full-time Corporate Auditor	Hidenori Takeda
Full-time Corporate Auditor	Yoshio Takino
Outside Corporate Auditor	Koichi Miyata
Outside Corporate Auditor	Hirotaka Fujiwara
Outside Corporate Auditor	Takeo Hirata