Isetan Mitsukoshi Holdings Sustainability Briefing for Fiscal Year Ended in March 2023
Summary of Question & Answer Session
10:30 a.m.–12:00 p.m., December 2, 2022 (Friday)

Company presenters:
Toshiyuki Hosoya, Director, President and CEO
Fukutaka Hashimoto, External Director
Hiroki Taguchi, Managing Executive Officer, CAO, CRO, CHRO
Hinako Yamamoto, Hometown Tax, Manager, Isetan Mitsukoshi Ltd., Sales Headquarters, Online Store Group,
Shinji Otsuka, i'm green, Manager, Isetan Mitsukoshi Ltd., Sales Headquarters, Online Store Group,

Assistance with answers:
Atsushi Terajima, Operating Officer, General Manager of General Affairs Department

Q This is a question for CEO, Mr. Hosoya. I believe that you have valued communication since taking office. I would like to know how you tell employees about the sustainability policy and direction to head in.

When I became president in April last year, I made a shift to work steadily on sustainability initiatives. As I want to tell employees about the connection between sustainability and the business strategies of the Medium-Term Plan through two-way communication, not simply by talking one-sidedly, I hold round-table dialogue meetings with employees.

Q This is a question for CAO, Mr. Taguchi. It was mentioned that the Company is going to review materialities from 2023 onward. The Company itself seems to have been changing over the past year or two, in addition to the changes in the external environment. On what basis will you review materialities?

In light of the impacts of the significant changes in the energy environment caused by the recent situation in Russia/Ukraine and the changes caused by the prolonged COVID-19 pandemic, we will examine whether various measures can be implemented as planned and will conduct a review from the next fiscal year.
As we believe it is necessary to strongly consider ways to improve employee engagement, CEO Mr. Hosoya and other executive officers and operating officers have held many dialogue meetings with employees.

Q This is a question for External Director, Mr. Hashimoto. I'd like to ask what you think are the strengths and challenges of Isetan Mitsukoshi, as you've been involved in various companies?

Isetan Mitsukoshi is characterized by its sincerity in dealing with things. It faces the challenges frankly and squarely, and also sincerely listens to and responds to the harsh opinions of the Board of Directors. Like many Japanese

companies, there has been no culture of debate, if you think about it. I think it didn't have a culture where people could work hard to improve their knowledge through discussions and conversations. I feel that there has been a big change in recent years, and it is becoming possible to have extensive, cross-division discussions. Thanks to Mr. Hosoya's great efforts, the Company is starting to take a bottom-up approach in more cases, in addition to the conventional top-down approach. In order to further improve the situation, I have high hopes that the Company will re-examine the social significance of its initiatives, including one of the sustainability materialities "Improving Employee Satisfaction," and will continue to implement its initiatives.

Q In the stock market, I recognize that regional department stores have been hit hard. For the Isetan Mitsukoshi Hometown Tax scheme, regional department stores serve as local points of contact. Please tell us about the changes over the past year or two. For example, are there any synergies that can motivate local employees?

(Hometown Tax)
The Isetan Mitsukoshi Hometown Tax scheme was launched in 2019 with three companies: Sapporo Marui Mitsukoshi Ltd., Niigata Isetan Mitsukoshi Ltd., and Sendai Mitsukoshi Ltd. There has been growing interest from regional stores, and since this year, all regional stores have participated in the project. Each region is increasingly becoming interested in this project year by year, as more than 200 municipalities have signed up for the project and the number of gifts to be sent in return for donations has been increasing.
Information is available at department store counters. Not only the number of customers who visit a store to use the Hometown Tax scheme for the first time but also that of customers who repeat to do so is rising. This increased interest from local communities motivates our Group employees.

Q The i'm green service turned a profit in its first year. How much demand is there from customers who want something new but cannot throw away old things?

(i'm green)
We recognize surprisingly big demand. There are not so many customers who just want to cash in unused goods. Instead, many customers want to clean up their houses but are unwilling to throw away those goods or find a recycling company for themselves. In response to such demand, the i'm green service helps customers free up space at home. Many of the customers shop at the department store after selling their unused items, which creates a virtuous economic circle.
Although this service is currently implemented on a permanent basis at the Isetan Shinjuku Main Store and the Mitsukoshi Nihombashi Main Store only, we intend to expand it to other regions. During this fiscal year, a one-month event was held at the Isetan Urawa Store and a three-day event at the Iwataya Main Store. All of the reservation slots were quickly filled at both stores, and there was a huge reaction from customers wishing to sell their unused goods to the reliable Isetan Mitsukoshi Group.

Q I'd like to know how the Company is working to improve life-work balance. Many of your business partners are running shops and many temporary sales staff are working at your department stores. Do you have life-work balance action guidelines targeting sales staff of business partners as well? Also, as the reason for the high turnover of department store sales people is said to lie in business hours and long working hours, I'd like to know what action guidelines you have in place for them, such as shortening business hours and setting up shop holidays.

The Company uses the term "business partners" instead of "suppliers" because we recognize that they are working together with us. Both our business partners and the Company are conscious of working hours. For example, the management ensures the employees won't work too long when preparing for events.
The basic stance of the Company is to resolve issues together with business partners in a case where long working hours are found among employees of business partners or any instructions are given by the authorities.
We explained the Isetan Mitsukoshi Group Procurement Policy once again at the briefing for business partners held the other day, which was attended by representatives from approximately 600 companies. In addition, we'd like to work together to resolve issues through the individual dialogue meetings with business partners that we are currently holding.
(supplemental answer)
We plan to continue to communicate with business partners not only through questionnaires but also through dialogue, which has taken root as corporate culture, with more than 30 companies during this fiscal year. In the dialogue, we received comments such as "there is no department dedicated to sustainability," "I'd like you to tell me about your efforts," and "I appreciate the dialogue (not focusing on sales)." We are also asking about business hours and holidays. From the next fiscal year onward, we will expand dialogue with business partners.

Q This is a question for CEO, Mr. Hosoya. Although the Company has set a goal of increasing the number of female managers, currently there are more male directors than female. I think this is a challenge that the department store industry as a whole should address, where most of the employees and customers are women. I'd like to know what is Isetan Mitsukoshi's plan to increase the number of female managers over the medium to long term?

I believe that the most important thing for a company to provide value and develop in a sustainable manner is to have diverse discussions from various perspectives and create new value. For this, the active participation of women is absolutely essential. The target ratio of female managers set as one of the goals for FY2030 is the minimum target for us to achieve. Furthermore, we recognize the necessity of having more women in upper-level, decision-making positions, such as operating officers and directors. We will create a culture where women can get opportunities to shine.

Q Nowadays, the quality of reuse and recycling of clothing does matter. For the i'm green service, do you trace

the products purchased from customers after you sell them to partners? What measures are taken to secure trust in the Isetan Mitsukoshi Group?

We select partners from listed companies. We have been able to establish a relationship of sufficient trust by holding interviews and confirming in advance what kind of companies our partners are working with. However, as we cannot trace to the final point at present, we'd like to aim at selling the purchased products in our Group in the future.