

June 2, 2022

To Shareholders with Voting Rights

Toshiyuki Hosoya

President and CEO

**Isetan Mitsukoshi Holdings Ltd.**

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

## NOTICE OF THE CONVOCATION OF THE 14TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 14th Ordinary General Meeting of Shareholders of Isetan Mitsukoshi Holdings Ltd. (the “Company”) will be held as described below.

From the perspective of preventing the spread of COVID-19, we ask all shareholders to exercise voting rights in advance in writing or via the Internet, and refrain from attending the meeting, wherever possible. The video of the meeting will be posted on the Company’s website at a later date.

We ask you to review the Reference Documents for the General Meeting of Shareholders in the following pages and exercise your voting rights by 6 p.m., Friday, June 24, 2022.

- 1. Date and Time:** Monday, June 27, 2022, at 10:00 a.m. (Reception starts at 9:00 a.m.)
- 2. Place:** Pegasus Grand Ballroom, 1F, Hilton Tokyo Odaiba  
1-9-1, Daiba, Minato-ku, Tokyo, Japan
  - \* The meeting venue is different from last year.
  - \* From the perspective of preventing the spread of COVID-19, seating within the venue will be arranged to maintain social distancing. Please be aware in advance that we may have to restrict entry in some cases.
  - \* We will not be offering souvenirs at the General Meeting of Shareholders. We thank you for your understanding.
- 3. Agenda of the Meeting:**
  - Matters to be reported:**
    1. The Business Report and the Consolidated Financial Statements for the 14th term (from April 1, 2021 to March 31, 2022) 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 14th term (from April 1, 2021 to March 31, 2022)
  - Proposals to be resolved:**
    - Proposal No. 1:** Appropriation of Surplus
    - Proposal No. 2:** Partial Amendments to the Articles of Incorporation
    - Proposal No. 2:** Election of Ten Directors

<Notice>

- \* In the event of any modification, it will be announced via the Company’s website (<https://www.imhds.co.jp>).

## **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.

If you are 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.

### **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 6 p.m. Friday, June 24, 2022**

### **Exercising Voting Rights via the Internet**

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

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

**Deadline: Exercised by no later than 6 p.m. Friday, June 24, 2022**

### **For Institutional Investors**

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

## **Guide to Exercising Voting Rights via the Internet**

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

### Important Notes:

- Votes may be exercised via the Internet until 6 p.m. Friday, June 24, 2022
- 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 fourteenth financial statements as of March 31, 2022, which we hereby submit to you in this notice of the convocation for your perusal.

I would like to express my sincere condolences to those affected by the spread of COVID-19.

The two years that have passed since the global COVID-19 pandemic broke out have brought changes in our lifestyles, the ways we work, and our consumption behavior. Amid the huge impact that these changes have had on social activities, the Isetan Mitsukoshi Group has set to work on reforming its business model aiming “to be a ‘special’ department store-centered retail group that enriches the lives of our customers.” As a result of our progressive reform of the structure of earnings and expenses, we achieved a return to profit in fiscal 2021 (the fiscal year ended March 31, 2022), with results far exceeding the initial plan.

Fiscal 2022 marks the first year of the Medium-Term Management Plan announced in November last year. In order to achieve our vision, we will aim to provide the ultimate customer experience to expand and dominate high sensitivity, fine quality consumption, and steadily implement each of the strategies set forth in the plan. We will begin by rejuvenating our mainstay department store business by redesigning it scientifically. We aim to swiftly match and exceed the highest ever operating income since the merger of Mitsukoshi and Isetan.

We must continue to be vigilant, with uncertainty remaining over the impact on our businesses of issues such as the worldwide economic slowdown due to the impact of COVID-19 and the situation in Ukraine. However, we will perceive this situation as an opportunity to respond to the uncertain environment, rejuvenate and grow the Group, aspiring to new value creation.

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

Toshiyuki Hosoya

Director, President and CEO

## Reference Documents for the General Meeting of Shareholders

### Proposal and References

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

The Company'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. Over the medium- to long-term, the Company's dividend policy is to aim to stably increase dividends in line with profit growth.

Regarding the year-end dividend for the 14th term, based on a comprehensive consideration of the need to maintain stable shareholder dividends and the need to ensure appropriate internal reserves for purposes such as investment in new and existing businesses, the Company proposes to pay a year-end dividend of ¥5 per share. Accordingly, with the interim dividend of ¥5, the annual dividend will be ¥10.

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  
¥5 per common share of the Company  
Total amount: ¥1,907,684,355
- (3) Effective date of dividend of surplus  
June 28, 2022

## **Proposal No. 2: Partial Amendments to the Articles of Incorporation**

### **1. Reasons for the amendments**

The amended provisions stipulated in the proviso to Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, in order to prepare for the introduction of a system for electronic provision of materials for general meetings of shareholders, the Articles of Incorporation of the Company shall be amended as follows.

- (1) The proposed Article 16, Paragraph 1 provides that information contained in the reference documents for the General Meeting of Shareholders, etc. shall be provided electronically.
- (2) The purpose of the proposed Article 16, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
- (3) The provisions related to the internet disclosure and deemed provision of the reference documents for the General Meeting of Shareholders, etc. (Article 16 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

[Reference]

- The system for electronic provision of materials will enable companies to provide materials for general meetings of shareholders by posting these materials on their corporate homepage or other website, and notifying shareholders of the URL (address) of this website.
- This system will be adopted by the Company from the next Ordinary General Meeting of Shareholders (in June 2023).
- For General Meetings of Shareholders of the Company held after the adoption of system for electronic provision of materials, shareholders who wish to receive a paper copy of these materials must follow the necessary procedures to request them. Please address inquiries regarding the necessary procedures to request a paper copy to the securities company where you have an account or to Mitsubishi UFJ Trust and Banking Corporation, the administrator of the register of shareholders.

## 2. Details of amendments

The details of the amendments are as follows. The underlined portions are amended, deleted, or newly added sections.

Current Articles of Incorporation	Proposed Amendments
<p><u>(Internet Disclosure and Deemed Provision of Reference Documents, etc. for the General Meeting of Shareholders)</u></p> <p><u>Article 16 The Company may, when convening a General Meeting of Shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the reference documents for the General Meeting of Shareholders, business report, nonconsolidated financial statements, and consolidated financial statements, by disclosing such information through the internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>(Measures for Electronic Provision of Information, etc.)</u></p> <p><u>Article 16 The Company shall, when convening a General Meeting of Shareholders, provide information contained in the reference documents for the General Meeting of Shareholders, etc. electronically.</u></p> <p><u>2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for vesting voting rights.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>(Supplementary Provisions)</p> <p>(Transitional Measures Concerning Indemnity for Corporate Auditors)</p> <p>Article 1 (Omitted)</p> <p>(Newly established)</p>	<p>(Supplementary Provisions)</p> <p>(Transitional Measures Concerning Indemnity for Corporate Auditors)</p> <p>Article 1 (Unchanged)</p> <p><u>(Transitional Measures Concerning Electronic Provision of Information)</u></p> <p><u>Article 2 The deletion of Article 16 (Internet Disclosure and Deemed Provision of Reference Documents, etc. for the General Meeting of Shareholders) of the Articles of Incorporation before amendment and the establishment of Article 16 (Transitional Measures Concerning Electronic Provision of Information) of the Articles of Incorporation after amendment shall come into effect on September 1, 2022 (the “Effective Date”), which is the date of enforcement of the amended provisions stipulated in the proviso to Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019).</u></p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 16 (Internet Disclosure and Deemed Provision of Reference Documents, etc. for the General Meeting of Shareholders) of the Articles of Incorporation before amendment shall remain in force with respect to a General Meeting of Shareholders to be held on a date within six months from the Effective Date.</u></p> <p><u>3. These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.</u></p>

### Proposal No. 3: Election of Ten Directors

The terms of office of all nine (9) incumbent Directors will expire at the conclusion of this General Meeting of Shareholders. In order to further strengthen the oversight function of the Board of Directors, the Company proposes the election of ten (10) Directors, increasing the number of Directors by one (1). The Company nominates the following candidates:

Candidate No.	Name	Positions and responsibilities concurrently held at the Company
1	[Renominated] [Non-executive] Ken Akamatsu	Chairman and Director Chairman of the Audit Committee
2	[Renominated] Toshiyuki Hosoya	Director, President and CEO Member of the Nominating Committee
3	[Renominated] Toru Takeuchi	Director, Executive Vice President and CMO
4	[Newly nominated] [Non-executive] Yuki Ishizuka	Operating Officer, Board of Directors Office
5	[Renominated] [Non-executive] [Outside] [Independent] Masami Iijima	External Director Chairman of the Nominating Committee Member of the Compensation Committee
6	[Renominated] [Non-executive] [Outside] [Independent] Miwako Doi	External Director Member of the Nominating Committee Chairperson of the Compensation Committee
7	[Renominated] [Non-executive] [Outside] [Independent] Takashi Oyamada	External Director Member of the Nominating Committee Member of the Audit Committee
8	[Renominated] [Non-executive] [Outside] [Independent] Hidetoshi Furukawa	External Director Member of the Nominating Committee Member of the Audit Committee
9	[Renominated] [Non-executive] [Outside] [Independent] Fukutaka Hashimoto	External Director Member of the Compensation Committee Member of the Audit Committee
10	[Newly nominated] [Non-executive] [Outside] [Independent] Tomoko Ando	

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
1	<p>Ken Akamatsu (Sep 5, 1952) [Renominated] [Non-executive]</p> <p>Rate of attendance at meetings of the Board of Directors: 12 out of 12</p> <p>Rate of attendance at meetings of the Audit Committee: 17 out of 17</p> <p>Years in office as Director: * 5 years</p>	<p>Jun 1975 Joined Mitsukoshi, Ltd.</p> <p>Feb 2006 Operating Officer, General Manager, Operations Department</p> <p>Feb 2007 Operating Officer, General Manager, Group Operations Department</p> <p>May 2007 Director, Senior Operating Officer, General Manager, Group Operations Department</p> <p>Apr 2008 Director, Managing Operating Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Mitsukoshi, Ltd.</p> <p>Apr 2009 Director, Isetan Co., Ltd.</p> <p>Apr 2013 Director, Managing Operating Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Managing Operating Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Jun 2016 Director, Shin Kong Mitsukoshi Department Store Co., Ltd. (to the present)</p> <p>May 2017 Consultant, Isetan Mitsukoshi Holdings Ltd. Chairman, Japan Department Stores Association</p> <p>Jun 2017 Chairman and Representative Director, Isetan Mitsukoshi Holdings Ltd. Chairman and Representative Director, Isetan Mitsukoshi Ltd.</p> <p>Apr 2019 Chairman, Isetan Mitsukoshi Ltd.</p> <p>Jun 2020 Chairman and Chairman of the Board of Directors, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2021 Chairman, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Significant posts concurrently held Director, Shin Kong Mitsukoshi Department Store Co., Ltd.</p> <p>*Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	48,740
<p style="text-align: center;">Reasons for selecting the candidate for Director and outline of expected role</p> <p>The candidate has extensive experience as General Manager of Operations (Administration) Headquarters covering general affairs, accounting, financial management, logistics and other operations, and has contributed to building an operating platform for the Group and establishing a governance framework. With the Company's transition to a company with a nominating committee, etc. in 2020, he managed the Board of Directors appropriately as Chairman of the Board of Directors, and promoted the Company's stronger management supervisory function and swifter decision-making. Since June 2021, he is contributing to a stronger management supervisory function through audits, as Chairman of the Company's Audit Committee. In addition, he strived to develop the overall department store industry as the Chairman of the Japan Department Stores Association until May 2020.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive business experience, including corporate management and operations, and his insight of governance from many years' service as Chairman of the Board of Directors, to conduct fair supervision of management as a Non-executive Director, while continuing to perform his duties as a full-time Audit Committee Member.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
2	<p>Toshiyuki Hosoya (Jul 1, 1964) [Renominated]</p> <p>Rate of attendance at meetings of the Board of Directors:* 10 out of 10</p> <p>Rate of attendance at meetings of the Nominating Committee:* 8 out of 8</p> <p>Years in office as Director:** 1 year</p>	<p>Apr 1987 Joined Isetan Co., Ltd.</p> <p>Apr 2015 Operating Officer, General Manager in charge of Fashion Accessories, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2016 Operating Officer, General Manager in charge of Fashion Accessories and Luxury/Jewelry and Watch, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2017 Operating Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd.</p> <p>Apr 2018 President and CEO, Iwataya Mitsukoshi Ltd.</p> <p>Apr 2021 President and CEO, Isetan Mitsukoshi Holdings Ltd.</p> <p>Jun 2021 Director, President and CEO, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Aug 2021 Director, Shin Kong Mitsukoshi Department Store Co., Ltd. (to the present)</p> <p>Significant posts concurrently held President and CEO, Isetan Mitsukoshi Ltd. Director, Shin Kong Mitsukoshi Department Store Co., Ltd.</p> <p>* Rate of attendance at meetings refers only to the period after assumption of office. **Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	52,200
<p style="text-align: center;">Reasons for selecting the candidate for Director and outline of expected role</p> <p>After gaining experience in major sales sections, primarily in ladies' fashion and accessories, but also in jewelry, watches and medium- and small-store operations, and overseas postings, the candidate worked to formulate the Company's management strategy as General Manager of the Corporate Planning Division. At Iwataya Mitsukoshi Ltd., a subsidiary of the Company where he was appointed President and CEO in April 2018, he showed outstanding leadership as the head of management, making a great contribution to improving financial results. In April 2021, he was appointed President and CEO of the Company.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to contribute to further enhancing the corporate value of the entire Group, displaying strong leadership in pursuing the formulation of a new long-term vision and the implementation and achievement of the medium-term management plan for the Group as President and CEO of the Company since fiscal 2021, while appropriately performing both executive and supervisory aspects of his role to contribute to deeper discussions by the Board of Directors on the Group's overall direction.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
3	<p data-bbox="347 842 491 925">Toru Takeuchi (May 21, 1960) [Renominated]</p> <p data-bbox="325 965 513 1070">Rate of attendance at meetings of the Board of Directors: 12 out of 12</p> <p data-bbox="331 1115 507 1198">Years in office as Director:* 5 years</p>	<p data-bbox="544 353 882 383">Apr 1983 Joined Isetan Co., Ltd.</p> <p data-bbox="544 387 1206 492">Apr 2011 Managing Operating Officer, General Manager, MD Administration Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p data-bbox="544 497 1219 604">Apr 2013 Managing Operating Officer, Isetan Mitsukoshi Holdings Ltd. President, Representative Director, Operating Officer, Sapporo Marui Mitsukoshi Ltd.</p> <p data-bbox="544 609 1203 748">Apr 2016 Managing Operating Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Holdings Ltd. Managing Operating Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Ltd.</p> <p data-bbox="544 752 1190 835">Apr 2017 Director, Senior Managing Operating Officer, General Manager, Department Store Business Headquarters, General Manager, Merchandising Headquarters</p> <p data-bbox="544 840 1066 869">Jun 2017 Director, Isetan Mitsukoshi Holdings Ltd.</p> <p data-bbox="544 873 1190 956">Apr 2018 Director, Senior Managing Operating Officer, General Manager, Department Store Business Headquarters, Isetan Mitsukoshi Ltd.</p> <p data-bbox="544 960 1190 1126">Apr 2019 Executive Vice President, Representative Director and CMO, Isetan Mitsukoshi Holdings Ltd. *CMO (Chief Merchandising Officer) Director, Isetan Mitsukoshi Ltd. Director, Nagoya Mitsukoshi Ltd. Director, Iwataya Mitsukoshi Ltd.</p> <p data-bbox="544 1131 1190 1214">Apr 2020 Executive Vice President, Representative Director and CMO, Isetan Mitsukoshi Holdings Ltd. *CMO (Chief Merchandising &amp; Marketing Officer)</p> <p data-bbox="544 1218 1174 1272">Jun 2020 Director, Executive Vice President and CMO, Isetan Mitsukoshi Holdings Ltd.</p> <p data-bbox="544 1276 1174 1442">Apr 2021 Director, Executive Vice President and CMO, Isetan Mitsukoshi Holdings Ltd. (to the present) *CMO (Chief Merchandising &amp; Marketing Officer) Executive Vice President, General Manager, MD Administration Department, Isetan Mitsukoshi Ltd. Director, Sapporo Marui Mitsukoshi Ltd.</p> <p data-bbox="544 1447 1174 1500">Apr 2022 Executive Vice President, General Manager, Sales Headquarters, Isetan Mitsukoshi Ltd. (to the present)</p> <p data-bbox="555 1541 1031 1594">Significant posts concurrently held Executive Vice President, Isetan Mitsukoshi Ltd.</p> <p data-bbox="555 1635 1206 1688">*Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	58,100
<p data-bbox="488 1697 1225 1727">Reasons for selecting the candidate for Director and outline of expected role</p> <p data-bbox="316 1731 1394 1865">After gaining extensive sales experience of menswear and ladies' fashion, and at overseas subsidiaries, the candidate gained corporate management experience as President of Sapporo Marui Mitsukoshi Ltd., a major department store affiliate, and human resources development experience as General Manager of the Group Human Resources Headquarters. Since April 2019, he has displayed outstanding leadership in the promotion of the Group's business activities as CMO, leading product policy across the Group.</p> <p data-bbox="316 1870 1394 1977">The Nominating Committee has renominated him as a candidate for Director utilize his broad and extensive experience in the Group to increase the effectiveness of monitoring by the Board of Directors and contribute to enhancing the Group's corporate value, by appropriately fulfilling his role in the Board of Directors as a Director concurrently serving as a top executive.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
4	Yuki Ishizuka (Jun 11, 1962) [Newly nominated] [Non-executive]	<p>Apr 1985 Joined Isetan Co., Ltd.</p> <p>Apr 2015 Operating Officer, General Manager, Isetan Tachikawa Store, Area Department, Department Store Business Planning &amp; Operation Headquarters, Isetan Mitsukoshi Ltd.</p> <p>Apr 2017 Operating Officer, Isetan Mitsukoshi Holdings Ltd. President and Representative Director, Isetan Mitsukoshi Human Solutions Ltd.</p> <p>Apr 2021 President and Representative Director, Sendai Mitsukoshi Ltd.</p> <p>Apr 2022 Operating Officer, Board of Directors Office (to the present)</p> <p>Significant posts concurrently held None</p>	29,300
	<p>Reasons for selecting the candidate for Director and outline of expected role</p> <p>The candidate has served at the head offices, branches and overseas subsidiaries of both Mitsukoshi and Isetan, with experience in a broad range of product domains in the department store business, including ladies' fashion, lifestyle goods, traditional fabrics, and artworks. She has also served as President and Representative Director of a human resources subsidiary of the Company, Isetan Mitsukoshi Human Solutions Ltd., from 2017, and President and Representative Director of a department store subsidiary Sendai Mitsukoshi Ltd. from 2021. In addition to effectively planning and promoting management strategy and business restructuring as the top executive at these subsidiaries, she progressively implemented a digital shift at these companies, while monitoring feedback from operating staff and customers, and achieved the transformation of the existing business model. She has displayed outstanding leadership in corporate management, enhancing and strengthening governance, risk and compliance systems, as well as making every effort to support the development of internal human resources. In these ways, she has contributed to the development of the Company's subsidiaries and the Group.</p> <p>The Nominating Committee has newly nominated her as a candidate for Director because it considers that she will be able to utilize her broad experience serving as a top executive at regional bases and subsidiaries over many years to contribute to enhancing the Group's corporate value, by fulfilling her responsibility for the fair supervision of management as a full-time Audit Committee Member, while appropriately performing her role in the Board of Directors as a Non-executive Director.</p>		

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
5	<p>Masami Iijima (Sep 23, 1950) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors: 12 out of 12</p> <p>Rate of attendance at meetings of the Nominating Committee: 10 out of 10</p> <p>Rate of attendance at meetings of the Compensation Committee: 8 out of 8</p> <p>Years in office as Director:* 3 years</p>	<p>Apr 1974 Joined MITSUI &amp; 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 Operating Officer Apr 2015 Representative Director, Chairman of the Board of Directors Jun 2016 External Director, Ricoh Company, Ltd. (to the present) Jun 2018 External Board Director, SoftBank Group Corp. (to the present) Jun 2019 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Counsellor, the Bank of Japan (to the present) Apr 2021 Director, MITSUI &amp; CO., LTD. Jun 2021 Advisor (to the present) External Director, Takeda Pharmaceutical Company Limited (to the present)</p> <p>Significant posts concurrently held Advisor, MITSUI &amp; CO., LTD. External Director, Ricoh Company, Ltd. External Board Director, SoftBank Group Corp. Counsellor, the Bank of Japan External Director, Takeda Pharmaceutical Company Limited</p> <p>*Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	3,300
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has served in management at MITSUI &amp; CO., LTD., and has extensive experience related to corporate management. He has contributed to corporate governance at the Company as Chairman of the Board of Directors, and also has deep insight into governance, with experience as External Director of one of the foremost listed companies in Japan. At the Company, he has provided valuable advice based on his broad experience and insight into corporate management, and has played a leading role in the objective and transparent management of meetings as Chairman of the Nominating Committee, in deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. As a member of the Compensation Committee, he has contributed to deliberations on the executive compensation system and the determination of individual compensation amounts.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management and his insight into governance in the supervision of the Company's management, and to demonstrate leadership as the Chairman of the Nominating Committee and member of the Compensation Committee.</p>			

\*Mr. Masami Iijima's role at MITSUI & CO., LTD. as Advisor is mainly activities to contribute to the financial industry and society and he is not involved in management.

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
6	<p>Miwako Doi (Jun 2, 1954) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors: 12 out of 12</p> <p>Rate of attendance at meetings of the Nominating Committee: 10 out of 10</p> <p>Rate of attendance at meetings of the Compensation Committee: 8 out of 8</p> <p>Years in office as Director:* 3 years</p>	<p>Apr 1979 Joined Tokyo Shibaura Electric Co., Ltd. (currently TOSHIBA CORPORATION)</p> <p>Jul 2005 Chief Fellow, Humancentric Laboratory, Corporate Research &amp; Development Center, TOSHIBA CORPORATION</p> <p>Jul 2006 Chief Fellow, Corporate Research &amp; Development Center</p> <p>Jul 2008 Senior Fellow</p> <p>Apr 2014 Auditor (Part-time), National Institute of Information and Communications Technology (to the present)</p> <p>Jun 2015 External Director, Nomura Research Institute, Ltd.</p> <p>Apr 2017 Executive Director (Part-time), Nara Institute of Science and Technology (to the present)</p> <p>Jun 2019 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Apr 2020 Vice President (Part-time), TOHOKU UNIVERSITY (to the present)</p> <p>Jun 2020 External Director, SUBARU CORPORATION (to the present) External Director, NGK SPARK PLUG CO., LTD. (to the present)</p> <p>Significant posts concurrently held Auditor, National Institute of Information and Communications Technology Executive Director (Part-time), Nara Institute of Science and Technology Vice President (Part-time), TOHOKU UNIVERSITY External Director, SUBARU CORPORATION External Director, NGK SPARK PLUG CO., LTD.</p> <p>*Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	3,100
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has significant expert achievements, extensive knowledge, and experience in the digital and IT fields, having worked as a researcher and manager in the information technology field at TOSHIBA CORPORATION. At the Company, she offers the Board of Directors valuable advice based on a range of perspectives, including insight in these fields. She has played a leading role in the objective and transparent management of meetings as Chairman of the Compensation Committee, in deliberations on the executive compensation system and the determination of individual compensation amounts. As a member of the Nominating Committee, she has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others.</p> <p>Although the candidate has not been involved in corporate management other than as External Director, the Nominating Committee has renominated her because it expects her to utilize her extensive knowledge and insight in the digital and IT fields in the supervision of the Company's management, and continue to demonstrate leadership as Chairman of the Compensation Committee and member of the Nominating Committee.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
7	<p>Takashi Oyamada (Nov 2, 1955) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors: 12 out of 12</p> <p>Rate of attendance at meetings of the Nominating Committee: 10 out of 10</p> <p>Rate of attendance at meetings of the Audit Committee: 17 out of 17</p> <p>Years in office as Director:* 3 years</p>	<p>Apr 1979 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>Jan 2009 Managing Operating Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)</p> <p>Jun 2009 Managing Director Director, Mitsubishi UFJ Financial Group, Inc.</p> <p>May 2012 Managing Operating Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)</p> <p>May 2013 Senior Managing Executive Director</p> <p>Jun 2014 Deputy President</p> <p>Jun 2015 Director, Deputy President, Mitsubishi UFJ Financial Group, Inc.</p> <p>Apr 2016 President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) Director, Mitsubishi UFJ Financial Group, Inc.</p> <p>Jun 2017 Special Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) (to the present)</p> <p>Jun 2018 Representative Director &amp; Vice Chair, The Japan Institute of International Affairs (to the present)</p> <p>Dec 2018 External Director, Mitsubishi Research Institute DCS Co., Ltd. (to the present)</p> <p>Jun 2019 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present) External Director, Mitsubishi Electric Corporation (to the present)</p> <p>Mar 2021 External Director, Kyowa Kirin Co., Ltd. (to the present)</p> <p>Significant posts concurrently held Special Advisor, MUFG Bank, Ltd. External Director, Mitsubishi Research Institute DCS Co., Ltd. External Director, Mitsubishi Electric Corporation External Director, Kyowa Kirin Co., Ltd. Representative Director &amp; Vice Chair, The Japan Institute of International Affairs</p> <p>*Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	8,300
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>In addition to having been involved in management at the former The Bank of Tokyo-Mitsubishi UFJ, Ltd., and having extensive experience in corporate management, the candidate possesses deep knowledge in finance and accounting based on his experience at a financial institution, and deep insight into governance, with experience as External Director of one of the foremost listed companies in Japan. As a member of the Company's Board of Directors, he has provided useful advice based on the advanced insight he has gained from experience in corporate management and his expert knowledge of finance and accounting. As a member of the Nominating Committee, he has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. As a member of the Audit Committee, he has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management, his knowledge of finance and accounting, and his insight into governance in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Nominating Committee and member of the Audit Committee.</p>			

\*Mr. Takashi Oyamada's role at MUFG Bank, Ltd. as Special Advisor is mainly activities to contribute to the financial industry and society and he is not involved in management.

\*Five years have passed since Mr. Takashi Oyamada's retirement from the position of President of MUFG Bank, Ltd. (then The Bank of Tokyo-Mitsubishi UFJ, Ltd.)

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
8	<p>Hidetoshi Furukawa (Jul 16, 1955) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors: 12 out of 12</p> <p>Rate of attendance at meetings of the Nominating Committee: 10 out of 10</p> <p>Rate of attendance at meetings of the Audit Committee: 17 out of 17</p> <p>Years in office as Director:* 2 years</p>	<p>Apr 1979 Joined The Mitsui Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)</p> <p>Jun 2005 Operating Officer, General Manager, Bangkok Branch, Sumitomo Mitsui Banking Corporation</p> <p>Apr 2008 Operating Officer, Deputy Head of Corporate Unit and International Unit</p> <p>Apr 2009 Managing Operating Officer, Head of Nagoya Corporate Sales Department, General Manager, Nagoya Corporate Sales Headquarters</p> <p>Apr 2011 Managing Operating Officer, Head of Investment Banking Unit</p> <p>Apr 2012 Director and Senior Managing Operating Officer, Head of Investment Banking Unit</p> <p>Apr 2013 Director and Senior Managing Operating Officer, Head of Corporate Finance Unit</p> <p>Apr 2014 Representative Director and Deputy President Operating Officer, Head of Global Corporate Banking Division</p> <p>Jun 2015 Representative Director, President and Chief Operating Officer, SMBC Trust Bank Ltd.</p> <p>Jun 2018 Chairperson</p> <p>Jun 2020 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Jun 2021 Special Advisor, SMBC Trust Bank Ltd. (to the present)</p> <p>Nov 2021 Chairman, General Incorporated Company, Kobe City Property Research (to the present)</p> <p>Mar 2022 Outside Director, Toagosei Co., Ltd. (to the present)</p> <p>Significant posts concurrently held Special Advisor, SMBC Trust Bank Ltd. Chairman, General Incorporated Company, Kobe City Property Research Outside Director, Toagosei Co., Ltd.</p> <p>*Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	3,100
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate has directed sales activities both in Japan and overseas, and supervised investment banking and corporate finance operations, at Sumitomo Mitsui Banking Corporation. He also served as President and Chief Operating Officer of SMBC Trust Bank Ltd. in 2015, carrying out PMI, and possesses extensive experience in corporate management as well as deep knowledge in finance and accounting based on his many years of experience at financial institutions. At the Company, he has provided valuable advice at the Board of Directors based on his expert feeling for operations, his advanced insight into corporate management and his specialized knowledge of finance and accounting. At the same time, as a member of the Nominating Committee, he has contributed to deliberation on matters including the reappointment and succession plan of the President/CEO, the determination of candidates for Directors, personnel change proposals for committee members, Operating Officers and others. As a member of the Audit Committee, he has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group.</p> <p>The Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his extensive experience in corporate management and his knowledge of finance and accounting in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as a member of the Nominating Committee and member of the Audit Committee.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
9	<p>Fukutaka Hashimoto (Jul 6, 1954) [Renominated] [Non-executive] [External Director] [Independent Director]</p> <p>Rate of attendance at meetings of the Board of Directors: 12 out of 12</p> <p>Rate of attendance at meetings of the Compensation Committee: 7 out of 7*</p> <p>Rate of attendance at meetings of the Audit Committee: 17 out of 17</p> <p>Years in office as Director:** 2 years</p>	<p>Apr 1979 Registered as an attorney-at-law and joined Shinya Takeru Law Office (currently Tokyo Hatchobori Law Office)</p> <p>Apr 2000 Vice President, Daini Tokyo Bar Association</p> <p>Apr 2006 Executive Governor, Japan Federation of Bar Associations</p> <p>Jan 2008 Representative Partner Attorney and Director, Tokyo Hatchobori Law Office (to the present)</p> <p>Apr 2012 President, Daini Tokyo Bar Association Vice-President, Japan Federation of Bar Associations</p> <p>Mar 2014 Outside Audit &amp; Supervisory Board Member, Kirin Holdings Company, Limited</p> <p>Jun 2015 Outside Audit &amp; Supervisory Board Member, Sompo Japan Nipponkoa Insurance Inc. (currently Sompo Japan Insurance Inc.) (to the present)</p> <p>Jun 2020 External Director, Isetan Mitsukoshi Holdings Ltd. (to the present)</p> <p>Mar 2021 Outside Auditor, KOKUYO Co., Ltd. (to the present)</p> <p>Significant posts concurrently held Representative Partner Attorney and Director, Tokyo Hatchobori Law Office Outside Audit &amp; Supervisory Board Member, Sompo Japan Insurance Inc. Outside Auditor, KOKUYO Co., Ltd.</p> <p>* Rate of attendance at meetings of the Compensation Committee for refers only to the period after appointment as a Compensation Committee member, subsequent to reappointment as a Director at the 13th Ordinary General Meeting of Shareholders held on June 25, 2021. **Years in office as Director refers to the status as of the conclusion of this Ordinary General Meeting of Shareholders.</p>	3,100
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate possesses a high level of specialized knowledge and experience in corporate legal affairs, having played a leading role as an attorney-at-law for many years, appointed Representative Partner Attorney and Director of Tokyo Hatchobori Law Office in 2008. In addition, he has deep insight into auditing, through his experience serving as Outside Corporate Auditor and Outside Audit &amp; Supervisory Board Member of Japan's leading listed companies. At the Company, he has provided valuable advice at the Board of Directors based on his specialist perspective as an attorney-at-law. As a member of the Audit Committee, he has audited the execution of duties by Operating Officers and Directors from an independent standpoint, and contributed to a more substantial audit system encompassing the entire Group. As a member of the Compensation Committee, he has contributed to deliberations on the Company's executive compensation system and the determination of individual compensation amounts.</p> <p>Although the candidate has not been involved in corporate management other than as External Director, the Nominating Committee has renominated him as a candidate for Director because it expects him to utilize his specialist knowledge in corporate legal affairs and his insight into auditing in the supervision of the Company's management, and to contribute to further enhancing the Company's governance as Chairman of the Board of Directors.</p>			

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
10	Tomoko Ando (Jul 18, 1959) [Newly nominated] [Non-executive] [External Director] [Independent Director]	Dec 1996 Joined Master Foods Ltd. (currently Mars Japan Limited) Jan 2006 People Pipeline Manager, Personnel & Organization, Master Foods Ltd. Aug 2008 Joined NIHON L'ORÉAL K.K. Senior HR Manager, Human Resources, NIHON L'ORÉAL K.K. Mar 2011 Vice President, Head of Human Resources, NIHON L'ORÉAL K.K. Jun 2018 Outside Director, PRESS KOGYO CO., LTD. (to the present) Jun 2019 Outside Director, Kansai Paint Co., Ltd. (to the present) Significant posts concurrently held Outside Director, PRESS KOGYO CO., LTD. Outside Director, Kansai Paint Co., Ltd.	0
<p>Reasons for selecting the candidate for External Director and outline of expected role</p> <p>The candidate possesses extensive knowledge and experience concerning brand marketing, sales planning, and strategic human resources at top global companies from Japan, the United States and Europe, as well as a high level of insight and experience as a corporate manager. She also has advanced insight into governance as the external director of several listed companies. She has contributed to management personnel development, by leveraging her insight into the approach to organizational culture, strategic human resources, diversity and inclusion, which she has cultivated at global companies, through a broad range of activities as a professional coach and seminar lecturer.</p> <p>The Nominating Committee has newly nominated her as a candidate for Director because it expects her to appropriately monitor the Company's management from a fair and neutral standpoint based on diverse perspectives, primarily her insight into the fields described above, and to contribute to further enhancing the Group's corporate value by actively providing comments from the perspective of an expert in corporate management, marketing, and management personnel development.</p>			

- (Notes) 1. Mr. Takashi Oyamada is a Special Advisor of MUFG Bank, Ltd., which is the main bank of the Group. However, there are no particular relationships of interest between him and the Company, because he is not involved in the management of MUFG Bank, Ltd. There are no particular relationships of interest with any of the other candidates and the Company.
2. Improper quality control practices have been revealed at several facilities operated by Mitsubishi Electric Corporation, where Mr. Takashi Oyamada serves as External Director. The results of investigations into these issues were released in October and December, 2021. Mr. Takashi Oyamada was not previously aware of these issues, but he had regularly alerted the Board of Directors and others to the need for vigilance from the perspective of legal and regulatory compliance. After these issues were discovered, he responded as required of an External Director. This included giving directions for thorough investigations to reveal the complete picture and causes of the issues, as well as measures to strengthen compliance systems aimed at preventing recurrence.
3. Mr. Ken Akamatsu, who is a candidate for a Non-executive Director, and Mr. Masami Iijima, Ms. Miwako Doi, Mr. Takashi Oyamada, Mr. Hidetoshi Furukawa and Mr. Fukutaka Hashimoto, who are candidates for External Directors, have concluded limited liability agreements with the Company based on the provisions of the Articles of Incorporation, which shall limit the maximum amount of liability they may bear to the Company to the amount stipulated by laws and regulations. If their reappointments are approved, the Company plans to continue to hold the agreements stipulating liability limits. Moreover, if the appointments of Ms. Yuki Ishizuka, who is a candidate for Non-executive Director, and Ms. Tomoko Ando, who is a candidate for External Director, are approved, the Company intends to conclude limited liability agreements with them.

4. The Company has concluded a directors and officers liability insurance contract with an insurance company, as set forth in Article 430-3, Paragraph 1 of the Companies Act, to cover litigation expenses and legal damages, should the insured parties be held accountable in the event of a shareholder representative lawsuit, corporate lawsuit or third-party lawsuit. The candidates, excluding Ms. Yuki Ishizuka and Ms. Tomoko Ando, are included among the insured parties under this contract. Moreover, the Company intends to add Ms. Yuki Ishizuka and Ms. Tomoko Ando to the insured parties under the contract.
5. The Company designates Mr. Masami Iijima, Ms. Miwako Doi, Mr. Takashi Oyamada, Mr. Hidetoshi Furukawa, and Mr. Fukutaka Hashimoto as Independent Directors according to the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has registered them with the two exchanges. Assuming approval of the reelection of Directors Mr. Masami Iijima, Ms. Miwako Doi, Mr. Takashi Oyamada, Mr. Hidetoshi Furukawa, and Mr. Fukutaka Hashimoto, the Company also plans to continuously designate them as Independent Directors and to notify both stock exchanges thereof. Moreover, if the appointment of Ms. Tomoko Ando is approved, the Company intends to newly designate her as an Independent Director, and register her with the two exchanges referred to above.

## Reference

[Committees of which Each Director is Scheduled to be a Member]

If this proposal is approved, the composition of each committee shall be as follows.

If the reappointment of Mr. Fukutaka Hashimoto is approved, the Company intends to select him as Chairman of the Board of Directors after the conclusion of this Ordinary General Meeting of Shareholders.

If the reappointment of Mr. Ken Akamatsu, Mr. Masami Iijima, and Ms. Miwako Doi is approved, the Company intends to select them as Chairs of the Audit Committee, Nominating Committee, and Compensation Committee, respectively, after the conclusion of this Ordinary General Meeting of Shareholders.

[Skills of Each Candidate for Director]

In formulating the skills matrix, the Company has identified qualities and skills needed based on the roles of Directors, to achieve a balance in the Company's Board of Directors between a broad range of perspectives and appropriate scale.

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

Candidate No.	Name	Nominating Committee	Compensation Committee	Audit Committee	Remarks	Corporate management	Distribution/marketing	Global	DX/IT/security	Finance/accounting	Legal affairs/risks/governance	Personnel affairs/human resources management
1	Ken Akamatsu [Renominated] [Non-executive]			✓	Chairman of the Audit Committee	○			○		○	
2	Toshiyuki Hosoya [Renominated]	✓			Representative Executive	○	○	○				
3	Toru Takeuchi [Renominated]				Representative Executive	○	○	○				
4	Yuki Ishizuka [Newly nominated] [Non-executive]			✓					○		○	○
5	Masami Iijima [Renominated] [External] [Non-executive] [Independent]	✓	✓		Chairman of the Nominating Committee	●		●			●	
6	Miwako Doi [Renominated] [External] [Non-executive] [Independent]	✓	✓		Chairperson of the Compensation Committee	●			●			●
7	Takashi Oyamada [Renominated] [External] [Non-executive] [Independent]	✓		✓		●				●		●
8	Hidetoshi Furukawa [Renominated] [External] [Non-executive] [Independent]	✓		✓		●		●		●		
9	Fukutaka Hashimoto [Renominated] [External] [Non-executive] [Independent]				Chairman of the Board of Directors	●					●	●
10	Tomoko Ando [Newly nominated] [External] [Non-executive] [Independent]		✓	✓		●	●					●

Number of Committee Members	Internal Directors	1	0	2
	External Directors	4	3	3
	Total	5	3	5

Note: The above matrix is intended to show the fields/areas in which each individual is expected to play key roles based on his/her experience, etc. It does not represent every aspect of the person's knowledge.

## Reference

### <Policies for the nomination of officers>

#### ◆ Policy on nomination of candidates for Director

With regard to the composition of the Board of Directors, the policy of the Company is to appoint a diverse range of Directors with broad and highly specialized knowledge, insight into specific business domains, and skills based on experience in corporate management, etc., as well as high ethical standards. Recruitment for External Directors includes candidates from different fields and industries, primarily those with sufficient practical business-world management and executive experience, to ensure account is taken of a wide range of opinions from objective perspectives and ensure well-balanced management. Candidates for the position of Director are selected by resolution of the Nominating Committee, which is composed of a majority of External Directors and chaired by an External Director. Selection is based on the Company's approach to the composition of the Board of Directors described above, and the following Selection Standards. Candidates are then submitted to the General Meeting of Shareholders.

#### ◆ Selection Standards for Directors

- 1) Must have knowledge and experience that are meaningful to the management of the Company and be well-versed in various management issues
- 2) Must have accurate insight into and a grasp of the global trends as well as changes in the market and customers
- 3) Must be eager to learn new knowledge and able to develop new views on management and directions based on such knowledge
- 4) Must have excellent character and insight and be physically and mentally healthy
- 5) Must have a strong sense of ethics and compliance, as well as values and personality that are appropriate for a Director

#### ◆ Decision on selection and reappointment of the CEO, and succession plans

The Nominating Committee engages in decisions on the selection and reappointment of the CEO and succession plans as some of its most important tasks, while ensuring transparency and fairness. It endeavors to further enhance existing initiatives, including by auditing the opinions of all External Directors, including those not sitting on the Nominating Committee, during the process of deliberation. Specifically, in the first fiscal year of the appointment of a new CEO, the Nominating Committee deliberates on the vision for the CEO's term of office. The Nominating Committee is informed of the status of progress on the management plans for each period, the future outlook, issues to be addressed, etc., and a system is in place to enable the External Directors who are Nominating Committee Members to autonomously decide on the reappointment of the CEO.

Regarding succession plans for the CEO, all information is shared with the Nominating Committee, including the results of screening of candidates by an external management personnel evaluation agency, personnel development plans, and proposals for the transfer of candidates to fields in which they require experience. In addition, at the start of each fiscal year, the Nominating Committee deliberates on and confirms candidates for CEO (or acting CEO) to be appointed in the case of an emergency.

### **<Independence Standards for Independent External Directors and Independent Outside Auditors>**

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

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

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

## **Business Report**

(From April 1, 2021 to March 31, 2022)

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

#### (1) Business developments and results

During fiscal 2021 (April 1, 2021 to March 31, 2022), the Japanese economy was affected by the spread of COVID-19, which limited the corporate economic activities and consumer spending by individuals, resulting in negative real GDP growth in the July–September quarter of 2021. Subsequently, the number of infected people has declined due to progress in vaccination. The declaration of the state of emergency was lifted at the end of September 2021, and economic activity recovered, resulting in positive real GDP growth in the October–December quarter of 2021.

However, since the beginning of the year, the business environment remained severe as consumer sentiment once again entered a recessionary phase due to suppression of human flow due to the application of priority measures to prevent the spread of the Omicron strain, which led to the re-spread of infection.

In addition, the tense situation in Ukraine has caused the prices of energy such as crude oil and grains to soar, making the future of the market uncertain.

Under these circumstances, the Group formulated a new medium-term management plan (Fiscal 2022–Fiscal 2024) in November 2021. We have established the long-term vision “to be a ‘special’ department store-centered retail group that enriches the lives of our customers” and immediately launched initiatives to achieve this goal.

The Group will promote its strategy in three phases: revitalization, development, and fruiting to achieve its long-term vision. In the revitalization phase, we will reform our business model through a scientific perspective and personal marketing to revitalize our department stores and increase the number of identified customers. In the deployment phase, we will respond to a wide range of customer needs through a group-wide “stronger intra-Group coordination strategy” to identify customers. In the fruiting phase, we will develop a stronger intra-Group coordination strategy to establish the Mitsukoshi Isetan urban development model.

Specifically, as part of our efforts to “construct fine quality stores with high sensitivity,” we have launched a plan to build stores focusing on fashion at the Isetan Shinjuku Main Store, and tradition, culture, and daily life at the Mitsukoshi Nihombashi Main Store.

As an “(individual) out-of-store sales reform,” we established direct buyers in the second half of fiscal 2021. In collaboration with direct sales and buyers, we started direct marketing at the Isetan Shinjuku Main Store and the Mitsukoshi Nihombashi Main Store ahead of other branches, such as moving solutions to customer requests and innovative proposals for issues of interest. In addition, we expanded the range of products and services that we previously did not handle to respond to a wide range of customer needs. In April 2022, we established the Direct Sales Department to deepen these efforts, which merged the individual and corporate out-of-store sales organizations of the two main stores.

To expand the high sensitivity, fine quality consumption in Japan, we have built up a base network. In other words, we have strengthened ties between the two main stores and branches, stores in the Tokyo metropolitan area and regional stores, and main stores and small- and medium-sized stores. We built up our digital and sales network to strengthen this collaboration and worked to expand the content.

In October 2021, Matsuyama Mitsukoshi expanded its new content with food, beauty, and health themes through collaboration with local companies. It set up digital salons offering remote shopping and other services and reopened as a hybrid store of department stores and tenant shops. In addition, we have been preparing for the opening in April 2022 of the Mitsukoshi Tokushima Store, operated by Takamatsu Mitsukoshi, Ltd., and the Mitsukoshi Toyota Store, operated by the Nagoya Mitsukoshi Sakae Store. We will expand the high sensitivity, fine quality consumption in Japan through inter-store collaboration not only with the main stores but also with Isetan Mitsukoshi Group department stores nationwide by establishing a digital salon at the Mitsukoshi Toyota Store and an out-of-store salon at the Mitsukoshi Tokushima Store.

In the “CRM<sup>\*1</sup> strategy connecting with individual customers,” to increase the number of connected individual customers, we began awarding MI points to Isetan Mitsukoshi app subscribers even if they paid with credit cards other than MICARD or with cash at stores in the Tokyo metropolitan area in May 2021 and at Isetan Mitsukoshi Group department stores nationwide in February 2022.

In addition, we introduced the “Isetan Mitsukoshi Customer Program” at Isetan Mitsukoshi Group department stores nationwide to increase the amount of usage by connected individual customers. In the future, we will expand initiatives that are already being implemented in the Tokyo metropolitan area, such as a point incentive program for Isetan Mitsukoshi app subscribers linked to MICARD, to all Isetan Mitsukoshi Group department stores nationwide.

In the “stronger intra-Group coordination strategy,” we launched a preparatory organization in the second half of fiscal 2021 to establish a stronger intra-Group coordination promotion system. We immediately began to promote department store remodeling and insource sales operation and sell

Group content to companies outside the Group via “direct sales through stronger intra-Group coordination.” At the SC Business Fair 2022 held in January 2022, we proposed to provide a package with our cataloged resources. We will work to reduce outsourcing costs further and increase earnings through B-to-B sales.

In “urban development” from the CRE<sup>\*2</sup> perspective, we have begun to consider the future of the two main stores, which serve as symbols of respect and empathy in the highly sensitive and fine quality base network. In addition to participation in the Shinjuku-Sanchome Ekimae Nishi District Preparatory Association and management-level projects, we promoted cross-company grand design project activities led by young employees. In fiscal 2022, we will work on initiatives to formulate a concept frame for urban development, including landscape and design.

In “reforms to the income and expenditure structure,” we worked to establish standards and disciplines to control expenses and personnel from the perspective of “scientific analysis of department stores.” With regard to expenses, we reduced the break-even sales by reducing fixed costs and variable costs due to lower sales. With regard to personnel, we optimized the allocation of personnel by reviewing business operations across the entire Group and promoted insourcing of business operations by promoting multi-tasking of employees. We will continue our efforts to maximize profitability and productivity to revitalize our department stores.

With regard to sustainability initiatives, we published the “Isetan Mitsukoshi Holdings Sustainability Report 2021” in November 2021. In the report, we set medium- to long-term goals and support for the Task Force on Climate-related Financial Information Disclosure (TCFD). As one of our major initiatives, we promote AI Smart Air Conditioning trials at the Isetan Shinjuku Main Store to conserve electricity. At the Isetan Urawa Store, we have switched to 100% renewable electricity in March 2022. In addition, we have started sustainability activities through its core business as a department store under the slogan “think good,” which represents our commitment to start with using imagination and thinking sincerely toward a bright and prosperous future. We will continue expanding our unique initiatives to realize a sustainable and prosperous future with all our stakeholders, including our customers, suppliers, and local communities.

As a result of these efforts, consolidated net sales for the fiscal year amounted to ¥418.3 billion (¥816.0 billion in the preceding fiscal year), operating income amounted to ¥5.9 billion (operating loss of ¥20.9 billion in the previous fiscal year), recurring income was ¥9.5 billion (recurring loss of ¥17.1 billion in the previous fiscal year), and net income attributable to parent company shareholders was ¥12.3

billion (net loss attributable to parent company shareholders of ¥41.0 billion in the previous fiscal year).

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. was adopted from the fiscal year under view. As the accounting treatment for revenue is different, increases and decreases in amounts are not stated. In addition, changes in the accounting standards have had an impact on net sales and operating income/loss.

“Total net sales” stated as reference for net sales by segment in the following pages represent amounts prior to the application of “Accounting Standard for Revenue Recognition.”

\*1 CRM: Customer Relationship Management

\*2 CRE: Corporate Real Estate

#### Department store

Percentage of net sales: 79.2%

Net sales: ¥373.9 billion (net sales of ¥752.1 billion in the previous fiscal year)

Operating loss: ¥6.3 billion (operating loss of ¥30.3 billion in the previous fiscal year)

(Reference) Total net sales: ¥861.7 billion (114.6% year on year)

As the harsh business environment continued until the second quarter, both the number of store visitors and sales were sluggish. This was because especially stores in the Tokyo metropolitan area had to follow the partial operations and reduced opening hours in line with the declaration of a state of emergency and issuance of pre-emergency measures due to the spread of COVID-19. After the lifting of declaration of a state of emergency at the end of September 2021, the number of infected people remained at a low level and the number of store visitors recovered. For the stores in the Tokyo metropolitan area for the third quarter, the sales exceeded the level in fiscal 2019 before the COVID-19 pandemic. The number of store visitors and sales, which had been on a recovery trend, declined again in January 2022. This was due to the impacts of the re-issuance of the pre-emergency measures as well as the record-high number of infected people for successive days until the end of the month. However, the number of store visitors and the sales started increasing again in and after February.

For domestic department stores, the “Isetan Mitsukoshi” app and “Mitsukoshi Isetan remote shopping” app, which had been first launched in stores in the Tokyo metropolitan area, were also launched in department stores of the Isetan Mitsukoshi Group in February 2022 along with their trial operations.

We promoted initiatives aimed at establishment of the inter-store coordination, increase of the number of customers to be connected, and improvement of the amounts used.

For overseas department stores, we turned profitable on the whole thanks to the recovery of business result. This recovery was driven by the smooth resumption of economic activities in Singapore and the U.S. despite the varied pace of recovery depending on store in China where the Zero-Covid Policy has continued. Rome Mitsukoshi was closed in July 2021 because of an expectation of long-term decline of the Japanese tourists due to the COVID-19 pandemic.

For online sales, we focused on increasing the number of subscribers as well as the sales in each business. In addition, we started the optimization of advertising expenses as well as logistic costs, shift to an in-house contact center, and reduction of the outsourcing costs through the execution of “the reforms to the income and expenditure structure” for Mitsukoshi Isetan Online sales. The sales of high-priced skin care products and limited edition products were strong for “meeco,” a cosmetics e-commerce site, while the number of subscribers is growing strongly especially among the Millennials. The number of members and amount of donations grew for the hometown tax donation program business. This growth was achieved thanks to the enhancement of approach to the MICARD membership, especially out-of-store customers as well as the enhancement of lineup of products that have been carefully selected by buyers. Furthermore, the number of subscribers and sales grew significantly for our e-commerce site for gifts: “MOO:D MARK by ISETAN.” As social gifts to be offered casually, the high-quality and various tastes of lineup of products was favored especially by women in their 20s and 30s. For “REV WORLDS” smartphone app using virtual reality (VR) with a concept of “communication platform for virtual city,” the number of newly opened brand stores increased to approximately 450 while the number of products placed increased to approximately 1,250. Furthermore, we focused on enhancing the contents through deployments of cosmetic products and the Christmas campaign projects linked to the department stores and also through coordination with companies outside the Group.

As a result of these initiatives, operating loss was improved year-on-year in the department store business.

### Credit & finance / customer organization management

Percentage of net sales: 6.5%

Net sales: ¥30.4 billion (net sales of ¥32.5 billion in the previous fiscal year)

Operating income: ¥6.0 billion (operating income of ¥4.4 billion in the previous fiscal year)

(Reference) Total net sales: ¥32.9 billion (101.2% year on year)

MICARD Co. Ltd. focused on acquiring new memberships for department store credit cards and credit cards in collaboration with companies outside the Group, as well as expanding the handling volume through promotion of credit card usage. The handling volume fell below the plan until the second quarter due to the impacts of the spread of COVID-19. From the end of September after the lifting of declaration of a state of emergency, the handling volume grew steadily. This was due to the recovery of credit card usage especially in the transportations, travels, and the restaurant domains which had continued to remain sluggish. In addition, we promoted the optimization of sales program costs and the cost reduction such as outsourcing costs.

As a result of these initiatives, operating income exceeded that of the previous fiscal year in the credit & finance business/customer organization management business.

Going forward, we will endeavor to enhance the settlement data-based sales promotion approach, the lineup of department store credit cards, and incidental services, as well as to expand the membership base through promotion of alliances with companies outside the Group based on “stronger intra-Group coordination strategy.” Furthermore, we will start the development of new businesses such as data marketing using the credit card settlement data aimed at further expansion of earnings base.

### Real estate

Percentage of net sales: 3.8%

Net sales: ¥18.0 billion (net sales of ¥28.3 billion in the previous fiscal year)

Operating income: ¥5.5 billion (operating income of ¥5.4 billion in the previous fiscal year)

(Reference) Total net sales: ¥18.0 billion (63.7% year on year)

In the real estate business, lease revenue was stable for the properties owned.

Isetan Mitsukoshi Property Design Ltd. turned profitable as a result of reduction of contracts for store remodeling within the Group as well as reduction of cost of sales. This was achieved despite the decline in completed projects for the fiscal year ended in March 31, 2022 in the construction and

design business, which is our main business. This was attributable to the impacts of construction work delays and other issues arising from the COVID-19 pandemic. Going forward, we will serve as a group company that plays a role in “stronger intra-Group coordination strategy” aiming for the expansion of earnings bases.

#### Other businesses

Percentage of net sales: 10.5%

Net sales: ¥49.5 billion (net sales of ¥63.6 billion in the previous fiscal year)

Operating income: ¥0.4 billion (operating loss of ¥0.6 billion in the previous fiscal year)

(Reference) Total net sales: ¥53.1 billion (83.4% year on year)

Isetan Mitsukoshi Business Support Ltd. saw an increase in the cargo handling and inner building delivery businesses for products, etc. in the logistic businesses within the Group thanks to the recovery of sales for the department stores. Revenue and income increased in the logistic business outside of the Group. This was achieved as a result of increase in spot operations from existing clients, the review of manufacturing costs, and implementation of proactive sales activities for the acquisition of new clients.

Mitsukoshi Isetan Nikko Travel, Ltd. saw the continuation of a severe business environment due to the spread of COVID-19. In domestic travel, tailored domestic travels were strong, centered on out-of-store customers. However, the business environment for overseas travel remained harsh, partly due to the suspension of tours due to the spread of the Omicron variant and growing tensions in Ukraine.

Century Trading Co., Ltd., which is specialized in food wholesale business, turned profitable through enhancement of group coordination based on the “stronger intra-Group coordination strategy.” and also through cost optimization based on “reforms to the income and expenditure structure.” Meanwhile, Isetan Mitsukoshi System Solutions Ltd. recorded an increase in income despite a decrease in revenue.

#### (2) Capital expenditures

Our capital expenditures during the consolidated fiscal year under review totaled some ¥27.7 billion, which consisted principally of some ¥19.0 billion for capital expenditures at Isetan Mitsukoshi Ltd.

#### (3) Financing

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

(4) Status of business transfers, absorption-type company splits, or incorporation-type company splits, etc.

As of July 1, 2021, the Company transferred all of the shares (100% of shares issued and outstanding) of SWP Holdings Inc., a consolidated subsidiary, and its subsidiary SOCIE WORLD CO., LTD., which had been operating the aesthetic business through SOCIE WORLD CO., LTD., to TBC GROUP CO., LTD.

As a result of this share transfer, SWP Holdings Inc., SOCIE WORLD CO., LTD., and TAIWAN SOCIE WORLD CO., LTD. are no longer consolidated subsidiaries of the Group.

(5) Issues that need to be addressed

In addition to social changes such as the polarization of income and consumption, the acceleration of digitalization, and heightened environmental awareness, uncertainty in social and economic activities continues due to the prolonged COVID-19 pandemic and the growing tensions in Ukraine. In addition, the Company considers natural disasters, data center operations, and overseas business development as risks that have a major impact on Group management, including matters that interfere with our business activities and the risk thereof.

Recognizing the need to establish a new business model in an uncertain and severe business environment that will continue into the future, in November 2021 we formulated a new Medium-Term Management Plan (Fiscal 2022- Fiscal 2024).

In order to realize our long-term vision “to be a ‘special’ department store-centered retail group that enriches the lives of our customers,” we will engage in the steady promotion of key strategies and the development of foundations according to a basic strategy of “expanding and dominating in high sensitivity, fine quality consumption and providing the ultimate customer experience” with the aim of revitalizing the department store business at an early stage and achieving the highest profits since the management integration in fiscal 2024.

## ■ Key Strategies

(1) High sensitivity, fine quality strategy

In order to evolve the two main stores into symbols of admiration and empathy, we have embarked on a store creation plan aimed at developing products and services, with the Isetan Shinjuku Main Store focusing on fashion, and the Mitsukoshi Nihombashi Main Store focusing on tradition, culture, and daily life.

In addition to an alliance system between out-of-store sales and out-of-store buyers, we will evolve into an organizational sales system that meets a wide range of individual customer needs by improving our proposal capabilities utilizing digital technology.

We will expand high sensitivity, fine quality consumption through collaboration among each and every Isetan Mitsukoshi Group department store.

(2) CRM strategy connecting with individual customers

We will strengthen the acquisition of app members who use credit cards other than MICARD and cash settlements, and increase the number of connected customers, as well as expand the development of measures such as point incentive measures for MICARD members, from the Tokyo metropolitan area to Isetan Mitsukoshi Group department stores throughout the country in order to increase usage.

(3) Intra-Group coordination strategy

We will engage in full-scale provision of services to companies outside the Group through each company in the Isetan Mitsukoshi Group. These companies include Isetan Mitsukoshi Property Design Ltd., whose mainline businesses are “construction business,” the “living environment business,” and the “PM\*<sup>1</sup>/CM\*<sup>2</sup> design business,” and STUDIO ALTA CO., LTD., whose mainline businesses are “advertising placement” and “event store opening support.”

■ Group Platform

(1) Digital transformation (DX)

We will work to expand online sales, centered on the “meeco” cosmetics e-commerce site and the “ISETAN DOOR” food delivery service, and stabilize the income and expenditure base. By accumulating and utilizing customer data, and integrating these data with brick-and-mortar stores, we will provide new experiences through the digitalization of customer service and sales support, etc.

(2) CRE and business model reforms

In addition to projects at the management level, we will start examining the future vision for both our main stores, and promote urban development that symbolizes “admiration and empathy” in our high sensitivity, fine quality network through the launch of an internal cross-departmental grand design project.

(3) Income and expenditure structure reform

We will evolve the science of department stores to maximize profitability and productivity. We will continuously review and redesign the business income and expenditure structure by reducing selling, general and administrative expenses through cost control, and controlling personnel by promoting multi-tasking of employees and internalization.

■ Management Platform

(1) System and data platform

We will strengthen our product proposal capabilities by utilizing the Isetan Mitsukoshi app, the Isetan Mitsukoshi remote shopping app, and 3D measurement tools in our marketing activities.

## (2) Human resource platform

In addition to maximizing human resource capabilities by promoting a “CDP<sup>\*3</sup> that is close to the individual” for all employees, and developing management personnel and highly specialized human resources in each field, we will foster an organizational culture in which all employees feel rewarded and proud to make a contribution while collaborating without being conscious of vertical divisions by strengthening engagement through the continued execution of employee satisfaction surveys.

Although we expect the business environment and management environment to remain unstable, we will reaffirm the value of “goodwill” cultivated through the department store business and our customers as a strength of the Isetan Mitsukoshi Group, and will steadily work toward the realization of our long term vision.

In addition, we are working on sustainability initiatives to contribute to the resolution of social issues through our corporate activities and to support the realization of a prosperous future and a sustainable society. We have established three points of materiality, “connecting people and local communities,” “connecting a sustainable society and the times,” and “improving the satisfaction of employees,” and, in addition to individual efforts, as a company we will clarify how to approach sustainability and what to provide and contribute to society, and will circulate this internally and externally.

We sincerely request your continued support and patronage going forward.

\*1 PM= Project Management

\*2 CM= Construction Management

\*3 CDP= Career Development Program

## 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	372,065	17,629	16,199	405,895	12,442	418,338	–	418,338
Inter-segment sales	1,867	12,868	1,873	16,608	37,128	53,737	(53,737)	–
Total	373,932	30,498	18,072	422,504	49,571	472,075	(53,737)	418,338
Segment profit (loss)	(6,339)	6,070	5,579	5,310	462	5,772	167	5,940
Segment assets	987,675	193,594	116,854	1,298,123	30,285	1,328,408	(159,834)	1,168,574
Others								
Depreciation	18,626	1,404	528	20,559	4,455	25,014	(160)	24,854
Impairment loss (Note 4)	2,328	–	–	2,328	243	2,571	–	2,571
Investment in equity method affiliates	93,906	–	–	93,906	–	93,906	–	93,906
Increase in tangible/intangible fixed assets	19,956	3,027	175	23,159	4,690	27,849	(81)	27,767

- Notes: 1. The other businesses segment includes the services of other 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 (loss) adjustment of ¥167 million is intersegment unrealized income.
  - (2) The segment assets adjustment of negative ¥159,834 million is the intersegment elimination of receivables and payables, etc.
  - (3) The adjustment of depreciation of negative ¥160 million is intersegment unrealized income.
  - (4) The increase in tangible and intangible fixed assets adjustment of negative ¥81 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, ¥1,049 million is included in “loss on closing of stores.”
5. The Company applied the Accounting Standard for Revenue Recognition and other standards from the beginning of the fiscal year under review, and changed the accounting method for revenue recognition. Accordingly, the Company also changed the method for calculating segment profit or loss for operating segments.

As a result of this change, compared with the previous method, net sales decreased by ¥487,787 million and segment loss deteriorated by ¥33 million in the department store segment, net sales decreased by ¥2,449 million and segment profit increased by ¥80 million in the credit & finance / customer organization management segment, and the impact on the real estate segment was immaterial in the reporting period. In other businesses, net sales decreased by ¥3,539 million while the impact on segment profit was immaterial.

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	114,486	23.5	113.0
	Mitsukoshi Ginza store	56,560	11.6	127.6
	Isetan Shinjuku store	253,621	52.1	122.5
	Isetan Tachikawa store	27,428	5.6	104.2
	Isetan Urawa store	35,020	7.2	117.8
	<b>Total</b>	<b>487,118</b>	<b>100.0</b>	<b>119.2</b>
Sapporo Marui Mitsukoshi Ltd.		46,546	—	106.9
Hakodate Marui Imai Ltd.		5,820	—	97.7
Sendai Mitsukoshi Ltd.		25,542	—	105.0
Niigata Isetan Mitsukoshi Ltd.		34,405	—	109.3
Shizuoka Isetan Co., Ltd.		15,434	—	106.8
Nagoya Mitsukoshi Ltd.		55,571	—	106.6
Hiroshima Mitsukoshi Ltd.		11,121	—	95.6
Takamatsu Mitsukoshi Ltd.		20,530	—	112.4
Matsuyama Mitsukoshi Ltd.		5,009	—	82.8
Iwataya Mitsukoshi Ltd.		95,993	—	113.7
West Japan Railway Isetan Ltd.		49,263	—	113.1

- (Notes) 1. The amount of sales by company and store represents total net sales prior to the application of the “Accounting Standard for Revenue Recognition” and other standards.  
2. West Japan Railway Isetan Ltd. is an equity-method affiliate of the Company.

Net sales by product of Isetan Mitsukoshi Ltd.

Product	Amount (Millions of yen)	Percentage of Total (%)	Year-on-year Comparison (%)
Apparel	151,205	31.0	118.5
Accessories	62,818	12.9	125.2
Sundry goods	118,832	24.4	129.0
Household goods	16,529	3.4	109.9
Foods	116,433	23.9	111.0
Others	21,299	4.4	112.9
<b>Total</b>	<b>487,118</b>	<b>100.0</b>	<b>119.2</b>

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

(6) Change in assets and earnings

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

Item	Fiscal term	11th Term Fiscal 2018 (From April 1, 2018 to March 31, 2019)	12th Term Fiscal 2019 (From April 1, 2019 to March 31, 2020)	13th Term Fiscal 2020 (From April 1, 2020 to March 31, 2021)	14th Term Fiscal 2020 (From April 1, 2021 to March 31, 2022) Consolidated fiscal year under review
Net sales (Million yen)		1,196,803	1,119,191	816,009	418,338
Operating income (loss) (Million yen)		29,229	15,679	(20,976)	5,940
Recurring income (loss) (Million yen)		31,995	19,771	(17,171)	9,520
Net income (loss) attributable to parent company shareholders (Million yen)		13,480	(11,187)	(41,078)	12,338
Net income (loss) per share (Yen)		34.58	(28.90)	(107.96)	32.36
Total assets (Million yen)		1,247,427	1,223,800	1,198,303	1,168,574
Net assets (Million yen)		585,715	550,161	508,275	517,660
Net assets per share (Yen)		1,475.74	1,426.61	1,317.23	1,341.41
Capital-to-asset ratio (%)		46.14	44.32	41.89	43.80

- 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 12th term, overseas consolidated subsidiaries, etc. whose financial statements comply with the International Financial Reporting Standards have applied International Financial Reporting Standards 16 “Leases.”
3. From the 14th term, “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. has been applied. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the 13th term and prior have not been reclassified according to the new presentation method.

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

Item \ Fiscal term	11th Term Fiscal 2018 (From April 1, 2018 to March 31, 2019)	12th Term Fiscal 2019 (From April 1, 2019 to March 31, 2020)	13th Term Fiscal 2020 (From April 1, 2020 to March 31, 2021)	14th Term Fiscal 2021 (From April 1, 2021 to March 31, 2022) Consolidated fiscal year under review
Operating revenues (Million yen)	14,542	18,624	23,728	22,680
Operating income (Million yen)	5,195	10,846	15,069	14,672
Recurring income (Million yen)	4,559	8,894	12,388	11,385
Net income (loss) (Million yen)	(8,697)	5,723	4,191	10,400
Net income (loss) per share (Yen)	(22.31)	14.78	11.02	27.27
Total assets (Million yen)	718,654	742,872	777,598	743,130
Net assets (Million yen)	452,583	443,836	444,913	451,308
Net assets per share (Yen)	1,155.16	1,162.61	1,163.78	1,179.95
Capital-to-asset ratio (%)	62.69	59.50	57.03	60.58

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

## (7) Status of significant subsidiaries (As of March 31, 2022)

## 1) Status of subsidiaries

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

- Notes: 1. The Company has a direct ownership in Isetan Mitsukoshi Ltd., Sapporo Marui Mitsukoshi Ltd., Hakodate Marui Imai Ltd., Sendai Mitsukoshi Ltd., Niigata Isetan Mitsukoshi Ltd., Shizuoka Isetan Co., Ltd., Nagoya Mitsukoshi Ltd., Hiroshima Mitsukoshi Ltd., Takamatsu Mitsukoshi Ltd., Matsuyama Mitsukoshi Ltd., Iwataya Mitsukoshi Ltd., and MICARD Co. Ltd., and an indirect ownership in all other companies.
2. Mitsukoshi Italia S.r.l. was closed in July 2021, and is in the liquidation process.

2) Status of affiliates accounted for by the equity method

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

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

2. MI Food Style Co. Ltd. is scheduled to become a subsidiary through the reacquisition of shares. The above ownership percentage by the Company is as of March 31, 2022.

3) Status of specific wholly-owned subsidiaries

Name	Address	Total amount of book value	Total assets of the Company
Isetan Mitsukoshi Ltd.	3-14-1, Shinjuku, Shinjuku-ku, Tokyo	¥431,763 mln.	¥743,130 mln.

(8) Principal lines of business (As of March 31, 2022)

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

## (9) Principal sales and business establishments (As of March 31, 2022)

## 1) Department store

&lt;Domestic&gt;

Company & Store Name		Location
Isetan Mitsukoshi Ltd.	Mitsukoshi Nihombashi store	1-4-1, Nihombashi Muromachi, Chuo-ku, Tokyo
	Mitsukoshi Ginza store	4-6-16, Ginza, Chuo-ku, Tokyo
	Isetan Shinjuku store	3-14-1, Shinjuku, Shinjuku-ku, Tokyo
	Isetan Tachikawa store	2-5-1, Akebono-cho, Tachikawa-shi, Tokyo
	Isetan Urawa store	1-15-1, Takasago, Urawa-ku, Saitama-shi, Saitama
Sapporo Marui Mitsukoshi Ltd.	Sapporo Marui Imai main store	2-11, Minamiichizyouinishi, Chuo-ku, Sapporo-shi, Hokkaido
	Sapporo Mitsukoshi store	3-8, Minamiichizyouinishi, Chuo-ku, Sapporo-shi, Hokkaido
Hakodate Marui Imai Ltd.		32-15, Hon-cho, Hakodate-shi, Hokkaido
Sendai Mitsukoshi Ltd.		4-8-15, Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi
Niigata Isetan Mitsukoshi Ltd.		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
Isetan of Japan Sdn. Bhd.	Kuala Lumpur, Malaysia
Mitsukoshi (U.S.A.) Inc.	Florida, U.S.A.
Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)	Taipei, Taiwan
Yanlord Isetan Commercial Co., Ltd.	Tianjin, China

2) Credit & finance / customer organization management

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

3) Real estate

Company Name	Location
Isetan Mitsukoshi Ltd.	3-14-1, Shinjuku, Shinjuku-ku, Tokyo
Isetan Mitsukoshi Property Design Ltd.	3-2-5 Nishishinjuku, Shinjuku-ku, Tokyo

(10) Employees (As of March 31, 2022)

Employees of the Company and its subsidiaries

	Number of employees	Change from the end of previous fiscal year
Department store	7,858	242 decrease
Credit & finance / customer organization management	598	31 decrease
Real estate	265	53 decrease
Other businesses	970	1,571 decrease
<b>Total</b>	<b>9,691</b>	<b>1,897 decrease</b>

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

2. Other decreases were mainly due to the exclusion of SWP Holdings Inc., SOCIE WORLD CO., LTD., and TAIWAN SOCIE WORLD CO., LTD., which were consolidated subsidiaries of the Company, from the scope of consolidated due to the transfer of their shares during the fiscal year under review.

(11) Principal lenders and borrowings (As of March 31, 2022)

Borrowing made by the Company and its subsidiaries

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

## 2. Matters related to the Company shares (As of March 31, 2022)

(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, 2022	396,736,654
Change from the end of previous fiscal year	+ 277,600

Note: The above figures include 15,199,783 treasury shares.

(3) Number of shareholders

	Number of Shareholders
At the end of the fiscal year ended March 31, 2022	291,061
Change from the end of previous fiscal year	+ 9,759

(4) Major shareholders

Name of Shareholders	Number of Shares Held	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	68,034,200	17.83
Custody Bank of Japan, Ltd. (Trust account)	24,675,500	6.47
The Mitsukoshi Health and Welfare Foundation	13,067,832	3.43
Isetan Mitsukoshi Group's partner holding companies	8,521,078	2.23
SHIMIZU CORPORATION	6,200,000	1.63
Meiji Yasuda Life Insurance Company	5,697,279	1.49
Isetan Mitsukoshi Group Employees Shareholding Association	4,756,986	1.25
MUFG Bank, Ltd.	4,541,595	1.19
JP Morgan Chase Bank 385781	4,533,416	1.19
Mitsui Sumitomo Insurance Company, Limited	3,975,805	1.04

Note: Treasury stock (15,199,783 shares) is deducted from Voting Rights Percentage.

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

Total shares delivered to Directors and other officers by position

	Number of Shares	Number of Recipients
Directors (excluding External Directors, including Executives)	34,000	3
Directors (External Directors)	7,800	6
Executives who are not Directors	15,800	2

Note: The shares above were delivered based on the company's stock compensation system.  
(Details of the system are presented on page 54)

(6) Other significant matters relating to shares

Not applicable.

### 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 Executives as of the end of the fiscal year under review

	Name of stock acquisition rights	No. of stock acquisition rights issued	No. of holders
Directors (not including External Directors)	18th Stock Acquisition Rights	117	1
	19th Stock Acquisition Rights	95	1
	20th Stock Acquisition Rights	108	1
	21st Stock Acquisition Rights	136	2
	23rd Stock Acquisition Rights	113	2
	25th Stock Acquisition Rights	107	2
	27th Stock Acquisition Rights	72	1
	29th Stock Acquisition Rights	267	2
	31st Stock Acquisition Rights	243	2
	33rd Stock Acquisition Rights	340	2
Directors (External Directors)	N/A		
Executives	N/A		

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 3. Matters concerning Directors and Auditors (As of March 31, 2022)

#### (1) Names, etc. of Directors and Executives

##### 1) Directors

Position	Name	Areas of responsibility	Representation at other companies, etc.
Director (Chairman)	Ken Akamatsu	Chairman of the Audit Committee	Director, Shin Kong Mitsukoshi Department Store Co., Ltd.
Director (President and CEO)	Toshiyuki Hosoya	Nominating Committee Member	President, Representative Director, Operating Officer, Isetan Mitsukoshi Ltd. Director, Shin Kong Mitsukoshi Department Store Co., Ltd.
Director (Executive Vice President)	Toru Takeuchi		Executive Vice President, Isetan Mitsukoshi Ltd. Director, Sapporo Marui Mitsukoshi Ltd.
Director (Outside)	Michiko Kuboyama	Chairperson of the Board of Directors, Isetan Mitsukoshi Holdings Ltd.	External Director, Sumitomo Mitsui Banking Corporation External Director, Kids Smile Holdings Inc. External Director, Kids Smile Project Inc. External Director, Meiji Holdings Co., Ltd.
Director (Outside)	Masami Iijima	Chairman of the Nominating Committee, Compensation Committee Member	Advisor, MITSUI & CO., LTD. External Director, Ricoh Company, Ltd. External Board Director, SoftBank Group Corp. Counsellor, the Bank of Japan External Director, Takeda Pharmaceutical Company Limited
Director (Outside)	Miwako Doi	Chairperson of the Compensation Committee, Nominating Committee Member	Auditor (Part-time), National Institute of Information and Communications Technology Executive Director (Part-time), Nara Institute of Science and Technology Vice President (Part-time), TOHOKU UNIVERSITY External Director, SUBARU CORPORATION External Director, NGK SPARK PLUG CO., LTD.
Director (Outside)	Takashi Oyamada	Nominating Committee Member, Compensation Committee Member	Special Advisor, MUFG Bank, Ltd. External Director, Mitsubishi Research Institute DCS Co., Ltd. External Director, Mitsubishi Electric Corporation External Director, Kyowa Kirin Co., Ltd. Vice Chair, The Japan Institute of International Affairs

Position	Name	Areas of responsibility	Representation at other companies, etc.
Director (Outside)	Hidetoshi Furukawa	Nominating Committee Member, Audit Committee Member	Special Advisor, SMBC Trust Bank Ltd. Chairman, General Incorporated Company, Kobe City Property Research Outside Director, Toagosei Co., Ltd.
Director (Outside)	Fukutaka Hashimoto	Compensation Committee Member, Audit Committee Member	Representative Partner Attorney and Director, Tokyo Hatchobori Law Office Outside Audit & Supervisory Board Member, Sompo Japan Insurance Inc. Outside Auditor, KOKUYO Co., Ltd.

## 2) Executives

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

### Notes:

- Directors Mr. Toshiyuki Hosoya and Mr. Toru Takeuchi serve concurrently as Executives.
- The Company has designated External Directors Ms. Michiko Kuboyama, Mr. Masami Iijima, Ms. Miwako Doi, Mr. Takashi Oyamada, Mr. Hidetoshi Furukawa, and Mr. Fukutaka Hashimoto as Independent Directors based on the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has notified both stock exchanges thereof.
- External Director Michiko Kuboyama's name on her family register is Michiko Iwasaki.
- Audit Committee Member Takashi Oyamada has years of experience working and management experience at a financial institution, and has considerable knowledge of finance and accounting.
- Audit Committee Member Hidetoshi Furukawa has years of experience working and management experience at a financial institution, and has considerable knowledge of finance and accounting.
- Non-executive Director Ken Akamatsu has been selected as full-time Audit Committee Member. The Company appoints a full-time Audit Committee Member to increase the effectiveness of audit activities.
- As of April 1, 2022, the Company has appointed the following Executives.

President and CEO	Toshiyuki Hosoya (CEO)
Executive Vice President	Toru Takeuchi (CMO)
Managing Operating Officer	Yoshinori Makino (CSDO, CFO and General Manager of Corporate Finance and Accounting Department)
Managing Operating Officer	Hiroki Taguchi (CAO, CRO and CHRO)

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

Of the Directors who concurrently serve as Executives, as of the same date, the positions, responsibilities, and significant posts concurrently held by Mr. Toru Takeuchi changed from Executive Vice President, Representative Director and CMO of Isetan Mitsukoshi Holdings Ltd., General Manager, MD Administration Department, and Director of Sapporo Marui Mitsukoshi

Ltd. to Executive Vice President, Representative Director and CMO of Isetan Mitsukoshi Holdings Ltd. and Executive Vice President, General Manager, Sales Headquarters, Isetan Mitsukoshi Ltd.

(2) Changes in Directors during the fiscal year

During the fiscal year, changes occurred in the positions of Directors as at the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2021.

1) New appointments

As of June 25, 2021

President and CEO	Toshiyuki Hosoya
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2) Resignation

As of June 25, 2021

Director	Toshihiko Sugie
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Director	Hidehiko Igura
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Director (Managing Operating Officer)	Shigeru Nishiyama
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Director	Toshinori Shirai
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Director (Outside)	Takeo Hirata
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(3) Outline of limited liability agreements

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

(4) Outline of directors and officers liability insurance contract

The Company has concluded a directors and officers liability insurance contract with an insurance company, as set forth in Article 430-3, Paragraph 1 of the Companies Act. The insurance covers Directors, Executives, Corporate Auditors and Operating Officers of the Company and Isetan Mitsukoshi Ltd. for litigation expenses and legal damages, should such persons be held accountable in the event of a stockholders' representative action, corporate action or third-party action. The company is fully responsible for paying all insurance premiums. The insurance contract contains exclusions related to coverage in the case of intentional actions or gross negligence by the insured parties.

(5) Total payments to Directors and Executives

Classification	Total Payments (Millions of yen)	Total Amount of Payments by Type (Millions of yen)			Number of Payees
		(Fixed Compensation) Basic Compensation	(Performance-Linked Compensation) Bonuses	(Non-monetary Compensation) Share-Based Compensation	
Directors (External Directors)	156 (89)	146 (83)	0 (0)	10 (6)	14 (7)
Executives	217	151	31	35	4

Notes:

1. The table above includes five (5) Directors who resigned at the conclusion of the 13th Ordinary General Meeting of Shareholders held on June 25, 2021.
2. Regarding compensation paid to Executives who concurrently serve as Directors, the amounts paid have been shown separated into their compensation as Directors, and compensation as Executives. They have been shown in both rows in the Number of Payees column.
3. As described on page 54, the Company introduced a performance-linked calculation method for bonuses for Operating Officers, and uses the amount of operating income that has been established as a companywide target for the Company as the evaluation index. The above bonus amount is for the period from April 2021 to March 2022, and the amount of unpaid bonus to be paid in July 2022 is stated.
4. The Company introduced restricted stock compensation, as described on page 54, in accordance with the policy set forth on page 53. Non-monetary compensation in the table above represents the expenses recorded during fiscal 2021 associated with this restricted stock compensation. The status of shares delivered during the fiscal year under review as consideration for the execution of duties is presented on page 52.

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

1) Basic principles on officer’s compensation

At a meeting of the Compensation Committee held on November 11, 2020, the Company established “Basic principles on officer’s compensation” as a policy relating to details of compensation for individual Executives, etc., an outline of which follows.

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

Based on the aforementioned “Basic principles on officers’ compensation,” the Compensation Committee, which consists solely of External Directors, determines the policy regarding compensation, and deliberates and determines the amounts of individual compensation. The Committee is continuing to consider making the executive compensation system even more functional as a sound incentive for the sustainable growth of the Company.

2) Composition of compensation

Compensation comprises three specific elements: “basic compensation” as fixed compensation, “bonuses” linked to annual performance, and “share-based compensation” as a medium- and long-term incentive. The proportions of each element within annual compensation for Executives, etc. (when the bonus target is achieved) are shown below.

	Basic Compensation	Bonuses	Share-Based Compensation
Directors (excluding Directors concurrently serving as Executives)	12 months (92%+)	None	1 month (8%-)
Executives (including Executives concurrently serving as Directors)	12 months (60%)	5 months (25%)	3 months (15%)

The amounts of compensation for individual Executives, etc. are determined by the Compensation Committee each fiscal year, after deliberation by the same Committee, based on the provisions of the Guidelines for Executive Remuneration.

3) Details of compensation

i. Fixed compensation (basic compensation)

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

ii. Performance-linked compensation, etc. (bonuses)

In the fiscal year under review, in view of the uncertain impact of the spread of COVID-19 on business performance, we have changed the process so that the evaluation results for each executive will be multiplied by the corporate performance payment rate, which is determined by the level of consolidated operating income regardless of the department for which executives are responsible in order to provide the motivation to achieve goals aimed at achieving corporate profitability and in order to clarify management responsibility at times of sluggish business performance (as a result of deliberations by the Compensation Committee, the payment rate is 0.4 when the consolidated operating income goal for the year is achieved). With this change, the system is simpler than the conventional bonus calculation formula and the corporate performance is directly reflected as management responsibility. Bonuses are not paid to Directors who do not concurrently serve as Executives.

[1] Bonus payment calculation formula

President and CEO	Base amount of bonus (5 months) x corporate performance payment rate
Other Executives	Base amount of bonus (5 months) x individual evaluation (7 grades) x corporate performance payment rate

[2] Corporate performance goal

	11th Term Fiscal 2018 (From April 1, 2018 to March 31, 2019)	12th Term Fiscal 2019 (From April 1, 2019 to March 31, 2020)	13th Term Fiscal 2020 (From April 1, 2020 to March 31, 2021)	14th Term Fiscal 2021 (From April 1, 2021 to March 31, 2022)
Consolidated operating income goal	¥29.0 billion	¥30.0 billion	-	¥3.0 billion
Consolidated operating income result	¥29.2 billion	¥15.6 billion	¥(20.9) billion	¥5.9 billion

[3] Individual evaluation

Individual evaluations of Executives shall be subject to a seven-grade evaluation (0% to 200%) at the end of the fiscal year by the President and CEO, who is the assessor, based on an assessment of the degree of achievement of the goals established through interviews with the President and CEO at the beginning of each fiscal year, and determined following consideration by the Compensation Committee.

iii. Non-monetary compensation, etc. (share-based compensation)

Since fiscal 2020, the Company has been granting common shares of the Company with transfer restrictions covering a certain period of time for the Group's officers, including Directors and Executives, and has introduced a restricted stock compensation system to align the interests of shareholders and officers in order to increase awareness of enhancing shareholder value. Although the share price-linked restricted stock compensation plan has not been applied from the fiscal year under review, we will continue to consider a stock compensation plan that functions as a sound incentive.

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

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

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

- 4) Reason why the details of individual compensation for Executives, etc. for fiscal 2021 are deemed appropriate by the Compensation Committee in view of the policy set forth in 1) above  
Levels of compensation are benchmarked against the industry as a whole (companies listed on the Prime Market), based on the Basic principles on officer's compensation in the aforementioned "3. Ensuring there is no shortfall in compensation level compared with the industry as a whole (when goals are achieved)." The Company participates in a compensation survey each fiscal year, together with numerous other listed companies, and the levels of total annual compensation have been validated by the Compensation Committee to be average on a yearly basis, provided the corporate performance-linked compensation targets are met.

In fiscal 2020, we changed the medium- to long-term incentive from the conventional remuneration-type stock options to share price-linked restricted stock compensation. The Compensation Committee considers that the continued introduction of share price-linked restricted stock compensation in the fiscal year under review shows that the basic principles below have been maintained and secured: "1. Promotion of mutual sharing of interests of shareholders and officers" and "2. Expansion of incentive effects to improve financial results and shareholder value."

The details of compensation for individual Executives, etc. have been determined by the Compensation Committee based on the "Basic principles on officer's compensation" in accordance with specific standards, and are deemed to be in accordance with the decision policy.

(7) Matters concerning External 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
Michiko Kuboyama, Director	Sumitomo Mitsui Banking Corporation, where External Director Michiko Kuboyama holds a concurrent post, is a shareholder, holding 0.31% of the Company's issued shares. The Company and the Group have a business relationship such as borrowing, etc., with Sumitomo Mitsui Banking Corporation, but the amount of these borrowings in the current business year is less than 2% of the most recent consolidated total assets of the Company. The Group has no special relationship with Kids Smile Holdings Inc., its subsidiary Kids Smile Project Inc., or Meiji Holdings Co., Ltd.

Masami Iijima, Director	<p>One subsidiary of the Company has a business relationship regarding commodities etc., with MITSUI &amp; CO., LTD., where External Director Masami Iijima holds a concurrent post, but transaction volumes in the Company's most recent business year were less than 1% of the Company's sales on a consolidated basis.</p> <p>The Group has no special relationship with Ricoh Company, Ltd., SoftBank Group Corp., the Bank of Japan, or Takeda Pharmaceutical Company Limited.</p>
Miwako Doi, Director	<p>The Group has no special relationship with National Institute of Information and Communications Technology, Nara Institute of Science and Technology, TOHOKU UNIVERSITY, SUBARU CORPORATION or NGK SPARK PLUG CO., LTD., where External Director Miwako Doi holds concurrent posts.</p>
Takashi Oyamada, Director	<p>MUFG Bank, Ltd., where External Director Takashi Oyamada holds a concurrent post, is a shareholder, holding 1.19% of the Company's issued shares. The Company and the Group have transactional relationships such as borrowings with MUFG Bank, Ltd. The amount of these borrowings in the current business year is less than 3% of the most recent consolidated total assets of the Company.</p> <p>The Group has no special relationship with Mitsubishi Research Institute DCS Co., Ltd., Mitsubishi Electric Corporation, Kyowa Kirin Co., Ltd. or The Japan Institute of International Affairs</p>
Hidetoshi Furukawa, Director	<p>The Group has no special relationship with SMBC Trust Bank Ltd., General Incorporated Company, Kobe City Property Research, or Toagosei Co., Ltd., where External Director Hidetoshi Furukawa holds concurrent posts.</p>
Fukutaka Hashimoto, Director	<p>The Group has no special relationship with Tokyo Hatchobori Law Office or KOKUYO Co., Ltd. where External Director Fukutaka Hashimoto holds concurrent posts.</p> <p>The Company has a business relationship with Sompo Japan Insurance Inc., but this is limited to general insurance coverage, and there is no special relationship that represents a conflict of interests with the Company's general shareholders.</p>

2) Major activities in the fiscal year

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

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

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

(Note) \* Mr. Fukutaka Hashimoto was elected as a member of the Compensation Committee after being reappointed as Director at the 13th Ordinary General Meeting of Shareholders held on June 25, 2021, and his attendance after election to the Compensation Committee has been shown.

As part of measures to improve the effectiveness of the Board of Directors, the Company holds extensive discussions on awareness of the Group's management challenges and their vision for the Group's future. These discussions include "regular meetings for Outside Directors," "meetings for Non-executive Directors," and regular opportunities for the exchange of opinions between Outside Directors and the President and CEO. This provides a useful opportunity to promote Outside Directors' understanding of the Company, and mutual communication between Directors.

#### 4. Matters concerning independent auditors

(1) Name of the independent auditor

Ernst & Young ShinNihon LLC

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

Classification	Amount
1) Amount of fees, etc., relating to services stipulated in Paragraph 1 of Article 2 of the Certified Public Accountants Act	¥110 Million
2) Amount of fees, etc., relating to services other than those stipulated in Paragraph 1 of Article 2 of the Certified Public Accountants Act.	¥— Million
Total	¥110 Million
3) Total monetary and other financial benefits payable by the Company and its subsidiaries	¥226 Million

Notes:

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

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

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

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

## **5. 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. Over the medium- to long-term, the Company shall aim to stably increase dividends in line with profit growth.

## **6. 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. As part of these efforts, the Company has adopted the organizational structure of a company with a nominating committee, etc., for the purpose of further advancing corporate governance.

We are also working to ensure the transparency of our corporate activities and 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 even more deeply trusted by all, the Group will continue taking a range of ongoing measures including speeding up management decision-making, strengthening management oversight mechanisms and enhancing internal control systems.

### **The Board of Directors, three statutory committees, and executive systems**

#### **(1) Responsibilities of the Board of Directors**

By means of the organizational structure of a company with a nominating committee, etc., the Company clearly delineates execution and oversight roles, and aims to strengthen the supervisory function of the Board of Directors by giving it the specific roles of determining the overall direction of the Group, and oversight and monitoring of the execution of duties.

The Board of Directors is composed of a majority of External Directors, and is also chaired by an External Director since April 2021, in order to ensure an appropriate structure for monitoring management.

## **(2) Roles of the three statutory committees**

### **1) Nominating Committee**

The Nominating Committee determines proposals for reappointment and dismissal of Directors which are to be submitted to the General Meeting of Shareholders, deliberates on personnel change proposals for members of the three statutory committees and Executives, to be decided by the Board of Directors, and deliberates on other matters such as the succession plan for the President and CEO and criteria for the dismissal of officers.

### **2) Compensation Committee**

The Compensation Committee engages deliberates on issues and policy related to officer compensation plans, including the Company's approach to incentives for officers to enhance corporate value, and determines the amount and other details of individual compensation.

### **3) Audit Committee**

The Audit Committee audits the legality and appropriateness of the execution of duties by Directors and Executives, audits the status of internal control systems, determines the details of proposals submitted to the General Meeting of Shareholders related to the appointment and dismissal of the Accounting Auditor, and performs the oversight function of the Board of Directors through audits. In addition, the Audit Committee establishes audit systems for the entire Group by coordinating with the Accounting Auditor, internal audit departments and Corporate Auditors at each Group company.

## **(3) Executive systems and organs**

- The Company's Board of Directors appoints Executives, after deliberation by the Nominating Committee. Representative Executive and Executives have the role of Chief Officers, delegated authority based on the division of duties and relationships of direction and order determined by the Board of Directors. They decide on the execution of business operations, and execute business operations.
- The Company has established a Board of Executives as a decision-making organ composed of all Executives. It makes decisions concerning important issues of business execution for the Company, and deliberates and decides on business strategy for the Group as a whole, and broad matters concerning multiple Group companies.

### **Policies for the nomination of officers**

The policies for nominating candidates for the position of Director, and basic policies and composition of the criteria for appointing Directors, etc. are described on page 20.

### **Policies for the compensation of officers**

The Company's current basic policies for and composition of the compensation of officers are as described on pages 53 through 55.

The Compensation Committee will continue to deliberate at the Nominating Committee on matters such as methods to link to performance and the ideal state of share-based compensation, so that the officer compensation system functions better as a healthy incentive towards the sustainable growth of the Company.

### **Effectiveness evaluation of the Board of Directors**

The Company continuously analyzes and evaluates the effectiveness of the Board of Directors. Based on these analyses and evaluations, we deliberate on further improvements to the effectiveness of the Board of Directors and make improvements through the formulation and execution of action plans.

The Company aims for the sustainable growth and the enhancement of the corporate value of the Group over the medium to long term through the "Roles of the Board of Directors" described on page 61. When considering the effectiveness of the Board of Directors, a process for improving effectiveness is designed under the guidance of the Chairman of the Board of Directors, who is an Outside Director, based on the fiduciary responsibility and accountability to shareholders.

#### **◆ (1) Process**

Following discussions at the Board of Directors on interim evaluations of the improvement status of issues extracted in fiscal 2021, the Board of Directors conducted "questionnaires" and "interviews" for Operating Officers as well as all Directors regarding the composition of the Board of Directors, content of deliberations, and operational aspects of support.

Next, the analysis and evaluation results were reported to, and confirmed by, the Board of Directors, issues were identified, and multiple discussions were held among External Directors, Executives, Directors and Executives, and plans (operating policy, action plan, draft for the annual agenda schedule) were formulated for the following fiscal year. In addition, the Nominating Committee, Compensation Committee, and Audit Committee similarly engaged in reflections and discussions of the issues, and formulated plans for the following fiscal year.

In a continuation from the previous fiscal year, we used a third-party agency for the purpose of providing advice and proposals from an objective perspective, including comparisons with other

companies, analyzed and evaluated questionnaires and interviews, and formulated an action plan for the following fiscal year.

◆ (2) Analysis and evaluation results

The evaluation results confirmed that the effectiveness of the Board of Directors and Nominating, Compensation, and Audit Committees is ensured as follows.

- a. The Board of Directors formulated the Medium-Term Management Plan that was announced in November 2021 after in-depth discussions based on a process of extensive direct dialogue between management and each division and the incorporation of each division's plans. Going forward, in view of the fact that the Medium-Term Plan has entered the execution phase, the opinion was expressed that it is necessary to hold timely and highly effective discussions focused on monitoring the plan.
- b. The results showed that more than a certain percentage responded with either "effective" or "generally effective" to many of the questions, and the average score for each item improved from the previous fiscal year for all items. By item, "discussion by the Board of Directors" and "support for External Directors" showed significant improvements from the previous fiscal year, and a certain degree of affirmation and satisfaction was obtained with items such as setting the annual agenda schedule and conducting on-site inspections (including online inspections). However, "management of the Board of Directors, etc." showed that there is still room for further improvement in terms of effective and efficient time allocation.
- c. The results showed that each committee is engaging in sufficient discussions based on their role of being a statutory committee. In particular, opinions were expressed that discussions by the Nominating Committee can be commended as being transparent and objective, and that discussions by the Compensation Committee regarding the ideal compensation system for strategy promotion made progress. In addition, the opinion was expressed that it is necessary for the Audit Committee to monitor and audit the detection and response status of risks associated with strategy promotion.

◆ (3) Action plan for the next fiscal year

In addition to responding to the issues that we have recognized, the action plan formulated in light of the "objectives" and "vision" at the time the Company transitioned to a company with a nominating committee, etc. in June 2020 consists of the following five points.

1. Global direction of the Group (timely and appropriate agenda setting and discussion of important themes)

2. Supervision and monitoring of business execution (establish a follow-up system for medium-term management plans, response and progress management of individual important projects, enhance business execution reports)
3. Improving the effectiveness of the Nominating, Compensation, and Audit Committees (enhance committee reports, cooperation between the Board of Directors and each committee)
4. Further improving the effectiveness of the Board of Executives (improve decision-making accuracy)
5. Continuously improving operations and support (expand opportunities for education including inspections, enhance support for External Directors, improve efficiency of secretariat management)

### **Policy on cross-shareholdings**

#### **◆(1) Policy regarding cross-shareholdings by the Company**

The basic policy of the Group is not to acquire or hold cross-shareholdings in principle, except when it is deemed to contribute to sustainable growth and enhancement of corporate value of the Group over the medium- to long-term. With regard to the cross-shareholdings the Company currently holds, every year at the Board of Directors, the Company comprehensively verifies the rationality of continued holding from quantitative and qualitative aspects including the purpose of holding, transaction status, and dividend earnings. Regardless, the Company will proceed with phased sales in consideration of factors such as the market environment and status of shares held with the aim of reducing cross-shareholdings.

#### **◆(2) Standards for exercising voting rights in relation to cross-shareholdings**

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

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

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

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

### Basic policies for internal control systems

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

#### 1. Compliance System

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

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

#### 2. Risk Management System

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

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

- (2) The Company shall establish a cross-departmental, enterprise risk management system that will swiftly initiate the establishment of a countermeasures headquarters and information management in the event that the risks materialize, aiming to prevent the spread of damages and secondary damages, as well as to prevent the recurrence of the risk events.
- (3) The Company shall establish relevant regulations from the standpoint of recognition, assessment, and response to risks, and ensure acknowledgment and observance among employees.
- (4) Through inspections by the Internal Audit Division, the Company shall detect its risks in the early stages and address these risks.
- (5) The Company shall not tolerate any relationship with antisocial groups, shall not accept any unlawful request and shall prevent damages from them.

### 3. Internal Control system for financial reporting

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

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

#### 4. Data Retention and Management System

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

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

#### 5. Framework for efficient execution of duties

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

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

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

#### 6. Framework of group corporate principles

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

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

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

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

- (2) “Regulations and other systems concerning the management of risks of loss to subsidiaries of the Company” (Article 112, Paragraph 2, Item 5 (b) of the Regulation for Enforcement of the Companies Act)

- (1) Regarding risk management for the Group, requisite items shall be established in the “Basic Regulations on Risk Management” and an independent division dedicated for risk management shall be established in the Company. Said division shall work with companies in the Group as it promotes risk management.

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

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

#### 7. Matters concerning Audit Committee staff

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

- (1) The Company shall establish a dedicated organization that assists the Audit Committee with their duties and appoint the staff (hereinafter referred to as “Audit Committee staff”). The Audit Committee may give instructions to the staff regarding items necessary for auditing duties.
- (2) Audit Committee staff shall provide reports on the items requested by the Audit Committee and have authority to collect information required for such reporting.

- (3) Audit Committee staff shall be independent of executive operational systems and carry out their duties as dedicated resources under the instruction of the Audit Committee. Personnel changes, evaluation, discipline, and other such treatment pertaining to the staff shall require the consent of the Audit Committee.
- (4) To enhance the audit system of the entire Group, the Company shall dispatch Audit Committee staff to the Group companies as part-time Corporate Auditors.

#### 8. Framework for reporting to the Audit Committee

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

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

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

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

#### 9. Policy for Processing Auditing Fees

“Items related to policies concerning the procedure for advance payment or reimbursement of expenses resulting from the execution of duties by the Company’s Audit Committee Members or

policies involved in any other processing of expenses or obligations resulting from the exercise of applicable duties” (Article 112, Paragraph 1, Item 6 of the Regulation for Enforcement of the Companies Act)

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

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

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

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

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

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

### ◆ Status of measures regarding compliance

- During the fiscal year under review, 12 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, etc.
- The Internal Audit Division 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 an outside specialty company, a dedicated internal department, and an outside attorney office to receive reports.
- In addition, when making a renewed effort to promote fair trade, the Group stipulates the prohibition of unfair trade in the Basic Policy on Fair Trade. We strive to reinforce fair trade by holding the Compliance Promotion Subcommittee for all Group companies and providing a session by an outside lecturer on the current status of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, as well as the Act against Delay in Payment of Subcontract Proceeds, etc.

### ◆ Status of measures regarding risk management

- The “Compliance and Risk Management Promotion Committee” meets twice per year, with the President and CEO serving as chair, shares information about establishment of its risk management promotion system, identification of significant risks, plans to respond to such risks, etc., making efforts to realize comprehensive risk management across the Group.
- The Company has formulated a “Business Continuity Plan” that supposes a large-scale natural disaster or pandemic. Partial amendments and drills are conducted to increase the effectiveness of the plan.

- In response to COVID-19, the “COVID-19 Task Force,” headed by the President and CEO, meets regularly to make important decisions on measures, such as preventing the spread of the infection. Thus, the Company works to continue business while protecting the health and safety of our customers and employees.

◆ 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 officers at Group companies, training sessions are periodically implemented to deepen the understanding of important matters on the Companies Act from the perspective of governance, compliance, and risk management.

◆ Status regarding business execution by the Audit Committee

- The Audit Committee develops audit policies and audit plans, receives reports from Executives, risk management departments, internal audit departments, and the Accounting Auditor, and audits how Executives perform duties and the internal control is organized and operated. The Committee adequately works with the internal audit departments and the Accounting Auditor including exchange of information on audit results to improve the quality of auditing.
- The Audit Committee regularly exchanges opinions with the President to share issues to be addressed. The Full-time Audit Committee Members participate in important internal meetings such as the meetings of the Board of Executives to understand the processes of making important decisions.
- The Company has set up the Audit Committee Administration Department as the organization that assists the Audit Committee with its duties, under the Office of Board of Directors that was newly established, and appointed dedicated staff. Also, part-time Corporate Auditors were dispatched from the Audit Committee Administration Department to Group companies in Japan to enhance the audit system of the Group.

## **Consolidated Balance Sheet**

(As of March 31, 2022)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>	<b>1,168,574</b>	<b>Liabilities</b>	<b>650,914</b>
<b>Current assets</b>	<b>247,757</b>	<b>Current liabilities</b>	<b>359,838</b>
Cash and deposits	81,194	Notes and accounts payable	87,102
Notes and accounts receivable, and contract assets	120,924	Current portion of bonds payable	10,000
Marketable securities	768	Short-term borrowings	13,145
Inventories	25,405	Commercial paper	40,000
Other	23,703	Income taxes payable	1,637
Allowance for doubtful accounts	(4,239)	Contract liabilities	99,067
<b>Fixed assets</b>	<b>920,741</b>	Gift certificates	24,369
<b>Tangible fixed assets</b>	<b>708,010</b>	Accrued bonuses	7,019
Buildings and structures	155,908	Allowance for customer-discount points	2,131
Land	527,432	Allowance for redemption of gift certificates	16,064
Construction in progress	6,975	Other	59,298
Right-of-use assets	1,725	<b>Long-term liabilities</b>	<b>291,075</b>
Other	15,968	Corporate bonds	30,000
<b>Intangible fixed assets</b>	<b>40,765</b>	Long-term debt	82,000
Software	17,343	Deferred tax liabilities	126,921
Other	23,422	Net defined benefit liability	32,827
<b>Investments and other assets</b>	<b>171,965</b>	Provision for loss on business of subsidiaries and affiliates	18
Investment securities	120,413	Liabilities from application of equity method	3,466
Long-term loans receivable	129	Other	15,843
Guarantee deposits	40,615	<b>Net assets</b>	<b>517,660</b>
Net defined benefit asset	3,553	<b>Shareholders' equity</b>	<b>491,168</b>
Deferred tax assets	3,475	<b>Common stock</b>	<b>51,162</b>
Other	3,956	<b>Capital surplus</b>	<b>323,812</b>
Allowance for doubtful accounts	(179)	<b>Retained earnings</b>	<b>134,558</b>
<b>Deferred assets</b>	<b>75</b>	<b>Treasury stock</b>	<b>(18,364)</b>
Corporate bond issuance cost	75	<b>Accumulated other comprehensive income</b>	<b>20,627</b>
		<b>Unrealized gain on other securities</b>	<b>5,450</b>
		<b>Deferred gains/losses on hedge</b>	<b>43</b>
		<b>Foreign currency translation adjustments</b>	<b>15,501</b>
		<b>Remeasurements of defined benefit plans</b>	<b>(367)</b>
		<b>Stock acquisition rights</b>	<b>1,115</b>
		<b>Non-controlling interests</b>	<b>4,748</b>
<b>Total assets</b>	<b>1,168,574</b>	<b>Total liabilities, net assets and non-controlling interests</b>	<b>1,168,574</b>

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

**Consolidated Statement of Income**  
(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account item	Amount	
Net sales		418,338
Cost of sales		174,653
Gross profit		243,685
Selling, general and administrative expenses		237,745
Operating income		5,940
Nonoperating income		
Interest and dividend income	828	
Share of profit of entities accounted for using equity method	2,326	
Gain on donation of fixed assets	1,864	
Gain on investments in silent partnerships	1,047	
Other	2,302	8,370
Nonoperating expenses		
Interest expenses	849	
Loss on retirement of fixed assets	1,605	
Transfer from allowance for loss on collected gift certificates	215	
Other	2,119	4,789
Recurring income		9,520
Extraordinary gain		
Gain on sale of non-current assets	4,920	
Gain on sale of investment securities	218	
Gain on sale of stocks of subsidiaries and affiliates	2,240	
Subsidies for employment adjustment, etc.	1,051	8,431
Extraordinary loss		
Loss on disposal of fixed assets	664	
Impairment loss	1,522	
Loss on closing of stores	1,343	
Business structure improvement expenses	177	
Losses due to COVID-19	3,126	6,834
Income before income taxes		11,117
Corporate taxes	1,187	
Deferred taxes	(2,158)	(970)
Net income		12,088
Loss attributable to non-controlling interests		(250)
Net income attributable to parent company shareholders		12,338

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

**Summary of Consolidated Statement of Cash Flow** [For Reference]

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account item	Amount
Cash flow from operating activities	37,914
Cash flow from investment activities	(17,371)
Cash flow from financing activities	(39,927)
Translation adjustments related to cash and cash equivalents	1,059
Changes in cash and cash equivalents	(18,324)
Beginning balance of cash and cash equivalents	102,797
Ending balance of cash and cash equivalents	84,472

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

## Consolidated Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account item	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of April 1, 2021</b>	<b>50,995</b>	<b>323,755</b>	<b>138,865</b>	<b>(18,654)</b>	<b>494,962</b>
Cumulative effects of changes in accounting policies	–	–	(12,451)	–	(12,451)
<b>Restated balance</b>	<b>50,995</b>	<b>323,755</b>	<b>126,413</b>	<b>(18,654)</b>	<b>482,510</b>
<b>Changes during current period</b>					
Issuance of new shares	166	166	–	–	332
Dividends from surplus	–	–	(4,193)	–	(4,193)
Net income attributable to parent company shareholders	–	–	12,338	–	12,338
Acquisition of treasury stock	–	–	–	(5)	(5)
Disposal of treasury stock	–	(102)	–	296	193
Change in ownership interest of parent due to transactions with non-controlling interests	–	(7)	–	–	(7)
Net changes other than shareholders' equity during current period	–	–	–	–	–
<b>Total change during current period</b>	<b>166</b>	<b>56</b>	<b>8,145</b>	<b>290</b>	<b>8,657</b>
<b>Balance as of March 31, 2022</b>	<b>51,162</b>	<b>323,812</b>	<b>134,558</b>	<b>(18,364)</b>	<b>491,168</b>

(Millions of yen)

Account item	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gains on other securities	Deferred gains/losses on hedge	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
<b>Balance as of April 1, 2021</b>	<b>3,240</b>	<b>46</b>	<b>4,923</b>	<b>(1,236)</b>	<b>6,973</b>	<b>1,447</b>	<b>4,891</b>	<b>508,275</b>
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	(12,451)
<b>Restated balance</b>	<b>3,240</b>	<b>46</b>	<b>4,923</b>	<b>(1,236)</b>	<b>6,973</b>	<b>1,447</b>	<b>4,891</b>	<b>495,823</b>
<b>Changes during current period</b>								
Issuance of new shares	–	–	–	–	–	–	–	332
Dividends from surplus	–	–	–	–	–	–	–	(4,193)
Net income attributable to parent company shareholders	–	–	–	–	–	–	–	12,338
Acquisition of treasury stock	–	–	–	–	–	–	–	(5)
Disposal of treasury stock	–	–	–	–	–	–	–	193
Change in ownership interest of parent due to transactions with non-controlling interests	–	–	–	–	–	–	–	(7)
Net changes other than shareholders' equity during current period	2,209	(3)	10,577	869	13,653	(332)	(142)	13,179
<b>Total changes during current period</b>	<b>2,209</b>	<b>(3)</b>	<b>10,577</b>	<b>869</b>	<b>13,653</b>	<b>(332)</b>	<b>(142)</b>	<b>21,836</b>
<b>Balance as of March 31, 2022</b>	<b>5,450</b>	<b>43</b>	<b>15,501</b>	<b>(367)</b>	<b>20,627</b>	<b>1,115</b>	<b>4,748</b>	<b>517,660</b>

Note: Amounts less than one million yen have been omitted

## Notes to Consolidated Financial Statements

[Basis for Preparation of Consolidated Statutory Reports]

### 1. Scope of consolidation

(1) Number of consolidated subsidiaries: 35

(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 of Japan Sdn. Bhd., Mitsukoshi (U.S.A.) Inc., MICARD Co. Ltd.

In the fiscal year under review, as the Company has transferred shares of SWP Holdings Inc, SOCIE WORLD CO., LTD and TAIWAN SOCIE WORLD CO., LTD., and excluded the companies from the scope of consolidation.

(3) Name of principal nonconsolidated subsidiaries

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

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

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

### 2. Application of equity method

(1) Number of affiliates accounted for by the equity method: 8

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

In the fiscal year under review, the Company excluded Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd. from the application of the equity method due to the partial transfer of its shares held by the Company.

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

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

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

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

3. Closing date of consolidated subsidiaries

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

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

4. Accounting policies

(1) Standards and methods for evaluation of significant assets

Securities

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

Inventories

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

(2) Depreciation methods for significant depreciable assets

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

Basically the straight-line method

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

Straight-line method

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

Lease assets

Lease assets relating to finance lease without transfer of ownership

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

Right-of-use assets

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

(3) Accounting standards for significant allowances and accruals

Allowance for doubtful accounts

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

Accrued bonuses

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

Allowance for customer-discount points

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

Allowance for redemption of gift certificates

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

Provision for loss on business of subsidiaries and affiliates

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

(4) Accounting policies for significant revenue and expenses

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

Step 1: Identify the contract with customers

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

Step 3: Determine the transaction price.

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

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

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

(Department store)

(1) Revenue recognition for sale of merchandise

In the department store business, the Company sells clothing, sundries, household goods, and food products, and recognizes revenue from the sale of such merchandise at the time the products are delivered. Of sales of merchandise, revenue on consignment buying is recognized at the net amount of the gross consideration received from the customer less the amount paid to the consignor.

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

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

(3) Revenue recognition for gift certificates

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

(Credit & finance/customer organization management)

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

(Real estate)

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

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

1) Accounting for deferred assets

Bond issue costs

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

2) Significant methods of hedge accounting

Method of hedge accounting

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

Means of hedging and hedged items

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

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

Hedging policy

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

Assessment of hedge effectiveness

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

3) Accounting for employees’ retirement benefits

Method for attributing the estimated employees’ retirement benefits to periods

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

Amortization of actuarial difference and prior service costs

Prior service costs are recognized on an accrual basis by the straight-line method over various periods (mainly 8 to 11 years) that are not more than the average remaining service period of employees at the time of the accrual.

The actuarial differences that resulted are mainly recognized in the following fiscal year by the straight-line method over various periods (8 to 11 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference.

4) Adoption of the consolidated taxation system

The Group has adopted the consolidated taxation system from the fiscal year under review.

For the transition to a group tax sharing system established under the Act to Partially Amend the Income Tax Act (Act No. 8 of 2020) and items in the non-consolidated taxation system revised pursuant to the transition to a group tax sharing system, the Company and its domestic consolidated subsidiaries have not applied the provisions in Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), in accordance with the treatment prescribed in Paragraph 3 of “Practical Solution

on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment.

[Notes on Changes in Accounting Policies]

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Group adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, “Accounting Standard for Revenue Recognition”), etc. from the beginning of the fiscal year ended March 31, 2022. Under the accounting standard, revenue is recognized when control over promised goods or services is transferred to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The main changes due to the adoption of the Accounting Standard for Revenue Recognition, etc. are as follows.

(1) Revenue recognition for agent transactions

Revenue related to consignment buying was previously recognized in the gross amount of consideration received from customers, but as a result of determining whether the Group was a principal or an agent in providing those goods or services to customers, the Group changed the method of revenue recognition to recognize revenue in the net amount, obtained by subtracting the amount paid to suppliers from the gross amount. Such revenue is recorded in net sales.

(2) Revenue recognition for the Company’s point program

The Group offers a customer loyalty program through MICARD, which awards points to members according to their spending amounts and provides goods or services based on the number of points redeemed. Previously, to cover the redemption of points awarded, the amount equivalent to the number of points expected to be redeemed in the future was recorded as allowance for point cards, and allowance for point cards was recorded under selling, general and administrative expenses. However, the accounting method was changed to identify points awarded as performance obligations and allocate the transaction price based on the stand-alone selling price calculated in consideration of estimated future expiration and other factors.

(3) Revenue recognition for gift vouchers

Revenue from unused gift vouchers issued by the Company was previously recorded in non-operating income after a certain period of time, and reserve for loss from redemption of gift vouchers was recorded to cover the redemption of vouchers unused. However, the accounting method was changed to recognizing revenue in net sales when the customers become highly unlikely to exercise the right.

In adopting the Accounting Standard for Revenue Recognition, etc. the Group followed the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy to periods before the beginning of the fiscal year ended March 31, 2022 was added to or deducted from retained earnings at the beginning of the fiscal year ended March 31, 2022, and the new accounting policy was applied with effect from the opening balance of retained earnings.

As a result, in the fiscal year under review, net sales, cost of sales, and selling, general and administrative expenses decreased by 493,775 million yen, 477,960 million yen, and 15,929 million yen, respectively, and operating income, recurring income, and income before income taxes increased by 114 million yen, 155 million yen, and 155 million yen, respectively. In addition, the balance of retained earnings at the beginning of the fiscal year decreased by 12,451 million yen.

As a result of the adoption of the Accounting Standard for Revenue Recognition, etc., “notes and accounts receivable - trade” reported under “current assets” in the consolidated balance sheets for the previous fiscal year, is included in “notes and accounts receivable - trade, and contract assets” effective from the fiscal year ended March 31, 2022.

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

Effective from the beginning of the fiscal year ended March 31, 2022, the Group adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, “Accounting Standard for Fair Value Measurement”), etc. Under the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Group decided to adopt the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. prospectively. There is no impact on the consolidated financial statements for the fiscal year ended March 31, 2022.

[Changes in Presentation]

(Consolidated Statement of Income)

The Company included “Gain on investments in silent partnership” in “Other” under non-operating income in the previous fiscal year. Due to an increase in materiality of the amount of the account, “Gain on investments in silent partnership” has been separately presented from the fiscal year under review.

[Notes on Accounting Estimates]

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

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

Impairment loss: 1,501 million yen      Fixed assets: 608,655 million yen

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

1) Calculation method

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

If a recoverable amount is its value in use, the Group makes the best estimate of undiscounted future cash flows based on the Medium-term Management Plan, even under the current economic climate with high uncertainty of the future.

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

## 2) Key assumptions

Key assumptions used to calculate undiscounted future cash flows include the sales growth rate based on the prospect for consumer spending trends in Japan, the outlook for recovery in demand from inbound visitors, the impact of COVID-19, and sales growth that reflects the Medium-term Management Plan.

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

About the outlook for recovery in demand from inbound visitors, based on international transportation forecasts from outside organizations, the Group assumes that such demand will recover within the range of their recovery forecasts.

For the impact of COVID-19, it is difficult to predict how COVID-19 will spread and when it will be contained accurately. Given that, at present, the Company assumes that COVID-19 will impact its business performance until fiscal year 2024.

The sales growth rate after the period covered by the Medium-term Management Plan is determined based on the economic climate surrounding department store operators, store-specific events, and the uncertainty of the future.

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

The Group assesses that key assumptions used to calculate undiscounted future cash flows are deemed the best estimates based on available data, including external information. However, the future is highly uncertain, and it is difficult to predict the impact of COVID-19 accurately. Given this situation, if these assumptions need to be reviewed due to the prolonged effect of COVID-19, the sale growth rate that deviates from the estimate, or other factors, estimates of undiscounted future cash flows may be affected. Consequently, an impairment loss may incur in the next fiscal year.

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

## 2. Recoverability of a deferred tax asset

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

Deferred tax assets (before offsetting deferred tax liabilities): 22,868 million yen

The amount is recorded mainly by companies and consolidated subsidiaries in Japan that apply the consolidated taxation system (hereinafter collectively, the “consolidated taxation companies”).

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

#### 1) Calculation method

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

Estimates of future taxable profits for consolidated taxation companies are based on the Medium-term Management Plan and budget for the following fiscal year, and incorporate certain assumptions about the timing of when COVID-19 will be contained and other factors,

making the best estimates even in the current economic environment of high future uncertainty.

## 2) Key assumptions

Key assumptions used to project future taxable profits of the consolidated taxation companies include the sales growth rate based on the prospect for consumer spending trends in Japan, the outlook for recovery in demand from inbound visitors, and the impact of COVID-19.

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

About the outlook for recovery in demand from inbound visitors, based on international transportation forecasts from outside organizations, the Group assumes that such demand will recover within the range of their recovery forecasts.

For the impact of COVID-19, it is difficult to predict how COVID-19 will spread and when it will be contained accurately. Given that, at present, the Group assumes that COVID-19 will impact its business performance until fiscal 2024.

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

For the projection of future taxable profits from consolidated taxation companies, considering the current economic climate with high uncertainty, the Group uses available data, including external information, and makes elastic estimates over the estimation period of three years to handle uncertainty of the future. If the impact of COVID-19 extends longer, or if sales growth rates diverge due to changes in consumer behavior, the assumptions may require a revision. In such case the Group may need to write down a deferred tax asset in the following fiscal year. On the other hand, if the uncertainty of the future is reduced due to factors such as earlier recovery from the impact of COVID-19, the Group may recognize an additional deferred tax asset in the following fiscal year.

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets 355,315 million yen

2. Contingent liability

Guarantee liabilities

Loan guarantees for housing loans of employees 33 million yen

Debt guarantees for bank loans of subsidiaries and affiliates

West Japan Railway Isetan Ltd. (Note) 6,734 million yen

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Total of guarantee liabilities 6,767 million yen

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

3. Details of inventories

Finished goods 24,588 million yen

Semifinished goods 7 million yen

Work in process 345 million yen

Raw materials and supplies 464 million yen

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Total 25,405 million yen

[Notes to Consolidated Statement of Income]

1. Impairment losses

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

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

Usage	Item	Impairment losses (Million yen)	Location
Store	Buildings and structures	679	Small and middle size stores (Chuo-ku, Tokyo and other)
	Guarantee deposits	247	
	Other	58	
Store	Buildings and structures	370	Chengdu Isetan store (China)
	Other	58	
Store	Buildings and structures	199	Fukuoka Mitsukoshi store (Fukuoka-shi, Fukuoka)
	Other	33	
Store	Buildings and structures	31	Isetan Singapore (Singapore)
	Right-of-use assets	138	
	Other	37	
Store	Buildings and structures	147	Isetan Tachikawa store (Tachikawa-shi, Tokyo)
	Other	34	
Store	Buildings and structures	123	Kuala Lumpur Isetan (Malaysia)
	Other	49	
Store	Buildings and structures	97	Nagoya Mitsukoshi Hoshigaoka Store (Nagoya-shi, Aichi) and other
	Other	18	
Other	Buildings and structures	2	Alternative Theater (Chuo-ku, Tokyo) and other
	Software	119	
	Guarantee deposits	120	
	Other	1	
	Total	2,571	

(Note) Of impairment losses recorded in the consolidated income statement, 1,049 million yen is included in “loss on closing of stores.”

(2) Circumstances leading to recognition of impairment losses

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

(3) Methods of asset grouping

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

(4) Method of calculating recoverable amounts

Recoverable amounts for asset groups are estimated based on their net realizable value or use value. If recoverable amounts are based on their net realizable value, estimates for asset groups with a high level of significance are conducted using valuation amounts issued by a real estate appraiser in accordance with the Real Estate Appraisal Standards of Japan. Additionally, if the recoverable amount is the use value, calculations are made by discounting the future cash flows by approximately 8 to 11%.

2. Business structure improvement expenses

These expenses were primarily ones associated with the implementation of the Next Career Plan at Iwataya Mitsukoshi Ltd.

3. Losses due to COVID-19

These expenses were primarily fixed costs (personnel expenses, lease payments, depreciation, etc.) incurred due to the temporary closure of the Group's stores to prevent the spread of COVID-19 in light of the declaration of the state of emergency.

[Notes to Consolidated Statement of Changes in Net Assets]

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

Common stock 396,736,654 shares

2. Matters concerning dividends of surplus

(1) Amount of dividend payment

Resolution	Types of stock	Total dividends (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders June 25, 2021	Common stock	2,286	6.00	March 31, 2021	June 28, 2021
Board of Directors' Meeting November 10, 2021	Common stock	1,907	5.00	September 30, 2021	December 6, 2021

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

The following items regarding dividends on common stock are being proposed as a proposal for the Ordinary General Meeting of Shareholders scheduled for June 27, 2022.

Resolution	Types of stock	Resource for dividend	Total dividends (Millions of yen)	Dividend per share (Yen)	Base date	Effective date
Ordinary General Meeting of Shareholders June 27, 2022	Common stock	Retained earnings	1,907	5.00	March 31, 2022	June 28, 2022

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

Common stock 975,500 shares

[Notes to Financial Instruments]

1. Status of financial instruments

(1) Policy on handling of financial instruments

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

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

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

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

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

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

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

2. Market value, etc. of financial instruments

Amounts posted on the consolidated balance sheet as of March 31, 2022, market values, and the corresponding differences between the two are as follows.

(Millions of yen)

Items	Amounts posted on the consolidated balance sheet	Market values	Differences
(1) Marketable securities and investment securities			
a. Bonds held to maturity	2,505	2,586	81
b. Available-for-sale securities	20,798	20,798	–
(2) Guarantee deposits	40,615	39,544	(1,071)
Total assets	63,919	62,929	(990)
(1) Corporate bonds	40,000	39,952	(48)
(2) Long-term debt	87,800	86,932	(867)
Total liabilities	127,800	126,884	(915)
Derivative transactions	0	0	–

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

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

(Note 3) The above table excludes securities without market prices, etc. The amount of such financial instruments in the consolidated balance sheet is 97,547 million yen.

(Note 4) The above table excludes the fair value of investment in limited partnerships and similar associations that is recorded at the net amount equivalent to equity in the consolidated balance sheets. The amount of investment in limited partnerships in the consolidated balance sheet is 330 million yen.

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

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

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

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

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

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

(1) Financial instruments measured at fair value

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Other securities				
Stock	20,798	–	–	20,798
Derivative transactions	–	0	–	0
Total assets	20,798	0	–	20,798

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

Category	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Marketable securities and investment securities				
Bonds held to maturity	–	2,586	–	2,586
Guarantee deposits	–	–	39,544	39,544
Total assets	–	2,586	39,544	42,130
Corporate bonds	–	39,952	–	39,952
Long-term debt	–	86,932	–	86,932
Total liabilities	–	126,884	–	126,884

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

Marketable securities and investment securities

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

Derivative transactions

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

Corporate bonds

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

Guarantee deposits

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

### Long-term debt

Fair value of long-term debt is calculated by discounting the total amount of principal and interest by an interest rate that reasonably applies to a similar new loan. Interest rate swaps are calculated by the discounted cash flow method using observable inputs such as market interest rates. The Company classifies fair value of long-term debt as Level 2 because long-term debt, the hedged item for interest rate swaps that meet the requirements for exceptional accounting, is accounted for as an integral part of the interest rate swaps.

#### [Notes to Lease Properties and Other Real Estate]

1. Status of lease properties and other real estate

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

2. Market value of lease properties and other real estate

(Millions of yen)

	Amounts posted on the consolidated balance sheet	Market value as of the end of the fiscal year under review
Lease properties and other real estate	116,831	186,480

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

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

[Notes to Revenue Recognition]

1. Disaggregation of revenue from contracts with customers

The fiscal year under review (April 1, 2021 to March 31, 2022)

(Millions of yen)

		Reporting segment				Other	Total
		Department store	Credit & finance /customer organization management	Real estate	Subtotal		
Isetan Mitsukoshi Ltd.	Isetan Shinjuku Main store	114,672	–	–	114,672	–	114,672
	Mitsukoshi Nihombashi Main store	51,461	–	–	51,461	–	51,461
	Mitsukoshi Ginza store	21,378	–	–	21,378	–	21,378
	Isetan Urawa store	11,449	–	–	11,449	–	11,449
	Isetan Tachikawa store	11,010	–	–	11,010	–	11,010
Iwataya Mitsukoshi Ltd.	Iwataya Main store	23,875	–	–	23,875	–	23,875
Nagoya Mitsukoshi Ltd.	Sakae store	15,586	–	–	15,586	–	15,586
Niigata Isetan Mitsukoshi Ltd.	Niigata Isetan store	15,094	–	–	15,094	–	15,094
Other stores		97,772	–	–	97,772	–	97,772
Credit & finance /customer organization management		–	27,389	–	27,389	–	27,389
Real estate		–	–	9,902	9,902	–	9,902
Other		–	–	–	–	48,968	48,968
Revenue from contracts with customers		362,300	27,389	9,902	399,592	48,968	448,561
Revenue from other sources		11,632	3,109	8,170	22,911	602	23,514
Intersegment sales or transfers		(1,867)	(12,868)	(1,873)	(16,608)	(37,128)	(53,737)
Sales to outside customers		372,065	17,629	16,199	405,895	12,442	418,338

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

2. Useful information in understanding revenue from contracts with customers

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

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

(1) Contract balances

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

(Millions of yen)

	Balance as of April 1, 2021	Balance as of March 31, 2022
Receivables from contracts with customers	116,038	120,324
Contract assets	377	600
Contract liabilities	103,383	99,067

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

(2) Transaction price allocated to remaining performance obligations

As of March 31, 2022, the Company has allocated the total transaction price of 83,342 million yen to remaining performance obligations related to gift certificates, and expects to recognize revenue from the remaining performance obligations mainly over the next one to seven years as the gift certificates are used. The Company also has allocated the total transaction price of 5,508 million yen to remaining performance obligations related to points awarded to customers, and expects to recognize revenue from the remaining performance obligations over the next one to two years as the points are actually used.

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

[Notes to Per-share Information]

1. Net assets per share	1,341.41 yen
2. Net income per share	32.36 yen

[Notes to Significant Subsequent Events]

(Business combination by acquisition of shares)

The Company resolved at the meeting of the Board of Executives held on April 26, 2022 to reacquire shares in IM Food Style Ltd. (hereinafter, “IMFS”), an equity method affiliate of the Company, making it a subsidiary of the Company, and entered into an agreement for the transfer of shares on the same date.

1. Overview of business combination

(1) Name and business of acquired company

Name: M Food Style Ltd.

Business: Supermarket, retail, specialty shops business, foods production, and wholesaling

(2) Primary reason for business combination

In April 2018, we transferred a portion of our shares in IMFS to a fund managed and operated by Marunouchi Capital Inc. (hereinafter, “Marunouchi Capital”), which has a track record of implementing reforms in the supermarket business field. Since then, we have been working on a business revitalization plan by leveraging Marunouchi Capital’s management improvement methods as well as its knowledge and expertise in the high-quality food retail industry.

Now that the business revitalization plan has been implemented successfully to a certain extent, we have decided to reacquire shares in IMFS from Marunouchi Capital.

One of the key strategies in the Group’s medium-term management plan is the “high sensitivity, fine quality” strategy.

We believe that IMFS’ store network will contribute to the establishment of high sensitivity, fine quality “base network” under the strategy, and we have begun to consider every option, including the selection of optimal business partners, for IMFS to further develop and leap forward.

(3) Date of business combination

June 10, 2022 (planned)

(4) Legal form of business combination

Acquisition of shares in which cash is provided as a consideration

(5) Company name after business combination

No change

(6) Percentage of voting rights acquired

Percentage of voting rights held before the business combination	34%
Percentage of voting rights acquired on the date of business combination	66% (planned)
Percentage of voting rights after the acquisition	100% (planned)

(7) Primary basis for determining the acquiring company

To acquire a majority of voting rights of the acquired company through the acquisition of shares with cash as a consideration

2. Acquisition cost and components of consideration transferred

This information is not disclosed in view of the confidentiality obligation set forth in the transfer agreement with the counterparty.

3. Difference between the acquisition cost of the acquired company and the total amount of the consideration transferred for the acquisition

Gain on step acquisitions:      Approximately 3,900 million yen (planned)

4. Amount of goodwill recognized, reason thereof, method and period of amortization

Not finalized yet.

5. Amounts of assets acquired and liabilities assumed as of the acquisition date and major components thereof

Not finalized yet.

INDEPENDENT AUDITOR'S REPORT

May 13, 2022

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young  
ShinNihon LLC  
Tokyo Office

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

Opinion

Pursuant to Article 444, Paragraph 4 of the Corporation Law, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Isetan Mitsukoshi Holdings Ltd. (the "Company") for the fiscal year from April 1, 2021 through March 31, 2022.

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

Basis for the Opinion

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

Other Information

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

#### Interest

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

## Nonconsolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

Account item	Amount	Account item	Amount
<b>Assets</b>	<b>743,130</b>	<b>Liabilities</b>	<b>291,822</b>
<b>Current assets</b>	<b>181,366</b>	<b>Current liabilities</b>	<b>172,035</b>
Cash and deposits	63,217	Current portion of bonds payable	10,000
Short-term loans receivable from subsidiaries and affiliates	114,978	Short-term borrowings	10,500
Corporate tax refund receivable, etc.	4,654	Short-term borrowings payable to subsidiaries and affiliates	107,937
Accrued income	7,806	Commercial paper	40,000
Other	2,299	Accounts payable	1,683
Allowance for doubtful accounts	(11,590)	Accrued expenses	1,432
<b>Fixed assets</b>	<b>561,688</b>	Accrued bonuses	56
<b>Tangible fixed assets</b>	<b>4</b>	Income taxes payable	263
Appliance and fixtures	4	Other	160
<b>Intangible fixed assets</b>	<b>2</b>	<b>Fixed Liabilities</b>	<b>119,787</b>
Software	2	Corporate bonds	30,000
<b>Investments and other assets</b>	<b>561,682</b>	Long-term debt	82,000
Investment securities	1,247	Provision for loss on business of subsidiaries and affiliates	4,321
Stocks of subsidiaries and affiliates	448,051	Provision for loss on guarantees	3,466
Long-term loans receivable from subsidiaries and affiliates	112,000	<b>Net assets</b>	<b>451,308</b>
Deferred tax assets	379	<b>Shareholders' equity</b>	<b>450,192</b>
Other	3	<b>Common stock</b>	<b>51,162</b>
<b>Deferred assets</b>	<b>75</b>	<b>Capital surplus</b>	<b>397,724</b>
Corporate bond issuance cost	75	Capital reserve	19,510
		Other capital surplus	378,214
		<b>Retained earnings</b>	<b>19,673</b>
		Other retained earnings	19,673
		Retained earnings carried forward	19,673
		<b>Treasury stock</b>	<b>(18,367)</b>
		<b>Stock acquisition rights</b>	<b>1,115</b>
<b>Total</b>	<b>743,130</b>	<b>Total</b>	<b>743,130</b>

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

## **Nonconsolidated Statement of Income**

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account item	Amount	
Operating revenues		
Dividend income	14,540	
Management service income	7,139	
Service revenue	1,000	22,680
Selling, general and administrative costs		8,007
Operating income		14,672
Nonoperating income		
Interest income	1,215	
Miscellaneous income	426	1,641
Nonoperating expenses		
Interest expenses	1,138	
Miscellaneous expenses	3,791	4,929
Recurring income		11,385
Extraordinary gain		
Gain on sale of stocks of subsidiaries and affiliates	1,579	1,579
Extraordinary loss		
Loss on valuation of stocks of subsidiaries and affiliates	3,761	3,761
Income before income taxes		9,202
Corporate tax, corporate inhabitant tax, business tax	(1,075)	
Deferred taxes	(121)	(1,197)
Net income		10,400

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

## Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account item	Shareholders' equity					
	Common stock	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings carried forward		
<b>Balance as of April 1, 2021</b>	<b>50,995</b>	<b>19,343</b>	<b>378,317</b>	<b>397,660</b>	<b>13,466</b>	<b>13,466</b>
Changes during current period						
Issuance of new shares	166	166	–	166	–	–
Dividends from surplus	–	–	–	–	(4,193)	(4,193)
Net income for current period	–	–	–	–	10,400	10,400
Acquisition of treasury stock	–	–	–	–	–	–
Disposal of treasury stock	–	–	(102)	(102)	–	–
Net changes other than shareholders' equity during current period	–	–	–	–	–	–
<b>Total change during current period</b>	<b>166</b>	<b>166</b>	<b>(102)</b>	<b>63</b>	<b>6,206</b>	<b>6,206</b>
<b>Balance as of March 31, 2022</b>	<b>51,162</b>	<b>19,510</b>	<b>378,214</b>	<b>397,724</b>	<b>19,673</b>	<b>19,673</b>

(Millions of yen)

Account item	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Total valuation and translation adjustments		
<b>Balance as of April 1, 2021</b>	<b>(18,657)</b>	<b>443,465</b>	<b>–</b>	<b>–</b>	<b>1,447</b>	<b>444,913</b>
Changes during current period						
Issuance of new shares	–	332	–	–	–	332
Dividends from surplus	–	(4,193)	–	–	–	(4,193)
Net income for current period	–	10,400	–	–	–	10,400
Acquisition of treasury stock	(5)	(5)	–	–	–	(5)
Disposal of treasury stock	296	193	–	–	–	193
Net changes other than shareholders' equity during current period	–	–	–	–	(332)	(332)
<b>Total change during current period</b>	<b>290</b>	<b>6,727</b>	<b>–</b>	<b>–</b>	<b>(332)</b>	<b>6,395</b>
<b>Balance as of March 31, 2022</b>	<b>(18,367)</b>	<b>450,192</b>	<b>–</b>	<b>–</b>	<b>1,115</b>	<b>451,308</b>

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

## **Notes to Nonconsolidated Financial Statements**

### [Significant Accounting Policies]

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

##### Securities

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

##### Available-for-sale securities

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

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

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

##### Allowance for doubtful accounts

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

##### Accrued bonuses

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

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

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

##### Provision for loss on guarantees

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

#### 3. Accounting policies for revenue and expenses

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

#### 4. Other important accounting policies for preparation of financial statements

##### 1) Accounting for deferred assets

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

2) Adoption of the consolidated taxation system

The Company adopted the consolidated taxation system from the fiscal year ended March 31, 2022.

For the transition to a group tax sharing system established under the Act to Partially Amend the Income Tax Act (Act No. 8 of 2020) and items in the non-consolidated taxation system revised pursuant to the transition to a group tax sharing system, the Company has not applied the provisions in Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), in accordance with the treatment prescribed in Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment.

[Changes in Accounting Policies]

(Adoption of accounting standard for revenue recognition, etc.)

The Company adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, “Accounting Standard for Revenue Recognition”), etc. from the beginning of the fiscal year ended March 31, 2022. Under the accounting standard, revenue is recognized when control over promised goods or services is transferred to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. There is no impact on the nonconsolidated financial statements.

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

Effective from the beginning of the fiscal year ended March 31, 2022, the Company adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, “Accounting Standard for Fair Value Measurement”), etc. Under the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company decided to adopt the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. prospectively. There is no impact on the nonconsolidated financial statements.

[Notes to Nonconsolidated Balance Sheet]

Accumulated depreciation of tangible fixed assets	3 million yen
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Guarantee liabilities

Debt guarantees in respect to funds borrowed by subsidiaries and affiliates

West Japan Railway Isetan Ltd.	6,734 million yen
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Note: The above figure shows debt guarantees after deducting the provision for loss on guarantees.

Short-term receivables from subsidiaries and affiliates	9,886 million yen
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Short-term payables to subsidiaries and affiliates	2,758 million yen
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[Notes to Nonconsolidated Statement of Income]

Transactions with subsidiaries and affiliates

Turnover based on operating transactions	
Operating revenues	22,680 million yen
Selling, general and administrative expenses	1,048 million yen
Other revenues	1,833 million yen

[Notes to Nonconsolidated Statement of Changes in Net Assets]

Matters concerning treasury stock (unit: shares)

Type of stock	Number of shares as of the beginning of current term	Number of shares increased in current term	Number of shares decreased in current term	Number of shares as of the end of current term
Common stock	15,403,484	41,313	245,014	15,199,783

- Notes:
1. The increase of 7,113 shares due to requests for purchase of odd-lot shares and 34,200 shares due to repurchase without consideration of own shares granted as restricted stock compensation.
  2. The number of shares decreased by 514 shares due to requests for the additional purchase of odd-lot shares and by 244,500 shares due to disposal of treasury stock as restricted stock compensation.

[Notes to Tax Effect Accounting]

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

(Deferred tax assets)

Accrued bonuses	17	million yen
Accounts payable	116	million yen
Accrued enterprise tax	79	million yen
Stock option expenses	251	million yen
Loss on valuation of stocks of subsidiaries and affiliates	7,236	million yen
Provision for loss on business of subsidiaries and affiliates	1,323	million yen
Provision for loss on guarantees	1,061	million yen
Allowance for doubtful accounts	3,549	million yen
Tax losses carried forward	5,682	million yen
Other	253	million yen
Sub-total deferred tax assets	19,571	million yen
Valuation reserve	(19,192)	million yen
Total deferred tax assets	379	million yen

(Deferred tax liabilities)

Enterprise tax receivable	–	million yen
Total deferred tax liabilities		million yen
Net deferred tax assets (liabilities)	379	million yen

[Notes to Transactions with Related Parties]

1. Subsidiaries and affiliates, etc.

(Millions of yen)

Attributes	Name of companies, etc.	Ratio of holding of voting rights, etc. (or Ratio of voting rights held) (%)	Relationship with the related parties	Contents of transactions	Transaction amount	Account item	Term-end balance
Subsidiaries	Isetan Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Business administration Borrowing and lending of fund	Proceeds from management (Note 1)	6,740	Accrued income	7,414
				Accounting fees (Note 1)	378	–	
				Receipt of funds (Note 2)	15,780	Affiliates short-term loans receivable	65,927
						Affiliates long-term loans receivable	112,000
				Receipt of interest (Note 3)	910	Accrued income	68
				Repayment of funds (Note 2)	–	Affiliates short-term borrowings	–
				Payment of interest	2		
		Advance payment of personnel expenses for loaned employees (Note 4)	3,463	Accrued expenses	221		
Subsidiaries	Iwataya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Borrowing and lending of fund	Receipt of funds (Note 2)	1,264	Affiliates short-term loans receivable	6,097
Subsidiaries	Nagoya Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Borrowing and lending of fund	Repayment of funds (Note 2)	1,170	Affiliates short-term borrowings	1,939
Subsidiaries	MICARD Co. Ltd.	Direct: 100%	Interlocking directorate Borrowing and lending of fund	Receipt of funds (Note 2)	2,518	Affiliates short-term loans receivable	20,156
				Receipt of interest (Note 3)	118		
Subsidiaries	MI TOMONO-KAI Co., Ltd.	Indirect: 100%	Borrowing and lending of fund	Repayment of funds (Note 2)	1,388	Affiliates short-term borrowings	85,179
				Payment of interest (Note 3)	499		
Affiliates	West Japan Railway Isetan Ltd.	Direct 40%	Interlocking directorate	Debt guarantees	10,200	Provision for loss on guarantees	3,466

Transaction conditions and decision policies thereof

Notes:

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

2. Officers and major individual shareholders, etc.

(Millions of yen)

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

Transaction conditions and decision policies thereof

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

The disposal price of treasury stock was determined based on the closing price of the Company's common stock on the Tokyo Stock Exchange as of July 28, 2021 (business day immediately before the date of the resolution concerning the disposal of treasury stock by the Board of Directors).

[Note to Revenue Recognition]

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

[Notes to Per-share Information]

1. Net assets per share	1,179.95 yen
2. Net income per share	27.27 yen

[Notes to Significant Subsequent Events]

Significant subsequent events are as described in Notes to Significant Subsequent Events of Consolidated Financial Statements.

**INDEPENDENT AUDITOR'S REPORT**

May 13, 2022

**The Board of Directors**

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young  
ShinNihon LLC  
Tokyo Office

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

**Opinion**

Pursuant to Article 436, Paragraph 2, Item 1 of the Corporation Law, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Isetan Mitsukoshi Holdings Ltd. (the "Company") for the 14th fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

**Basis for the Opinion**

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

**Other Information**

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

#### Interest

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

## Certified Copy of Audit Report of the Audit Committee

### AUDIT REPORT

The Audit Committee has audited the execution of duties by Directors and Executives for the 14th fiscal term from April 1, 2021 to March 31, 2022. It has prepared this Audit Report on the auditing methods and results, and hereby submits it as follows:

#### 1. Auditing Methods and Contents

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

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

In accordance with the aforementioned procedures, the Audit Committee reviewed the business report, supplementary schedules thereto, the statutory reports (nonconsolidated balance sheets, nonconsolidated statement of income, nonconsolidated statement of changes in net assets, notes to nonconsolidated statutory reports), supplementary schedules thereto, and consolidated statutory reports (consolidated balance sheets, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated statutory reports) for the year ended on March 31, 2022.

## 2. Results of Audit

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

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

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

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

May 13, 2022

Audit Committee of Isetan Mitsukoshi Holdings Ltd.

Full-time Audit Committee Member    Ken Akamatsu

Audit Committee Member                Takashi Oyamada

Audit Committee Member                Hidetoshi Furukawa

Audit Committee Member                Fukutaka Hashimoto

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