Securities Code: 3099
May 28, 2018

To Shareholders with Voting Rights

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

NOTICE OF THE CONVOCATION OF THE 10TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 10th Ordinary General Meeting of Shareholders of Isetan Mitsukoshi Holdings Ltd. (the "Company"). The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet, etc., as described in "Guide to Exercising Voting Rights" on the next page. Please review the Reference Documents for the General Meeting of Shareholders in the following pages and exercise your voting rights by 8 p.m., Friday, June 15, 2018.

1. Date and Time: Monday, June 18, 2018, at 10:00 a.m.

The reception is scheduled to begin at 9:00 a.m.

2. Place: Palais Royal, B1F, Grand Nikko Tokyo Daiba

2-6-1, Daiba, Minato-ku, Tokyo, Japan

* Please be aware that if Palais Royal is full, you will be shown to a second meeting room.

3. Agenda of the Meeting:

Matters to be reported:

1. The Business Report and the Consolidated Financial Statements for the 10th term (from April 1, 2017 to March 31, 2018) 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 10th term (from April 1, 2017 to March 31, 2018)

Proposals to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Nine Directors

<Notice>

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

Guide to Exercising Voting Rights

Attending the General Meeting of Shareholders

Date and time of the Meeting: Monday, June 18, 2018, at 10 a.m.
(Reception starts at 9 a.m.)

Please submit the Voting Rights Exercise Form at the meeting venue reception desk. (An affixed seal is not required.)
Please bear in mind that non-shareholding proxies, persons accompanying you or anyone else who is not a shareholder (except for those accompanying any shareholders with disabilities) will NOT be allowed to enter the venue.

Exercising Voting Rights in Writing

Deadline: To arrive by no later than 8 p.m. Friday, June 15, 2018

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

Exercising Voting Rights via the Internet

Deadline: Exercised by no later than 8 p.m. Friday, June 15, 2018.

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.”

Starting with the next meeting, shareholders who wish to receive notice of convocation by e-mail are requested to access the above website for exercise of voting rights, and to acknowledge their receipt of the notice of convocation by e-mail, following the instructions given on the screen.

Guide to Exercising Voting Rights via the Internet

Exercise of voting rights via the Internet is only possible by accessing the website designed by the Company exclusively for the purpose of exercising voting rights via a personal computer, smartphone or mobile phone (i-mode, EZweb and Yahoo! Keitai).
(Access is unavailable between 2:00 a.m. and 5:00 a.m. every day.)
Note: i-mode, EZweb, Yahoo! Keitai are trademarks or registered trademarks of NTT DoCoMo, Inc., KDDI CORPORATION and Yahoo! Inc., respectively.

Website for exercise of voting rights: https://evote.tr.mufg.jp/
Deadline for exercise of voting rights: Friday, June 15, 2018 at 8:00 p.m.

Handling of Passwords:

(1) To prevent people who are not shareholders (impostors) from illegally accessing the site and alteration of the content of your voting selections, we will ask shareholders who use the site to change their "temporary passwords" on the site for exercising voting rights.
(2) You will be provided with a new "login ID" and "temporary password" each time a General Meeting of Shareholders is convened.

Important Notes:
Depending on your Internet user environments, shareholders using personal computers or smartphone may not be able to exercise your voting rights via the site for exercising voting rights, such as the case of using firewall for Internet connection, setting antivirus software, and using proxy server, etc.

In order to exercise voting rights on a mobile phone, it is necessary to have the capability to use i-mode, EZweb, or Yahoo! Keitai. Even if you have access to one of the above services, some shareholders may not be able to use the service if your mobile phone models are incapable of sending information, or because of encrypted communication (TLS communication) to ensure security.

How multiple votes for the same shareholder will be handled:

(1) If we receive votes both by conventional mail and via the Internet, we will consider the Internet vote to be the valid vote.
(2) When exercising voting rights via the Internet multiple times, we will consider the last vote to be the valid vote. In case when exercising voting rights both by using personal computer, smartphone and mobile phone as well, we will consider the last vote to be the valid vote.

Costs arising from accessing the site for exercising voting rights (Internet connection fees, etc.) will be borne by the shareholder. When using a mobile phone to vote, there will be costs such as packet communication fees or other fees for using the mobile phone, and these fees will be borne by the shareholder.

For Institutional Investors

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

If you have any questions on how to exercise your voting rights using a personal computer or some other means on the above website, please contact the department below.

For inquiries concerning systems, etc., please contact:

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

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To Our Shareholders

Isetan Mitsukoshi Holdings Ltd. prepared its tenth financial statements as of March 31, 2018, which we hereby submit to you in this report for your perusal.

During the fiscal year under review, sales were lifted in part by asset efficiency generated by high share prices and growth in inbound tourist demand, but, overall, personal spending lacked impetus.

Meanwhile, to achieve sustainable growth, the Group moved swiftly to take measures including an overhaul of group-wide unprofitable businesses, and reform the cost structure, including cutting expenses.

Against such a backdrop, business model reforms were steadily implemented under the Three-year Business Model Reform that started in fiscal 2018, and the Group will aim to achieve a consolidated operating income of ¥35.0 billion ahead of schedule during fiscal 2019.

Furthermore, at this time, the Isetan Mitsukoshi Group marked its 10th anniversary. To respond to a business environment that is changing at a dizzying pace, the Group made changes to its Corporate Philosophy, and compiled a new credo, which we call “The Isetan Mitsukoshi Way” We aim to ensure sustainable growth and development through internally driven change and transformation.

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

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

Reference Documents for the General Meeting of Shareholders

Proposal and References

Proposal No. 1: Appropriation of Surplus

Comprehensively taking into account the maintenance of a stable dividend to shareholders along with appropriate internal reserves required to invest in existing and new businesses, the Company proposes to pay a year-end dividend of ¥6 per share for the 10th term. Accordingly, with the interim dividend of ¥6, the annual dividend will be ¥12.

Matters related to the year-end dividend:

(1) Type of dividend property
Cash

(2) Matters related to distribution of dividend property to shareholders and the total amount
¥6 per common share of the Company
Total amount: ¥2,338,734,672

(3) Effective date of dividend of surplus
June 19, 2018

Proposal No. 2: Election of Nine Directors

The terms of office of eight (8) Directors, Ken Akamatsu, Toshihiko Sugie, Toru Takeuchi, Hideharu Wada, Toshinori Shirai, Shouei Utsuda, Yoshinori Ida and Katsunori Nagayasu will expire at the conclusion of this meeting.

Accordingly, we have increased the number of Directors by one, to strengthen corporate governance. The Company proposes the election of nine (9) Directors and nominates the following candidates:

Candidate No.	Name		Positions and responsibilities concurrently held at the Company	Years in office as Director	Attendance status Rate of attendance at meetings of Board of Directors
1	[Renominated]	Ken Akamatsu	Chairman and Representative Director	1 year	12 out of 12 100%
2	[Renominated]	Toshihiko Sugie	President, Representative Director, Executive Officer (CEO) and CDTO	6 years	15 out of 15 100%
3	[Renominated]	Toru Takeuchi	Director	1 year	12 out of 12 100%
4	[Renominated]	Toshinori Shirai	Director, Managing Executive Officer, CSRO	1 year	12 out of 12 100%
5	[Newly nominated]	Takaaki Muto	—	—	—
6	[Renominated] [Outside Director] [Independent Director]	Shouei Utsuda	Outside Director	5 years	15 out of 15 100%
7	[Renominated] [Outside Director] [Independent Director]	Yoshinori Ida	Outside Director	5 years	15 out of 15 100%
8	[Renominated] [Outside Director]	Katsunori Nagayasu	Outside Director	4 years	12 out of 15 80.0%
9	[Newly nominated] [Outside Director] [Independent Director]	Michiko Kuboyama	—	—	—

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

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

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
1	Ken Akamatsu (Sep 5, 1952) [Renominated]	Jun 1975 Joined Mitsukoshi, Ltd. Feb 2006 Executive Officer, General Manager, Operations Department Feb 2007 Executive Officer, General Manager, Group Operations Department May 2007 Director, Senior Executive Officer, General Manager, Group Operations Department Apr 2008 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Mitsukoshi, Ltd. Apr 2009 Director, Isetan Co., Ltd Apr 2013 Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Ltd. Jun 2016 Vice Chairman, Shin Kong Mitsukoshi Department Store Co., Ltd. (to the present) May 2017 Consultant, Isetan Mitsukoshi Holdings Ltd. Chairman, Japan Department Stores Association (to the present) Jun 2017 Chairman and Representative Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Chairman and Representative Director, Isetan Mitsukoshi Ltd. (to the present) Significant posts concurrently held Chairman and Representative Director, Isetan Mitsukoshi Ltd. Vice Chairman, Shin Kong Mitsukoshi Department Store Co., Ltd. Chairman, Japan Department Stores Association	27,840
	Reasons for selecting the candidate for Director Mr. Ken Akamatsu assumed the office of Director, Managing Executive Officer at the Company's founding in 2008. Since then, he has made significant contributions to the Company in terms of building and expanding an operating platform for the Group, cutting costs and establishing a governance framework as General Manager of Operations (Administration) Headquarters, with overall responsibility for general affairs, accounting, financial management, logistics and other operations. Mr. Akamatsu is reappointed as a candidate for Director because we believe that through his deep knowledge and excellent leadership over many years, chiefly in administration, he can contribute to further enhancement of the Group's corporate value and strengthening of its corporate governance.		

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
2	Toshihiko Sugie (Feb 15, 1961) [Renominated]	Apr 1983 Joined Isetan Co., Ltd. Apr 2009 Executive Officer, General Manager in charge of foods in general and food sales, MD Administration Department, Department Store Business Planning & Operation Headquarters Apr 2011 Executive Officer, General Manager in charge of foods in general, MD Administration Department, Department Store Business Planning & Operation Headquarters, Isetan Mitsukoshi Ltd. Apr 2012 Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Jun 2012 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters Apr 2013 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd. Apr 2016 Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Director, Senior Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Ltd. Apr 2017 President, Representative Director, Executive Officer, Isetan Mitsukoshi Holdings Ltd. President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd. (to the present) Apr 2018 President, Representative Director, Executive Officer (CEO) and CDTO, Isetan Mitsukoshi Holdings Ltd. (to the present) *CEO (Chief Executive Officer) CDTO (Chief Digital Transformation Officer) Significant posts concurrently held President, Representative Director, Executive Officer, Isetan Mitsukoshi Ltd.	25,100
	Reasons for selecting the candidate for Director Mr. Toshihiko Sugie was appointed as Director and Managing Executive Officer of the Company in 2012. Since then, he has headed the Group as General Manager, Strategic Planning Headquarters. In light of his ability in widely managing the Department Store Business and the overall business of the Group based on his rich experience in both sales departments and back office departments, as well as his excellent leadership skills, we believe that Mr. Sugie is able to make significant contributions to further improvement of the Group's corporate value, and thus we reappoint him as a candidate for Director.		

<table>
<tr><th>Candidate No.</th><th>Name
(Date of Birth)</th><th>Summary of career, positions, responsibilities and significant posts concurrently held</th><th>Number of Company shares owned</th></tr>
<tr><td rowspan="2">3</td><td>Toru Takeuchi
(May 21, 1960)
[Renominated]</td><td>Apr 1983 Joined Isetan Co., Ltd.
Apr 2009 Executive Officer, General Manager in charge of ladies fashion, MD Administration Department, Department Store Business Planning & Operation Headquarters
Mar 2010 Director, Managing Executive Officer, General Manager, MD Administration Department, Department Store Business Planning & Operation Headquarters, General Manager in charge of ladies
Apr 2011 Managing Executive Officer, General Manager, MD Administration Department, Department Store Business Planning & Operation Headquarters, Isetan Mitsukoshi Ltd.
Apr 2013 Managing Executive Officer, Isetan Mitsukoshi Holdings Ltd.
President, Representative Director, Executive Officer, Sapporo Marui Mitsukoshi Ltd.
Apr 2016 Managing Executive Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Holdings Ltd.
Managing Executive Officer, General Manager, Group Human Resources Headquarters, Isetan Mitsukoshi Ltd.
Apr 2017 Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, General Manager, Merchandising Headquarters
Jun 2017 Director, Isetan Mitsukoshi Holdings Ltd. (to the present)
Apr 2018 Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, Isetan Mitsukoshi Ltd. (to the present)
Significant posts concurrently held
Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, Isetan Mitsukoshi Ltd.</td><td>24,500</td></tr>
<tr><td colspan="3">Reasons for selecting the candidate for Director
Since joining the Company, Mr. Toru Takeuchi has been engaged primarily in sales departments. He assumed posts of President, Representative Director, Executive Officer of Sapporo Marui Mitsukoshi Ltd. as Managing Executive Officer of the Company in 2013, and General Manager, Group Human Resources Headquarters of the Company in 2016. Starting from 2017, he has lead the Department Store Business overall as Director, Senior Managing Executive Officer, General Manger, Department Store Business Headquarters of Isetan Mitsukoshi Ltd. Mr. Takeuchi is reappointed as a candidate for Director because we believe that he is able to contribute to further enhancement of the Group’s corporate value based on his wide-ranging and abundant experience.</td></tr>
</table>

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
4	Toshinori Shirai (Jan 28, 1959) [Renominated]	Apr 1982 Joined Isetan Co., Ltd. Mar 2008 Executive Officer Apr 2008 Executive Officer, General Manager, Planning & Promotion Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Apr 2011 Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters Jun 2012 Director, Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters Jun 2013 Executive Officer, General Manager, Corporate Planning Division, Strategic Planning Headquarters Apr 2014 Executive Officer, General Manager, Planning & Promotion Division, Strategic Planning Headquarters Jan 2016 President and Representative Director, Isetan Mitsukoshi Innovations Ltd. Apr 2016 Managing Executive Officer, General Manager, Planning, Development & Promotion Division, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Apr 2017 Managing Executive Officer, General Manager, Strategic Planning Headquarters Director, Isetan Mitsukoshi Ltd. (to the present) Jun 2017 Director, Managing Executive Officer, General Manager, Strategic Planning Headquarters, Isetan Mitsukoshi Holdings Ltd. Apr 2018 Director, Managing Executive Officer, CSRO (to the present) *CSRO (Chief Strategy and Restructuring Officer) Significant posts concurrently held Director, Isetan Mitsukoshi Ltd.	18,610
	Reasons for selecting the candidate for Director After joining the Company, Mr. Toshinori Shirai has worked for a long period in the Corporate Planning Division and was involved in developing Group growth strategies as officer in charge of strategic business planning at Group businesses. In fiscal 2017, he took charge of compilation of business planning for the whole Group as General Manager, Strategic Planning Headquarters, and in 2018, as Chief Strategy and Restructuring Officer (CSRO), began managing multiple departments including business planning and structural reform. In light of this track record, we consider Mr. Shirai capable of further contributing to improvement of corporate value at the Group, and decided to reappoint him as a candidate for Director.		

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
5	Takaaki Muto (Nov 28, 1956) [Newly nominated]	Jun 1979 Joined Mitsukoshi, Ltd. Mar 2010 Executive Officer, General Manager, General Administration Department Apr 2011 Executive Officer, General Manager, General Administration Department, Administration Headquarters, Isetan Mitsukoshi Holdings Ltd. Apr 2013 Executive Officer, General Manager, General Administration Department, Administration Headquarters Apr 2016 Executive Officer, General Manager, Risk Management Office Apr 2017 Managing Executive Officer, General Manager, Risk Management Office (to the present)	27,300
	Reasons for selecting the candidate for Director After joining the Company, Mr. Takaaki Muto worked for a long time in the Human Resources Headquarters and General Administration Department. Appointed Executive Officer, General Manager of Risk Management Office in 2016, and Managing Executive Officer, General Manager of Risk Management Office in 2017, Mr. Muto contributed significantly to overall risk management at the Group. Mr. Muto is elected as a candidate for Director because we believe that he is capable of further contributing to improved corporate value of the Group, based on his wealth of knowledge gained over many years chiefly in operational departments.		

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
6	Shouei Utsuda (Feb 12, 1943) [Renominated] [Outside Director] [Independent Director]	Apr 1967 Joined MITSUI & CO., LTD. Jun 1997 Director Jun 2000 Representative Director, Managing Director Apr 2002 Representative Director, Senior Managing Director Oct 2002 Representative Director, President Jun 2007 Outside Director, Tokyo Broadcasting System Holdings, Inc. Apr 2009 Chairman, MITSUI & CO., LTD. Director, Tokyo Broadcasting System, Inc. May 2009 Chairman, The Japan – Vietnam Association (to the present) Jun 2013 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Nov 2013 Outside Director, Cool Japan Fund Inc. Jun 2014 Outside Director, Nomura Research Institute, Ltd. (to the present) Apr 2015 Director, MITSUI & CO., LTD. Jun 2015 Counselor (to the present) Jun 2017 Outside Director, Tokyo Electric Power Company Holdings, Incorporated (to the present) Significant posts concurrently held Counselor, MITSUI & CO., LTD. Chairman, The Japan – Vietnam Association Outside Director, Nomura Research Institute, Ltd. Outside Director, Tokyo Electric Power Company Holdings, Incorporated	12,107
	Reasons for selecting the candidate for Outside Director As a manager of a business corporation, Mr. Shouei Utsuda has achievements in creating thorough awareness and systemic reform for internal compliance and improving business results. As it is judged that he can bring his abundant experience and insight to the management of the Company, and also provide advice and proposals for ensuring appropriate and reasonable decision-making of the Board of Directors of the Company from an independent status, he is reappointed as a candidate for Director.		

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
7	Yoshinori Ida (May 18, 1943) [Renominated] [Outside Director] [Independent Director]	Apr 1966 Joined Isuzu Motors Limited Jan 1994 Director May 1996 Executive Director Apr 1999 Managing Director Dec 2000 President, Representative Director, COO Jun 2007 Chairman and Representative Director Feb 2009 Chairman and Director Jun 2011 Special Executive Advisor, Honorary Chairman Jun 2012 Special Executive Advisor (to the present) Jun 2013 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Significant posts concurrently held Special Executive Advisor, Isuzu Motors Limited	8,075
	Reasons for selecting the candidate for Outside Director As a manager of a business corporation, Mr. Yoshinori Ida has worked on fundamental restructuring and has achievements in significantly improving business results. As it is judged that he can bring his abundant experience and insight to the management of the Company, and also provide advice and proposals for ensuring appropriate and reasonable decision-making of the Board of Directors of the Company from an independent status, he is reappointed as a candidate for Director.		

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
8	Katsunori Nagayasu (Apr 6, 1947) [Renominated] [Outside Director]	May 1970 Joined The Mitsubishi Bank, Ltd. Jun 1997 Director, The Bank of Tokyo-Mitsubishi, Ltd. Apr 2001 Director, Mitsubishi Tokyo Financial Group, Inc. Jun 2002 Managing Director, The Bank of Tokyo-Mitsubishi, Ltd. Jan 2005 Senior Managing Director, The Bank of Tokyo-Mitsubishi, Ltd. May 2005 Deputy President Jan 2006 Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Jun 2006 Deputy President, Mitsubishi UFJ Financial Group, Inc. Apr 2008 President, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Apr 2010 President & CEO, Mitsubishi UFJ Financial Group, Inc. Apr 2012 Chairman, Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Apr 2013 Director, Mitsubishi UFJ Financial Group, Inc. Jun 2013 Outside Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation (to the present) Jun 2014 Outside Director, Isetan Mitsukoshi Holdings Ltd. (to the present) Outside Audit & Supervisory Board Member, Mitsubishi Motors Corporation (to the present) Mar 2016 Outside Director, Kirin Holdings Company, Limited (to the present) Apr 2016 Advisor, Tokyo-Mitsubishi UFJ, Ltd. Jun 2016 Outside Director, Mitsubishi Electric Corporation (to the present) Apr 2018 Special Advisor, MUFG Bank, Ltd. (to the present) Significant posts concurrently held Special Advisor, MUFG Bank, Ltd. Outside Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation Outside Audit & Supervisory Board Member, Mitsubishi Motors Corporation Outside Director, Kirin Holdings Company, Limited Outside Director, Mitsubishi Electric Corporation	1,000
	Reasons for selecting the candidate for Outside Director Mr. Katsunori Nagayasu has abundant experience and knowledge regarding finance as manager of financial institutions for many years, which can be brought to the management of the Company. As his wide insight has been judged to enable providing advice and proposals for ensuring appropriate and reasonable decision-making of the Board of Directors of the Company, he is reappointed as a candidate for Director.		

Candidate No.	Name (Date of Birth)	Summary of career, positions, responsibilities and significant posts concurrently held	Number of Company shares owned
9	Michiko Kuboyama (Apr 16, 1956) [Newly nominated] [Outside Director] [Independent Director]	Apr 1980 Joined Kao Sekken (currently Kao Corporation) Apr 2006 General Manager, Products Public Relations Department Apr 2011 General Manager, Products Public Relations Center Sep 2011 Visiting Professor, TAMA GRADUATE SCHOOL OF BUSINESS (to the present) May 2016 Communication Fellow, Ordinary Citizens Research Center, Kao Corporation (to the present) Jun 2017 Outside Director, JACCS CO., LTD. (to the present) Significant posts concurrently held Outside Director, JACCS CO., LTD.	0
	Reasons for selecting the candidate for Outside Director Ms. Michiko Kuboyama has a wealth of experience in product development and marketing gained at Kao Corporation and wide-ranging knowledge based on service in positions such as a Visiting Professor of the TAMA GRADUATE SCHOOL OF BUSINESS and career consultant. As she will be able to give appropriate advice from an independent standpoint at meetings of the Board of Directors of the Company, where a wide range of perspectives including that of the consumer is required, and effectively and appropriately oversee execution of business operations, she is appointed as a candidate for Director.		

(Notes)

1. The Company's shares held by the candidates for Director indicate those as of March 31, 2018. They include their own personal holdings in the Isetan Mitsukoshi Holdings Executive Shareholding Association.
2. Mr. Shouei Utsuda is expected to retire from the position of Outside Director from Nomura Research Institute, Ltd. on June 22, 2018.
3. Mr. Katsunori Nagayasu is a Special Advisor of MUFG Bank, Ltd., which is the main bank of the Group. There are no particular relationships of interest with any of the other candidates and the Company.
4. In a case agreed with New York State Department of Financial Services, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.), where Mr. Katsunori Nagayasu served as Director until April 2016, agreed to pay a sum of £17,850,000 in February 2017 to the Prudential Regulation Authority after the case report was deemed inadequate for reasons including delay of submission.
   At Mitsubishi Motors Corporation, where Mr. Katsunori Nagayasu serves as Outside Audit & Supervisory Board Member, evidence of misconduct was found in fuel economy tests for vehicles in April 2016. In September 2016, notice was received from the Ministry of Land, Infrastructure, Transport and Tourism, indicating that misconduct also occurred in in-house testing conducted at Mitsubishi Motors to reexamine the vehicle fuel economy values for vehicles involved in the original misconduct case. Furthermore, in January and July 2017, an Order for Action and Order for Payment of Surcharge were received from the Consumer Affairs Agency, which found violations of Act against Unjustifiable Premiums and Misleading Representations had occurred with regard to catalogues, etc., featuring Mitsubishi vehicles involved in the case of fuel-consumption test misconduct. Although he was not aware of any of these facts, he kept the Board of Directors and the Audit & Supervisory Board informed on a regular basis from the viewpoint of legal compliance. After the facts were revealed, he has been fulfilling his duties by implementing thorough investigation and measures to prevent recurrence of the above facts.

5. On January 12, 2018, our subsidiary Isetan Mitsukoshi Ltd. was handed a cease and desist order and Order for Payment of Surcharge on the grounds of "unfair trading restrictions" under the Antimonopoly Act by the Japan Fair Trade Commission. It was found to have engaged in “exchange of information” and “price adjustment” with competing enterprises in advance of receipt of orders in transactions involving uniforms to be used at East Japan Railway Company. Mr. Shouei Utsuda, Mr. Yoshinori Ida and Mr. Katsunori Nagayasu made various recommendations on legal and regulatory compliance at the Board of Directors meeting. Through deliberations at the Board of Directors meeting, even after this was discovered, commitments were made to compile measures for prevention of recurrence of such an event at the Company or the Group including the subsidiary in question, and to broaden awareness and strengthen training among all employees with regard to this matter.
6. Mr. Shouei Utsuda, Mr. Yoshinori Ida and Mr. Katsunori Nagayasu have concluded limited liability agreements with the Company based on the provisions of the Articles of Incorporation, which shall limit the maximum amount of liability they may bear to the Company to the amount stipulated by laws and regulations. Furthermore, if their reappointment is approved, the Company plans to continue to hold these agreements stipulating liability limits. Furthermore, in the event of approval of the appointment of Ms. Michiko Kuboyama, the Company plans to conclude with her a similar agreement for limitation of liability.
7. Regarding the designation of Outside Directors and Outside Corporate Auditors as Independent Directors, the Company makes decisions based on in-house criteria for judging their independence, as set out on Page 56. In line with these criteria, the Company designates Mr. Shouei Utsuda and Mr. Yoshinori Ida from Outside Directors 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 election of Directors Mr. Shouei Utsuda and Mr. Yoshinori Ida, the Company also plans to continuously designate them as Independent Directors and to notify both stock exchanges thereof. Furthermore, in the event of approval of the appointment of Director Ms. Michiko Kuboyama, the Company plans to submit to both stock exchanges a new notification of her designation as an Independent Director, based on the same criteria.
8. Ms. Michiko Kuboyama’s name on her family register is Michiko Iwasaki.

Business Report
(From April 1, 2017 to March 31, 2018)

1. Matters related to the Group's status

(1) Business developments and results

During fiscal 2017 (April 1, 2017 to March 31, 2018), the Japanese economy continued on a moderate recovery trend, and in personal consumption, an increase in overseas visitors and asset efficiency on higher share prices were factors leading to strong performance from certain luxury items. However, concerns arose at the beginning of 2018 of possible deceleration in growth and downward pressure on the number of visitors from abroad amid sharpening yen appreciation, a slide in share prices and other negatives.

Against this backdrop, the Company in November 2017 unveiled the next Three-year Business Model Reform (from fiscal 2018 to fiscal 2020). To secure future growth, resting on the twin pillars of strengthening the earnings structure and shifting to a new business structure, we aim to carry out a business model overhaul on department store operations that have not changed over the previous few decades. With fiscal 2017 as the takeoff period for the Plan, we focused on "structural reforms" and "strengthening the earnings structure" to embark on turning around unprofitable businesses, overhauling cost structures, personnel policy, and advance management of inventory risk.

As a result, operating income and ordinary income were on par with the previous fiscal year owing to cost controls, but the recording of items such as extraordinary losses in line with structural reforms cased net income attributable to parent company shareholders to be negative.

Consolidated net sales for the fiscal year amounted to ¥1,268.8 billion, an increase of 1.2% from the previous fiscal year, operating income amounted to ¥24.4 billion, an increase of 2.0%, recurring income was ¥27.3 billion, a decrease of 0.3%, and net loss attributable to parent company shareholders was ¥0.9 billion (The previous fiscal year was net income attributable to parent company shareholders of ¥14.9 billion.).

<u>Department store</u>

Percentage of net sales: 83.2%

Net sales: ¥1,144.4 billion (99.4% of the previous fiscal year's net sales)

Operating income: ¥14.4 billion (130.6% of the previous fiscal year's operating income)

The department store business, net sales were on par with the previous fiscal year. Performance in

duty free sales was strong due to an increase in overseas visitors, with growth rates for duty free sales at regional stores exceeding growth rates at the three flagship stores of the Isetan Shinjuku Store, Mitsukoshi Nihombashi Store and Mitsukoshi Ginza Store. Sales of luxury goods were also solid. Meanwhile, middle-class customers remained cautious with regard to consumption.

Under such a consumption environment, during the fiscal year under review we promoted thorough structural reforms tailored to each region and the characteristics of each store in the department store business with the objective of strengthening our revenue structure. As a result of this, we terminated business operations at the Isetan Matsudo Store on March 21, 2018 to reallocate limited management resources to new growth fields. We apologize for any inconveniences caused by the store closure, and thank customers for their patronage during the time the store was open. We will continue our reformation efforts tailored to each region and the characteristics of each store to meet the needs of regional customers by any means possible, including shifts in store formats.

In cost structure reform, we implemented thorough cost controls through measures such as increasing operational efficiency and reducing advertising expenses, working to reduce selling, general and administrative expenses. At the same time, in personnel policy, we conducted a review and improvement of the Next Career Plan. Furthermore, as advance management of inventory risk, we implemented inventory adjustment amounting to over ¥10.0 billion in sale price during fiscal 2017. In fiscal 2018, we will continue to work toward optimizing our personnel composition through initiatives such as reducing personnel at headquarters while maintaining a healthy level of personnel in contact with customers.

With regard to operations, we formulated plans toward projects to maximize future earnings at flagship stores, including medium-to-long-term store remodeling. At the Mitsukoshi Nihombashi Store, to provide products and events for higher quality of life tailored to individual customers together with hospitality unique to Japan, we are implementing a remodeling aiming to complete the first stage by fall. In March 2018, we refreshed and opened the first floor of the New Annex ahead of the completion. At the flagship Isetan Shinjuku Store, Tokyo, while reestablishing the store as an updated version of “Isetan, leading the fashion scene” and reorganizing categories, we will implement the remodeling of Main Building and Men’s Building into iconic stores that deliver digitalized information. At branch stores, we refreshed and opened the first floor of the Mitsukoshi Ebisu Store in November 2017. Based around the theme of “things to brighten a high-quality lifestyle” to propose new value in daily living to local customers, we strengthened our product lineup to provide comfortable living, beauty, and clothing, and this has been well-received by customers.

In small and medium-sized stores, we closed seven stores such as MI Plaza as a part of structural reforms. Meanwhile, the “ISETAN MiRROR” luxury cosmetics outlet opened stores in the Shin-Marunouchi Building, “ekie” in Hiroshima Station, and the Tokyo Midtown Hibiya Store for a total of three new openings, bringing the total number of stores to 15. The outlet at “ekie” in Hiroshima Station is our first store opening outside the Tokyo metropolitan area. The Tokyo Midtown Hibiya Store opened with a floor space of some 670 m², making it one of the largest openings. Existing stores are also performing favorably.

In the online business, we took measures to improve customer convenience by expanding product planning and development in partnership with the three flagship stores. In January 2018, we began the rollout of our “Store App” as a new marketing tool for keeping customers up-to-date with individual store activities at Isetan Mitsukoshi branch and regional stores all over Japan. Customers are now able to promptly get information about particular stores they choose to use on an everyday basis while also directly accessing online stores from within the application. Looking ahead, we will continue to take measures to expand points of interaction with our customers by utilizing digital technologies.

Credit & finance / customer organization management
Percentage of net sales: 2.8%
Net sales: ¥38.9 billion (103.0% of the previous fiscal year’s net sales)
Operating income: ¥5.3 billion (99.7% of the previous fiscal year’s operating income)

In the credit & finance business/customer organization management business, net sales increased as MICARD Co., Ltd. made efforts to expand transaction volume outside of the Group and increase the number of GOLD membership cardholders. To increase the number of cardholders, the platinum grade was added to the department store card, while original cards were issued at Kokubunji mi:ts and Nagoya LACHIC. By providing a range of annual membership fees and a card lineup to meet the varying needs of customers, investments for the future were made to expand the number of MICARD members both within and outside of the Group. Additionally, to acquire department store card customers, selling and administrative expenses increased owing to aggressive new measures including the use of MI points and acquisition via web channels, causing operating income to temporarily decline.

We will continue to expand the scope of our MI points program to uses beyond the boundaries of the Group. Furthermore, MICARD will aim to expand its membership scope at department stores overall by eliminating the boundaries between brands and unifying the name and design of

department store card, while continuing to work toward growing business results by actively promoting the issuance of affiliate credit cards with external companies.

Other retail & specialty store

Percentage of net sales: 4.0%

Net sales: ¥54.8 billion (97.8% of the previous fiscal year's net sales)

Operating income: ¥(1.2) billion (Operating loss of ¥1.1 billion in the previous fiscal year)

In the other retail & specialty store business, efforts were made to improve profitability as Isetan Mitsukoshi Food Service Ltd. closed its Queen's Isetan Omiya Store in January 2018 and its Hibarigaoka Store in February this year, while opening the FOOD & TIME ISETAN YOKOHAMA outlet in the Yokohama SOTETSU JOINUS complex in March. Established stores under the Queen's Isetan brand conducted structural changes including strengthening highly profitable product lines and implementing efficient SG&A management in areas such as advertising costs. Looking ahead, in addition to the self-initiated restructuring measures we carried out throughout fiscal 2017, through a capital and operational alliance with Marunouchi Capital Inc., which has a strong track record in revamping supermarket businesses, we newly established IM Food Style Ltd. and will aim to grow profits at an early stage.

MAMMINA CO., Ltd. took measures including introduction of new brands to eliminate a debt overhang. However, business operations were terminated in March 2018.

Real estate

Percentage of net sales: 3.3%

Net sales: ¥45.0 billion (108.2% of the previous fiscal year's net sales)

Operating income: ¥6.6 billion (102.6% of the previous fiscal year's operating income)

In the real estate business, by promoting the effective use of real estate held by the Group to secure stable revenue, revenues and earnings both increased at Isetan Mitsukoshi Real Estate Co., Ltd. on the back of measures to develop the condominium business in partnership with capital and business partner, Nomura Real Estate Development Co., Ltd.

Additionally, Isetan Mitsukoshi Property Design Ltd. opened the "FOOD & TIME ISETAN YOKOHAMA" store inside Yokohama SOTETSU JOINUS in March 2018 and "mi:ts Kokubunji," a new community-oriented commercial facility located at the North Exit of Kokubunji Station in April, moving forward with the operation of commercial facilities.

mi：ts Kokubunji aims to be a new regional landmark with a store concept “Store for our gathering” which represents a comfortable everyday space offering “lifestyles of higher quality” and a “gathering spot.”

Furthermore, in overseas initiatives, in July 2017, the Company announced its participation in a multipurpose property development project in the Philippines. By engaging in a residential subdivision development with a Japanese concept and commercial real estate development based on our know-how in the retailing industry in Japan, we will offer new high-quality lifestyle proposals in the Philippines.

Moving forward, we will continue to explore ways of creating profitable business opportunities, using the high-quality real estate assets held by the Group in Japan and overseas.

Other businesses

Percentage of net sales: 6.7%

Net sales: ¥91.7 billion (118.6% of the previous fiscal year’s net sales)

Operating income: ¥(1.0) billion (In the previous fiscal year, operating income totaled ¥1.9 billion)

Owing to factors such as making SOCIE WORLD CO., LTD. in the beauty business and NIKKO TRAVEL CO., LTD. in the travel business subsidiaries, net sales were 118.6% of the previous fiscal year, and we will also continue to aim to maximize synergistic effects with businesses that have a high degree of compatibility with department stores. Meanwhile, in line with the promotion of digital strategies, depreciation expenses at data processing service provider Isetan Mitsukoshi System Solutions Ltd. increased due to computer system investments.

While working to create new businesses to capture the minds of our customers, we will continue to advance structural reforms including the revision of unprofitable businesses.

(2) Capital expenditures

Our capital expenditures during the consolidated fiscal year under review totaled some ¥38.4 billion, which consisted principally of some ¥22.5 billion for renovations of the Isetan Mitsukoshi Group stores.

(3) Fund-raising matters

We raised funds of ¥20.0 billion as corporate bond issuance to allocate them to the repayment of

long-term debt and capital expenditures and so forth for the consolidated fiscal year under review.

(4) Issues that need to be addressed

The Isetan Mitsukoshi Group has aimed to ensure growth by generating Group synergies through making best use of our goodwill, customer base and other assets that we have built up mainly in the core Department Store Business. Against this background, on the occasion of the 10th anniversary of the Isetan Mitsukoshi Group, we have developed a new credo, which we call “Our Way of Thinking.” We aim to ensure sustainable growth and development through “change” and “transformation” of the way we do things to respond to dizzying change in the business environment.

The Japanese economy has held up well, supported by solid employment and personal income levels. However, concerns arose at the beginning of 2018 of possible deceleration in growth and downward pressure on the number of visitors from abroad amid steeper yen appreciation and a slide in share prices. Against a background of increasingly rapid growth in digital and information technologies, it has become more difficult to serve markets and customers due to changes in consumer preferences and diversification of shopping channels. This has created an intensely competitive retail environment. To respond to these changes, the Group is committed to “transformation of its business model.” To achieve this transformation, we plan to promote “restructuring,” “digital transformation,” and “reform of work-flow and work-style approaches to achieve greater productivity.”

To redistribute limited management resources to new growth sectors, we promoted structural reforms in fiscal 2017 in areas such as unprofitable stores and businesses. As a result, structural reforms have progressed to a certain point and favorable results are expected, but we will continue to work toward resolving remaining issues with reforms tailored to regional, store, and business characteristics.

In the Department Store Business, in core flagship stores, a pillar of earnings, we steadily completed remodeling programs at the Shinjuku and Nihombashi stores, while phasing out unprofitable promotional events. By creating new customer value using digital technology, we shall establish a new department store paradigm combining tangible and digital technologies. Likewise, in overseas countries, where digital technologies are more widely used, we plan to trial new models that combine floor display and digital tools in areas of strength for Japanese retailers such as foods and cosmetics. In the real estate business, which is set to make effective use of Group property assets, we aim to maximize value through business development and commercial facility operation in collaborations among retail and real estate units.

In addition, we aim to respond rapidly to changes in customer needs through a “digital transformation” strategy involving measures such as centralized management of customer information held by the Group, digitization of internal operational flows, and a switch from paper to electronic media. We aim to increase productivity by comprehensively reviewing the current workflow, business process and work-style approaches.

We will also take steps to strengthen in-house control systems including compliance as well as information retention and management systems, in addition to establishing an effective corporate governance system. These measures will enable us to improve corporate value and achieve sustainable value. We take this opportunity to appreciate your continued support and patronage going forward.

Segment information (Millions of yen)

	Reporting segment					Other businesses (Note 1)	Total	Adjustments (Note 2)	Amount posted in Consolidated Financial Statements (Note 3)
	Department store	Credit & finance / customer organization management	Other retail & specialty store	Real estate	Total				
Net sales									
Outside customers	1,141,957	21,656	42,611	27,708	1,233,935	34,929	1,268,865	-	1,268,865
Inter-segment sales	2,528	17,249	12,221	17,362	49,362	56,819	106,182	(106,182)	-
Total	1,144,486	38,906	54,833	45,071	1,283,297	91,749	1,375,047	(106,182)	1,268,865
Segment profit/loss	14,484	5,364	(1,226)	6,614	25,235	(1,033)	24,202	211	24,413
Segment assets	1,068,714	218,058	20,610	151,905	1,459,288	65,418	1,524,707	(240,498)	1,284,208
Others									
Depreciation	17,243	2,854	597	957	21,652	6,863	28,516	(200)	28,315
Impairment loss (Note 4)	8,299	-	2,734	100	11,133	1,711	12,845	–	12,845
Investment in equity method affiliates	75,431	-	5,091	-	80,523	-	80,523	-	80,523
Increase in tangible/intangible fixed assets	24,745	1,837	725	5,734	33,042	5,717	38,760	(313)	38,446

Notes:
1. The other businesses segment includes the services of manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service, travel business and beauty business that are not included in other reporting segments.
2. Adjustments are as follows:
   (1) The segment profit adjustment of ¥211 million is intersegment eliminations, etc.
   (2) The segment assets adjustment of negative ¥240,498 million is the intersegment elimination of receivables and payables, etc.
   (3) The adjustment of depreciation of negative ¥200 million is intersegment unrealized income.
   (4) The increase in tangible and intangible fixed assets adjustment of negative ¥313 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, ¥1,115 million is included in “loss on closing of stores,” ¥228 million in “loss on liquidation of subsidiaries and associates,” and ¥314 million in “other.”

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	155,357	24.0	94.1
	Mitsukoshi Ginza store	87,862	13.5	108.4
	Isetan Shinjuku store	274,149	42.3	102.1
	Isetan Tachikawa store	35,836	5.5	100.3
	Isetan Matsudo store	20,634	3.2	113.8
	Isetan Urawa store	40,388	6.2	100.1
	Isetan Sagamihara store	19,515	3.0	94.9
	Isetan Fuchu store	14,869	2.3	94.3
	Total	**648,615**	**100.0**	**98.3**
Sapporo Marui Mitsukoshi Ltd.		65,488	—	103.4
Hakodate Marui Imai Ltd.		7,595	—	94.0
Sendai Mitsukoshi Ltd.		33,014	—	98.0
Niigata Isetan Mitsukoshi Ltd.		44,364	—	97.4
Shizuoka Isetan Co., Ltd.		19,735	—	100.8
Nagoya Mitsukoshi Ltd.		66,083	—	98.6
Hiroshima Mitsukoshi Ltd.		14,846	—	95.4
Takamatsu Mitsukoshi Ltd.		22,940	—	99.4
Matsuyama Mitsukoshi Ltd.		13,607	—	95.9
Iwataya Mitsukoshi Ltd.		117,867	—	102.6
West Japan Railway Isetan Ltd.*		71,239	—	94.7

* 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	232,529	35.9	97.5
Accessories	79,537	12.3	99.1
Sundry goods	135,071	20.8	105.8
Household goods	27,358	4.2	96.3
Foods	137,499	21.2	95.4
Others	36,618	5.6	89.0
Total	**648,615**	**100.0**	**98.3**

(5) Change in assets and earnings

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

Item \ Fiscal term	7th Term Fiscal 2014 (From April 1, 2014 to March 31, 2015)	8th Term Fiscal 2015 (From April 1, 2015 to March 31, 2016)	9th Term Fiscal 2016 (From April 1, 2016 to March 31, 2017)	10th Term Fiscal 2017 (From April 1, 2017 to March 31, 2018) Consolidated fiscal year under review
Net sales (Million yen)	1,272,130	1,287,253	1,253,457	1,268,865
Operating income (Million yen)	33,083	33,107	23,935	24,413
Ordinary income (Million yen)	34,563	36,704	27,418	27,325
Net income (loss) attributable to parent company shareholders (Million yen)	29,886	26,506	14,976	(960)
Net income (loss) per share (Yen)	75.74	67.41	38.27	(2.47)
Total assets (Million yen)	1,291,560	1,293,043	1,312,074	1,284,208
Net assets (Million yen)	577,655	574,316	579,782	588,091
Net assets per share (Yen)	1,421.72	1,438.17	1,460.32	1,478.74
Capital-to-asset ratio (%)	43.39	43.56	43.36	44.88

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

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

Item \ Fiscal term	7th Term Fiscal 2014 (From April 1, 2014 to March 31, 2015)	8th Term Fiscal 2015 (From April 1, 2015 to March 31, 2016)	9th Term Fiscal 2016 (From April 1, 2016 to March 31, 2017)	10th Term Fiscal 2017 (From April 1, 2017 to March 31, 2018) Consolidated fiscal year under review
Operating revenues (Million yen)	18,831	15,886	35,970	15,572
Operating income (Million yen)	7,786	5,571	24,641	8,345
Ordinary income (Million yen)	7,898	5,267	23,479	7,054
Net income (Million yen)	6,081	5,072	22,381	2,539
Net income per share (Yen)	15.41	12.90	57.19	6.52
Total assets (Million yen)	743,333	755,212	784,322	741,614
Net assets (Million yen)	460,055	453,050	467,488	465,692
Net assets per share (Yen)	1,163.17	1,152.47	1,195.09	1,189.52
Capital-to-asset ratio (%)	61.68	59.77	59.36	62.52

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

(6) Status of significant subsidiaries (As of March 31, 2018)

1) Status of subsidiaries

Company Name	Paid-in Capital	Ownership Percentage by the Company (%)	Location of Main Store	Line of Business
Isetan Mitsukoshi Ltd.	¥10,000 mln.	100.0	Shinjuku-ku, Tokyo	Department store
Sapporo Marui Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Sapporo-shi, Hokkaido	Department store
Hakodate Marui Imai Ltd.	¥50 mln.	100.0	Hakodate-shi, Hokkaido	Department store
Sendai Mitsukoshi Ltd.	¥50 mln.	100.0	Aoba-ku, Sendai-shi, Miyagi	Department store
Niigata Isetan Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Niigata-shi, Niigata	Department store
Shizuoka Isetan Co., Ltd.	¥100 mln.	100.0	Aoi-ku Shizuoka-shi, Shizuoka	Department store
Nagoya Mitsukoshi Ltd.	¥50 mln.	100.0	Naka-ku, Nagoya-shi, Aichi	Department store
Hiroshima Mitsukoshi Ltd.	¥50 mln.	100.0	Naka-ku, Hiroshima-shi, Hiroshima	Department store
Takamatsu Mitsukoshi Ltd.	¥50 mln.	100.0	Takamatsu-shi, Kagawa	Department store
Matsuyama Mitsukoshi Ltd.	¥50 mln.	100.0	Matsuyama-shi, Ehime	Department store
Iwataya Mitsukoshi Ltd.	¥100 mln.	100.0	Chuo-ku, Fukuoka-shi, Fukuoka	Department store
Isetan (China) Investment Co., Ltd.	US$60,371 thou	100.0	Shanghai, PRC	Department store
Shanghai Mei Long Zhen Isetan Department Store Co., Ltd.	US$5,000 thou	80.0	Shanghai, PRC	Department store
Tianjin Isetan Co., Ltd.	US$2,100 thou	100.0	Tianjin, PRC	Department store
Tianjin Binhai New Area Isetan Co., Ltd.	US$12,000 thou	100.0	Tianjin, PRC	Department store
Chengdu Isetan Co., Ltd.	US$14,990 thou	100.0	Chengdu, Sichuan Prov., PRC	Department store
Isetan (Singapore) Ltd.	S$20,625 thou	52.7	Singapore City, Singapore	Department store
Isetan (Thailand) Co., Ltd.	290,000 thou bahts	49.0	Bangkok, Thailand	Department store
Isetan of Japan Sdn. Bhd.	20,000 thou ringgit	100.0	Kuala Lumpur, Malaysia	Department store
ICJ Department Store (Malaysia) Sdn. Bhd.	60,000 thou ringgit	51.0	Kuala Lumpur, Malaysia	Department store
Mitsukoshi (U.S.A.) Inc.	US$25,000 thou	100.0	Orlando, U.S.A.	Department store
Mitsukoshi Italia S.p.A.	5,118 thou euro	100.0	Rome, Italy	Department store
MICARD Co. Ltd.	¥1,100 mln.	100.0	Shinjuku-ku, Tokyo	Credit & finance / customer organization management
Isetan Mitsukoshi Food Service, Ltd.	¥100 mln.	100.0	Shinjuku-ku, Tokyo	Other retail & specialty store

Note: The Company has a direct ownership in Isetan Mitsukoshi Ltd., Sapporo Marui Mitsukoshi Ltd., Hakodate Marui Imai Ltd., Sendai Mitsukoshi Ltd., Niigata Isetan

Mitsukoshi Ltd., Shizuoka Isetan Co., Ltd., Nagoya Mitsukoshi Ltd., Hiroshima Mitsukoshi Ltd., Takamatsu Mitsukoshi Ltd., Matsuyama Mitsukoshi Ltd., Iwataya Mitsukoshi Ltd., and MICARD Co. Ltd., and an indirect ownership in all other companies.

2) Status of affiliates accounted for by the equity method

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

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

3) Status of specific wholly-owned subsidiaries

Name	Address	Total amount of book value	Total assets of the Company
Isetan Mitsukoshi Ltd.	3-14-1, Shinjuku, Shinjuku-ku, Tokyo,	¥430,854 mln.	¥741,614 mln.

(7) Principal lines of business (As of March 31, 2018)

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

(8) Principal sales and business establishments (As of March 31, 2018)

1) Department store

<Domestic>

Company & Store Name		Location
Isetan Mitsukoshi Ltd.	Mitsukoshi Nihombashi store	1-4-1, Nihombashi Muromachi, Chuo-ku, Tokyo
	Mitsukoshi Ginza store	4-6-16, Ginza, Chuo-ku, Tokyo
	Isetan Shinjuku store	3-14-1, Shinjuku, Shinjuku-ku, Tokyo
	Isetan Tachikawa store	2-5-1, Akebono-cho, Tachikawa-shi, Tokyo
	Isetan Urawa store	1-15-1, Takasago, Urawa-ku, Saitama-shi, Saitama
	Isetan Sagamihara store	4-4-3, Sagamioono, Minami-ku, Sagamihara-shi, Kanagawa
	Isetan Fuchu store	1-41-2, Miya-machi, Fuchu-shi, Tokyo
Sapporo Marui Mitsukoshi Ltd.	Sapporo Marui Imai main store	2-11, Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido
	Sapporo Mitsukoshi store	3-8, Minamiichizyounishi, Chuo-ku, Sapporo-shi, Hokkaido
Hakodate Marui Imai Ltd.		32-15, Hon-cho, Hakodate-shi, Hokkaido
Sendai Mitsukoshi Ltd.		4-8-15, Ichiban-cho, Aoba-ku, Sendai-shi, Miyagi
Niigata Isetan Mitsukoshi Ltd.	Niigata Mitsukoshi store	866, Nishiboridori Goban-cho, Chuo-ku, Niigata-shi, Niigata
	Niigata Isetan store	1-6-1, Yachiyo, Chuo-ku, Niigata-shi, Niigata
Shizuoka Isetan Co., Ltd.		1-7, Gofukucho, Aoi-ku, Shizuoka-shi, Shizuoka
Nagoya Mitsukoshi Ltd.	Sakae store	3-5-1, Sakae, Naka-ku, Nagoya-shi, Aichi
	Hoshigaoka store	14-14, Hoshigaokamotomachi, Chikusa-ku, Nagoya-shi, Aichi
Hiroshima Mitsukoshi Ltd.		5-1, Ebisu-cho, Naka-ku, Hiroshima-shi, Hiroshima
Takamatsu Mitsukoshi Ltd.		7-1, Uchimachi, Takamatsu-shi, Kagawa
Matsuyama Mitsukoshi Ltd.		3-1-1, Ichiban-cho, Matsuyama-shi, Ehime
Iwataya Mitsukoshi Ltd.	Iwataya main store	2-5-35, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
	Iwataya Kurume store	1-1, Tenjinmachi, Kurume, Fukuoka
	Fukuoka Mitsukoshi store	2-1-1, Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka
West Japan Railway Isetan Ltd.	JR Kyoto Isetan	901, Higashishiokojimachi, Karasumadorishiokouji-kudaru, Shimogyo-ku, Kyoto-shi, Kyoto

<Overseas>

Company Name	Location
Shanghai Mei Long Zhen Isetan Department Store Co., Ltd.	Shanghai, PRC
Tianjin Isetan Co., Ltd.	Tianjin, PRC
Chengdu Isetan Co., Ltd.	Chengdu, Sichuan Prov., PRC
Tianjin Binhai New Area Isetan Co., Ltd	Tianjin, PRC
Isetan (Singapore) Ltd.	Singapore City, Singapore
Isetan (Thailand) Co., Ltd.	Bangkok, Thailand
Isetan of Japan Sdn. Bhd.	Kuala Lumpur, Malaysia
ICJ Department Store (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia
Mitsukoshi (U.S.A.) Inc.	Orlando, U.S.A.
Mitsukoshi Italia S.p.A.	Rome, Italy
Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan)	Taipei, Taiwan

2) Credit & finance / customer organization management

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

3) Other retail & specialty store

Company Name	Location
Isetan Mitsukoshi Food Service, Ltd.	2-18-20, Nishiochiai, Shinjuku-ku, Tokyo

4) Real estate

Company Name	Location
Isetan Mitsukoshi Real Estate Co., Ltd.	6-27-30, Shinjuku, Shinjuku-ku, Tokyo

(9) Employees (As of March 31, 2018)

Employees of the Company and its subsidiaries

	Number of employees	Change from the end of previous fiscal year
Department store	9,391	103 decrease
Credit & finance / customer organization management	705	49 decrease
Other retail & specialty store	586	5 increase
Real estate	464	43 increase
Other businesses	3,123	1,991 increase
Total	**14,269**	**1,887 increase**

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

(10) Principal lenders and borrowings (As of March 31, 2018)

Borrowing made by the Company and its subsidiaries

Lenders	Amounts borrowed (¥ million)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,900
Sumitomo Mitsui Banking Corporation	13,900
Mitsubishi UFJ Trust and Banking Corporation	6,000
Sumitomo Mitsui Trust Bank, Limited	6,000
Syndicated loan	45,000

Note: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. on April 1, 2018.

2. Matters related to the Company shares (As of March 31, 2018)

(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, 2018	395,482,554
Change from the end of previous fiscal year	+ 250,500

Note: The above figures include 5,693,442 treasury shares.

(3) Number of shareholders

	Number of Shareholders
At the end of the fiscal year ended March 31, 2018	227,473
Change from the end of previous fiscal year	+ 9,342

(4) Major shareholders

Name of Shareholders	Number of Shares Held	Voting Rights Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	33,240,000	8.53
Japan Trustee Services Bank, Ltd. (Trust account)	21,796,300	5.59
The Mitsukoshi Health and Welfare Foundation	13,667,832	3.51
Isetan Mitsukoshi Group's partner holding companies	7,722,278	1.98
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,035,300	1.80
SHIMIZU CORPORATION	6,200,000	1.59
STATE STREET BANK WEST CLIENT-TREATY 505234	5,896,400	1.51
Meiji Yasuda Life Insurance Company	5,697,279	1.46
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,342,995	1.37
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,327,900	1.37

Notes:
1. Treasury stock (5,693,442 shares) is deducted from Voting Rights Percentage.
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. on April 1, 2018.

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

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

	Name of stock acquisition rights	No. of stock acquisition rights issued	No. of holders
Directors (not including Outside Directors)	13th Stock Acquisition Rights	34	1
	15th Stock Acquisition Rights	106	2
	17th Stock Acquisition Rights	196	3
	18th Stock Acquisition Rights	156	2
	19th Stock Acquisition Rights	356	4
	20th Stock Acquisition Rights	108	1
	21st Stock Acquisition Rights	309	5
	23rd Stock Acquisition Rights	256	5
	25th Stock Acquisition Rights	247	5
	27th Stock Acquisition Rights	293	4
	29th Stock Acquisition Rights	619	5
Directors (Outside Directors)	N/A		
Corporate Auditors (not including Outside Auditors)	13th Stock Acquisition Rights	88	1
	16th Stock Acquisition Rights	60	1
	18th Stock Acquisition Rights	89	1
	20th Stock Acquisition Rights	82	1
	21st Stock Acquisition Rights	58	1
	22nd Stock Acquisition Rights	66	1
	23rd Stock Acquisition Rights	106	2
	25th Stock Acquisition Rights	52	1
Corporate Auditors (Outside Auditors)	N/A		

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

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

Number of the stock acquisition rights issued (as of the date issued)	975
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	97,500 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥88,200 per unit (¥882 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	April 1, 2011 through February 26, 2026
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

Number of the stock acquisition rights issued (as of the date issued)	930
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	93,000 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥97,000 per unit (¥970 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2012 through February 15, 2027
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

Number of the stock acquisition rights issued (as of the date issued)	1,966
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	196,600 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥97,000 per unit (¥970 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2012 through February 15, 2027
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

Number of the stock acquisition rights issued (as of the date issued)	2,450
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	245,000 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥84,500 per unit (¥845 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2013 through February 17, 2028
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

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

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

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

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

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

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

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

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

Number of the stock acquisition rights issued (as of the date issued)	611
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	61,100 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥114,600 per unit (¥1,146 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	March 1, 2015 through February 14, 2030
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

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

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

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

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

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

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

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

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

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

The Company issued and delivered the stock acquisition rights whose details are outlined in (1) 29th Stock Acquisition Rights to executive officers of the Company during the fiscal year under review. In addition, the Company issued and delivered the stock acquisition rights (30th Stock Acquisition Rights), whose details are outlined below, to executive officers of the Company's subsidiaries during the fiscal year under review.

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

	Date of delivery	Exercise price	Exercise period	No. of rights	No. of recipients
Executive officers and general managers of the Company (excluding persons serving concurrently as Directors of the Company)	October 13, 2017	¥1	From November 1, 2018 to October 13, 2033	1,064	16
Executive officers and general managers of subsidiaries (excluding persons serving concurrently as Directors of subsidiaries and executive officers of the Company)	October 13, 2017	¥1	From November 1, 2018 to October 13, 2033	962	16

30th Stock Acquisition Rights (Issued on October 13, 2017)

Number of the stock acquisition rights issued (as of the date issued)	1,172
Type and number of shares issuable upon exercise of the stock acquisition rights (as of the date issued)	117,200 common shares (100 shares per stock acquisition right)
Price payable for each stock acquisition right	¥121,400 per unit (¥1,214 per share)
Price payable for capitalization upon exercise of each stock acquisition right	¥100 per unit (¥1.00 per share)
Period for exercising the stock acquisition rights	November 1, 2018 through October 13, 2033
Restrictions on acquisition of the stock acquisition rights by assignment	Stock acquisition rights may be exercised while holding the position of director, executive officer, corporate auditor, advisor, senior executive or consultant at the Company or any of the Company's subsidiaries or within five years of the date when the person resigned from any of the relevant positions. However, this shall not extend beyond the "period for exercising the stock acquisition rights."

4. Matters concerning Directors and Auditors (As of March 31, 2018)

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

Position	Name	Areas of responsibility, representation at other companies, etc.
Chairman and Representative Director	Ken Akamatsu	Chairman and Representative Director, Isetan Mitsukoshi Ltd. Vice Chairman, Shin Kong Mitsukoshi Department Store Co., Ltd. Chairman, Japan Department Stores Association
President and Representative Director	Toshihiko Sugie	President and Representative Director, Isetan Mitsukoshi Ltd.
Director	Toru Takeuchi	Director, Senior Managing Executive Officer, General Manager, Department Store Business Headquarters, General Manager, Merchandising Headquarters, Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer	Hideharu Wada	General Manager, Administration Headquarters Director, Managing Executive Officer, General Manager, Administration Headquarters, Isetan Mitsukoshi Ltd.
Director, Managing Executive Officer	Toshinori Shirai	General Manager, Strategic Planning Headquarters Director, Isetan Mitsukoshi Ltd.
Outside Director	Shouei Utsuda	Counselor, MITSUI & CO., LTD. Chairman, The Japan – Vietnam Association Outside Director, Nomura Research Institute, Ltd. Outside Director, Tokyo Electric Power Company Holdings, Incorporated
Outside Director	Yoshinori Ida	Special Executive Advisor, Isuzu Motors Limited
Outside Director	Katsunori Nagayasu	Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. Outside Audit & Supervisory Board Member, Nippon Steel & Sumitomo Metal Corporation Outside Audit & Supervisory Board Member, Mitsubishi Motors Corporation Outside Director, Kirin Holdings Company, Limited Outside Director, Mitsubishi Electric Corporation
Full-time Corporate Auditor	Hidenori Takeda	Corporate Auditor, MICARD Co. Ltd.
Full-time Corporate Auditor	Yoshio Takino	Corporate Auditor, West Japan Railway Isetan Ltd.
Outside Corporate Auditor	Koichi Miyata	Chairman of the Board, Sumitomo Mitsui Financial Group, Inc. Chairman of the Board, Sumitomo Mitsui Banking Corporation Outside Director, Sony Corporation Outside Director, MITSUI LIFE INSURANCE COMPANY LIMITED
Outside Corporate Auditor	Hirotaka Fujiwara	Representative Attorney, Legal Professional Corporation Hikari Sogoh Law Offices

Position	Name	Areas of responsibility, representation at other companies, etc.
Outside Corporate Auditor	Takeo Hirata	Professor, Graduate School of Sport Sciences, Waseda University Outside Company Auditor, Rakuten, Inc. Special Adviser to the Cabinet Chairman, Japan Society of Sports Industry

Notes:

1. As of April 1, 2018, the position of Toshihiko Sugie has changed from Isetan Mitsukoshi Holdings (“IMH”) President and Representative Director, Executive Officer and Isetan Mitsukoshi (“IM”) President and Representative Director, Executive Officer to IMH President and Representative Director, Executive Officer (CEO) and CDTO and IM President and Representative Director, Executive Officer.
2. As of April 1, 2018, the position of Toru Takeuchi has changed from Director of IMH and Director, Senior Managing Executive Officer, General Manager of Department Store Business Headquarters and Merchandising Headquarters of IM to Director of IMH and Director, Senior Managing Executive Officer, General Manager of Department Store Business Headquarters of IM.
3. As of April 1, 2018, the position of Hideharu Wada has changed from Director, Managing Executive Officer, General Manager, Administration Headquarters of IMH and Director, Managing Executive Officer, General Manager, Administration Headquarters of IM to Director, Managing Executive Officer, CACO of IMH and Director of IM.
4. As of April 1, 2018, the position of Toshinori Shirai has changed from Director, Managing Executive Officer, General Manager of Strategic Planning Headquarters of IMH and Director of IM to Director, Managing Executive Officer, CSRO of IMH and Director of IM.
5. As of April 1, 2018, the position of Katsunori Nagayasu changed from the Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. to the Special Advisor of MUFG Bank, Ltd.
6. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. on April 1, 2018.
7. Hidenori Takeda has significant knowledge of finance and accounting through his experience with financial institutions as branch manager and general manager of corporate sales division.
8. The Company has designated Outside Directors Shouei Utsuda and Yoshinori Ida and Outside Corporate Auditors Hirotaka Fujiwara and Takeo Hirata, each as an independent officer based on the provisions of the Tokyo Stock Exchange and the Fukuoka Stock Exchange, and has notified both stock exchanges thereof.
9. On January 12, 2018, our subsidiary Isetan Mitsukoshi Ltd. was handed a cease and desist order and Order for Payment of Surcharge on the grounds of "unfair trading restrictions” under the Antimonopoly Act by the Japan Fair Trade Commission. It was found to have engaged in “exchange of information” and “price adjustment” with competing enterprises in advance of receipt of orders in transactions involving uniforms to be used at East Japan Railway Company. Mr. Shouei Utsuda, Mr. Yoshinori Ida and Mr. Katsunori Nagayasu have made various recommendations on legal and regulatory compliance at the Board of Directors meeting, and Koichi Miyata, Hirotaka Fujiwara and Takeo Hirata likewise at the Board of Corporate Auditors meeting and the Board of Directors meeting. Through deliberations at the Board of Directors meeting, even after this was discovered, commitments were made to compile measures for prevention of recurrence of such an event at the Company or the Group including the subsidiary in question, and to broaden awareness and strengthen training among all employees with regard to this matter.

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

1) New appointments

As of June 21, 2017

Chairman and Representative Director	Ken Akamatsu
Director	Toru Takeuchi
Director, Managing Executive Officer	Toshinori Shirai
Outside Corporate Auditor	Takeo Hirata

2) Resignation

As of June 21, 2017

Chairman and Representative Director	Kunio Ishizuka
Director	Takuya Matsuo
Director	Hiroshi Onishi

3) Changes in position

There was a change in position as of April 1, 2017 as follows.

・President and Representative Director, Executive Officer Toshihiko Sugie
(Director, Senior Managing Executive Officer)

・Director Hiroshi Onishi
(President and Representative Director)

・Director Takuya Matsuo
(Director, Senior Managing Executive Officer)

(Note) Position in parentheses denotes position before the change.

(3) Outline of limited liability agreements

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

(4) Total payments to Directors and Corporate Auditors

Classification	Fixed Compensation		Directors' Bonuses		Stock Option	
	Number of Payees	Amount of Payment (Millions of yen)	Number of Payees	Amount of Payment (Millions of yen)	Number of Payees	Amount of Payment (Millions of yen)
Directors (Outside Directors out of total)	11 (3)	192 (32)	– (–)	– (–)	5 (–)	75 (–)
Corporate Auditors (Outside Corporate Auditors out of total)	5 (3)	70 (26)	– (–)	– (–)	– (–)	– (–)
Total	16 (6)	262 (58)	– (–)	– (–)	5 (–)	75 (–)

Notes:

1. For Directors who also assume executive role, the amount of payment above does not include the salaries for the executive portion.
2. The table above includes three (3) Directors who resigned at the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 21, 2017.
3. As compensation for Directors and Corporate Auditors is as laid out below in (5) "Policies concerning compensation for Directors and Corporate Auditors or its determination," we have introduced a method of performance-based calculation. However, for the period under review, we have decided to pay no Director compensation, regardless of performance evaluation, to clarify their managerial responsibility for the results.
4. With regard to stock options, this is the aggregate fair value of stock acquisition rights for which rights were established and which were granted on October 13, 2017 by resolution of a meeting of the Board of Directors held on September 28, 2017, based on a resolution at the 1st Ordinary General Meeting of Shareholders held on June 29, 2009.

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

1) Basic policy of compensation for Directors

The Company has the following four basic policies.

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

The compensation system comprises three specific elements:

- Monthly fixed basic compensation (for the Board of Directors as a whole, the monthly compensation total is capped at ¥23 million)
- As a near-term incentive, payment of an annual performance-linked bonus (does not include Outside Directors)
  (The baseline is six months' pay, and the payout total varies from 0% to 200% depending on the progress of individual Directors in meeting their targets)
- Stock options, which are linked to corporate value as a medium- to long-term incentive (does not include Outside Directors)
  (This incentive entails assignment of stock acquisition rights equivalent to 50% of the annual basic compensation)

Furthermore, compensation for Corporate Auditors consists only of "basic compensation" that

is provided on a monthly basis.

2) Procedures regarding the above
In line with the above policies, compensation for Directors is deliberated upon by the Nomination and Remuneration Committee (composed of the five members of three Outside Directors and two Representative Directors) chaired by an Outside Director, and reported to the Board of Directors.

(6) Matters concerning Outside Directors and Outside Corporate Auditors

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

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

Note: The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. on April 1, 2018.

2) Major activities in the fiscal year

Position	Name	Major Activities
Director	Shouei Utsuda	He attended all of the 15 meetings of the Board of Directors held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate from his objective standpoint on overall corporate management. Utsuda is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Director	Yoshinori Ida	He attended all of the 15 meetings of the Board of Directors held during the fiscal year, and made necessary comments on discussion items and deliberation items as appropriate from his broad knowledge on developments in industrial sectors. Ida is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Director	Katsunori Nagayasu	He attended 12 meetings of the Board of Directors out of the 15 meetings held during the fiscal year, and made necessary comments on discussion items and deliberation items based on his broad experience as executive officers in business. Nagayasu is also a member of the Nomination and Remuneration Committee, a discretionary advisory committee, and plays an important role in deliberations on appointment and remuneration of Directors, etc. and in reporting to the Board of Directors.
Corporate Auditor	Koichi Miyata	He attended all of the 14 meetings of the Board of Corporate Auditors and all of the 15 meetings of the Board of Directors held during the fiscal year, and made necessary comments as a Corporate Auditor, including offering opinions on discussion items and deliberation items based on his broad experience in the finance industry.
Corporate Auditor	Hirotaka Fujiwara	He attended all of the 14 meetings of the Board of Corporate Auditors and all of the 15 meetings of the Board of Directors held during the fiscal year, and made necessary comments as a Corporate Auditor, including offering opinions on discussion items and deliberation items mainly from the standpoint of professional lawyer.

Position	Name	Major Activities
Corporate Auditor	Takeo Hirata	Since assuming the post on June 21, 2017, he attended 8 meetings of the Board of Corporate Auditors out of the 10 meetings and 10 meetings of the Board of Directors out of the 12 meetings held during the fiscal year, and has duly expressed himself as required of a Corporate Auditor, giving opinions regarding resolutions and deliberations, etc. based on his wealth of service experience to date.

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

5. Matters concerning independent auditors

(1) Name of the independent auditor

Ernst & Young ShinNihon LLC

(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	¥115 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.	¥1 Million
Total	¥116 Million
3) Total monetary and other financial benefits payable by the Company and its subsidiaries	¥261 Million

Notes:

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

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

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

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

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

Basic policies for internal control systems

1. Compliance System

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

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

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

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

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

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

2. Risk Management System

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

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

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

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

(4) Through inspections by the Internal Audit Division, the Company shall detect risks of the

Company in the early stages and address these risks.

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

3. Internal Control system for financial reporting

"System to ensure appropriateness of the financial reporting"

(1) The Company shall specify company-wide policies and procedures to ensure adequate financial reporting, as well as maintain and implement them appropriately.

(2) The Company shall appropriately evaluate and address the risks of misrepresentation of material items in financial reporting.

(3) The Company shall appropriately maintain and implement the structures to mitigate the risks of misrepresentation of material items in financial reporting.

(4) The Company shall maintain and implement mechanism to ensure identification, capturing and processing of true and fair information, and to ensure timely communication of the information to appropriate person.

(5) The Company shall maintain and implement monitoring system regarding financial reporting.

(6) The Company shall maintain system to ensure timely and appropriate reporting of weaknesses (deficiencies) of the internal control identified through the monitoring.

(7) The Company shall handle IT concerning internal control over financial reporting appropriately.

4. Data Retention and Management System

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

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

a. Minutes of the General Meeting of Shareholders
b. Minutes of the Meetings of the Board of Directors
c. Minutes of the Meetings of the Corporate Management Committee
d. Accounting Documents
e. Copies of documents submitted to government offices and other public organizations, and stock exchanges
f. Other Documents as determined by the Board of Directors

(2) The Company shall establish regulations and rules such as "Information Retention Policies" regarding protection and management of such information as management information, trade

secrets and personal information of customers and others that need to be managed as confidential information in accordance with laws and regulations such as the Corporation Law of Japan, the Financial Instruments and Exchange Act, etc., and the related Directors and employees shall observe these rules and regulations to protect securities of these information.

5. Framework for efficient execution of duties

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

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

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

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

(4) The Company shall define details of duties, responsibilities and procedures in "Regulations of Decision Making Process for the Group", "Regulations of Duties and Authority", and "Regulations of the Conduct of the Business" for execution of duties that are based on the decisions by the Board of Directors.

6. Framework of group corporate principles

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

Each Group company shall establish its regulations and rules based on the Isetan Mitsukoshi Group Principles.

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

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

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

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

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

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

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

(2) The Group companies shall receive the approval of the Company’s Corporate Management Committee or its Board of Directors for important items whose management is deemed to have major effects.

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

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

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

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

7. Matters concerning audit staff

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

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

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

8. Framework for reporting to the Corporate Auditor

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

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

   (2) The Company shall work in corporation with the Board of Corporate Auditors to ensure that adequate reporting system is in place for matters concerning violations of laws and regulations and other compliance related issues through implementation of internal hotline system, the Isetan Mitsukoshi Group Hotline, and maintenance of appropriate operations of the system.

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

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

c. “Systems to ensure that individuals who give applicable reports under items 1) and 2) are not subject to unfavorable treatment because of such reporting” (Article 100, Paragraph 3, Item 5 of

the Ordinance for Enforcement of the Corporation Law)

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

9. Policy for Processing Auditing Fees

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

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

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

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

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

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

Operational status of the system to ensure appropriate conduct of business

The operational status of the system to ensure appropriate conduct of business during the fiscal year under review was as follows.

◆ Status of measures regarding compliance

- During the fiscal year under review, 15 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, new employee training, training for managers, etc. upon promotion, new position training, compliance training according to duties and management level, training via e-learning, etc. were implemented.
- The Internal Audit Office, implemented internal control evaluations based on the Financial Instruments and Exchange Act targeting Group companies that were selected based on

financial and qualitative significance in an aim to secure appropriateness of financial reporting, and conducted audits on the effectiveness and adequacy of business, followed by evaluation and proposals on improvements.

- By establishing the “Isetan Mitsukoshi Group Hotline” based on the Whistleblower Protection Act, the Company has constructed a system for a dedicated internal department and an outside attorney office to receive reports.
- In regard to cease and desist orders and surcharge payment orders from the Japan Fair Trade Commission based on the Antimonopoly Act, on January 12, 2018, Isetan Mitsukoshi Ltd., an operating company in the Group, received a cease and desist order and surcharge payment order from the Japan Fair Trade Commission based on the Antimonopoly Act.

  In response to these orders, the operating company Isetan Mitsukoshi Ltd. is conducting training for employees, and implementing initiatives aimed at preventing reoccurrence.

  In addition, the Group is endeavoring to strengthen and ensure thorough awareness of fair trade, including formulating new rules for contacting industry peers and competitors, and stipulating the prohibition of undue restriction of business related to fair trade, as it makes a renewed effort to promote fair trade.

◆ Status of measures regarding risk management

- The meetings of the Compliance and Risk Management Committee, which serves as the advisory body to the Management Committee, were held two times, and information was shared and opinions were exchanged regarding significant risks of the Group.
- The Company has formulated a “Business Continuity Plan” that supposes a large-scale natural disaster or pandemic. Drills to increase the effectiveness of the plan are periodically implemented, and efforts are made to realize continuous improvement.
- In response to amendments to the Act on the Protection of Personal Information, the Company has revised and implemented the Personal Information Management Rules, Specified Personal Information Management Rules, and Privacy Policy.
- In order to further strengthen and enhance information management systems, the Company revised the Information Retention Policies, revising the definition of confidential information, in addition to adding new detailed procedures related to all steps for handling confidential information, from designation to disposal, as supplementary provisions. In addition, the Company positioned the IR Policy, which had previously been publicly announced, as important internal regulations.

◆ Status of measures regarding the management of Group companies

- Based on reports and deliberations rules of the Company as defined in the “Regulations on

Group Company Management," the Company secures appropriateness of operations across all Group companies.

- For newly appointed executives at Group companies, compliance training is periodically implemented to deepen understanding of the Corporation Law.
- While respecting the independence of management of Group companies, Directors and Corporate Auditors are dispatched to Group companies as required to promote the appropriateness of operations, and the Company works to grasp the status of management.

◆ Status regarding business execution of Corporate Auditors

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

7. Measures Regarding Corporate Governance

Basic Views

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

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

Nomination and selection policy and procedure for candidates for Director and Corporate Auditor

◆Policy for nomination and selection

In addition to ensuring that the process of nominating and selecting candidates for Director and Corporate Auditor adheres to laws and regulations, account is taken of breadth of knowledge, ethical standards, and depth of experience.

◆Procedures related to the above policy

Discussions are held regarding candidates for Director and Corporate Auditor by the Nomination and Remuneration Committee, chaired by an Outside Director, and reports are submitted to the Board of Directors.

Roles, responsibilities and structure of the Board of Directors

◆Roles and responsibilities of the Board of Directors

Based on its obligations of stewardship and accountability to the shareholders, the Board of Directors of the Company formulates and carries out medium-to-long-term planning, establishes internal control and risk management systems, and is engaged in other initiatives with the aim of furthering the sustainable growth of the Group and medium-to-long-term corporate value, earnings potential and capital efficiency.

To further raise corporate governance standards, the Board of Directors has set up the Nomination and Remuneration Committee chaired by an Outside Director, as an advisory organ of the Board of Directors. This Committee duly and highly effectively oversees the Board of Directors and management team.

◆Structure of the Board of Directors

For the purposes of achieving sustainable growth for the Group and medium-to-long-term improvement in corporate value we believe the Board of Directors must not only oversee the conduct of business operations, but also to provide supervision and advice even on matters such as the appropriateness of decision-making on management, which requires multiple diverse Outside Directors. As of March 31, 2018, the Company had 8 Directors, of whom 3 were Outside Directors. The Board of Directors features a diverse range of expertise, with members having experience and specialist knowledge in many different fields.

The Nomination and Remuneration Committee

Having adopted the format of company with board of company auditors, the Company has set up a Nomination and Remuneration Committee of which over half the members are Outside Directors, and which deliberates matters related to the nomination of senior management and all other officers and their remuneration. Additionally, in regard to succession planning, every year the Nomination and Remuneration Committee confirms and shares information regarding the terms of office of senior management and their successors, thereby creating an environment that allows changes in senior management to be made according to the judgment of Outside Directors. The Committee comprises 3 Outside Directors and 2 Representative Directors, with an Outside Director as chair. Furthermore, if the election of Ms. Michiko Kuboyama as Director is approved at this General Meeting of Shareholders, the composition of the Nomination and Remuneration Committee will change to 4 Outside Directors and 1 Representative Director. The Nomination and Remuneration Committee has met over 110 times in the 10 years since the Company was established, and contributes significantly to ensuring the transparency and fairness of the Board of Directors as a key element of the corporate governance of the Company.

Overview of Independence Standards for Designation of Independent Directors and Independent Auditors

The Company has compiled its proprietary “Independence Standards for Independent Directors and Independent Auditors of Isetan Mitsukoshi Holdings Ltd.,” for assessing independence when designating Outside Directors and Outside Corporate Auditors as Independent Directors and Independent Auditors. Outside officers who do not come under any of the following categories may

be nominated as Independent Directors or Independent Auditors.

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

A “major business partner” in 2) and 3) above means “any business partner for whom the annual transaction amount with the Company, on a consolidated basis, exceeds 1% of the total annual transaction amount of either party, over the preceding 3 years, even if this occurs on only one occasion,” and a “certain sum” in 5) above means “a sum of at least 10 million yen in any of the preceding 3 fiscal years.”

However, we recruit candidates for outside officers based not only on independence criteria but also according to requirements for outside officers provided under the Companies Act and the following nomination policy.

Outside Directors

- We select Outside Directors from different fields and industries, with an emphasis on diversity of opinion, to ensure account is taken of a wide range of opinions from objective and specialist perspectives, and ensure well-balanced management.
- In that regard, recruitment focuses mainly on candidates with practical business-world experience, to ensure not only that Outside Directors can supervise the execution of business operations, but also provide supervision and advice on the appropriateness of decision-making on management itself.

Outside Corporate Auditors

- We select Outside Corporate Auditors from different fields and industries, to ensure that audits are carried out from a neutral and objective standpoint.
- In that regard, recruitment focuses mainly on candidates with a wealth of knowledge and experience in relevant fields, so as to ensure that the audits of Outside Corporate Auditors identify potential legal and accounting issues existing in the processes and contents of management decision-making.

Analysis and appraisal of the effectiveness of the Board of Directors

Following on from that of fiscal 2017, the Company carried out a second analysis and appraisal of the effectiveness of the Board of Directors. Again, the evaluation method was self-appraisal. This went beyond looking at the composition and operation of the Board of Directors in situ, and included discussions on the effectiveness of the organizational design, nomination and remuneration provisions and other matters, from wide-ranging perspectives. As a result, the effectiveness of meetings of the Company's Board of Directors was duly confirmed. Thanks to remedial measures taken in fiscal 2017 to rationalize agendas and systematize items, we were able to bring more focus to broad issues than in the past and further reaffirm that discussions were more effective.

In that regard, the following policy orientations were confirmed, in measures to further step up the roles of the Board of Directors.

◆ Take further measures to ensure diversity of opinion in the composition of the Board of Directors

◆ Ensure further, deeper improvements enabling more timely and effective agenda-setting

◆ Go beyond operational improvements, and discuss in a multilateral, radical way future approaches to corporate governance, including organizational design, criteria for appointment and dismissal of executives and executive remuneration packages, to promote improvement.

Through such measures, we aim to further strengthen the roles of the Board of Directors and improve governance at the Group as a whole.

Policy regarding strategically held stock

◆Policy regarding stock held strategically by the Company

To ensure effective corporate governance, help achieve sustainable growth at the Group and medium-to-long-term improvement of corporate value, and maintain and strengthen trading relationships with product suppliers, funding providers and other parties, the Company may hold shares of certain other companies for strategic reasons in cases where it judges this to be necessary. We may review the viability of such shareholdings at any time, in the interests of effective corporate

governance.

◆Criteria of the Company for exercise of voting rights regarding strategically-held stocks

For the exercise of the voting rights regarding strategically held shares, an overall judgement is made as to whether such shareholdings will help boost sustainable corporate value for the Company, and whether such shareholdings will contribute to sustainable growth of the Group and medium-to-long-term improvement in corporate value. Voting rights are then duly exercised for each resolution.

8**. Policies on determination of surplus dividend**

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

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

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

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

Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets	**1,284,208**	**Liabilities**	**696,116**
Current assets	**282,163**	**Current liabilities**	**401,483**
Cash and deposits	55,710	Notes and accounts payable	113,119
Notes and accounts receivable	134,082	Current portion of bonds payable	10,000
Marketable securities	380	Short-term borrowings	30,672
Inventories	51,890	Income taxes payable	5,272
Deferred tax assets	16,439	Gift certificates	82,084
Other	26,853	Deferred tax liabilities	1
Allowance for doubtful accounts	(3,194)	Accrued bonuses	12,466
Fixed assets	**1,001,912**	Allowance for customer-discount points	9,686
Tangible fixed assets	**744,624**	Allowance for redemption of gift certificates	29,258
Buildings and structures	174,148	Other	108,921
Land	539,724	**Long-term liabilities**	**294,632**
Construction in progress	8,035	Corporate bonds	30,000
Other	22,715	Long-term debt	69,300
Intangible fixed assets	**59,364**	Deferred tax liabilities	138,464
Software	22,534	Net defined benefit liability	37,597
Goodwill	6,794	Provision for loss on business of subsidiaries and affiliates	105
Other	30,035	Liabilities from application of equity method	1,874
Investments and other assets	**197,923**	Other	17,292
Investment securities	126,673	**Net assets**	**588,091**
Long-term loans receivable	332	**Shareholders' equity**	**557,214**
Guarantee deposits	59,288	**Common stock**	**50,461**
Net defined benefit asset	3,476	**Capital surplus**	**322,807**
Deferred tax assets	1,866	**Retained earnings**	**193,239**
Other	6,537	**Treasury stock**	**(9,294)**
Allowance for doubtful accounts	(250)	**Accumulated other comprehensive income**	**19,182**
Deferred assets	**132**	Unrealized gain on other securities	**10,094**
Corporate bond issuance cost	132	Deferred gains/losses on hedge	**39**
		Foreign currency translation adjustments	**9,858**
		Remeasurements of defined benefit plans	**(810)**
		Stock acquisition rights	**2,028**
		Non-controlling interests	**9,666**
Total assets	**1,284,208**	**Total liabilities, net assets and non-controlling interests**	**1,284,208**

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

Consolidated Statement of Income
(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	Amount	
Net sales		1,268,865
Cost of sales		901,582
Gross profit		367,282
Selling, general and administrative expenses		342,869
Operating income		24,413
Nonoperating income		
Interest and dividend income	2,134	
Share of profit of entities accounted for using equity method	3,548	
Income on uncollected gift certificates	5,550	
Gain on donation of fixed assets	2,182	
Other	1,435	14,851
Nonoperating expenses		
Interest expenses	839	
Loss on retirement of fixed assets	1,615	
Transfer from allowance for loss on collected gift certificates	5,500	
Other	3,984	11,939
Ordinary income		27,325
Extraordinary income		
Gain on sales of non-current assets	85	
Gain on sales of investments securities	1,147	1,232
Extraordinary losses		
Loss on disposal of fixed assets	963	
Impairment loss	11,187	
Loss on closing of stores	2,415	
Amortization of goodwill	3,368	
Loss on liquidation of subsidiaries and associates	1,049	
Loss on transfer of business	1,120	
Business structure improvement expenses	5,030	
Other	989	26,124
Income before income taxes		2,433
Corporate taxes	5,807	
Deferred taxes	(2,527)	3,279
Loss		(845)
Profit attributable to non-controlling interests		114
Loss attributable to parent company shareholders		(960)

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

Summary of Consolidated Statement of Cash Flow [For Reference]
(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	Amount
Cash flow from operating activities	**72,972**
Cash flow from investment activities	**(26,981)**
Cash flow from financing activities	**(52,753)**
Translation adjustments related to cash and cash equivalents	**432**
Changes in cash and cash equivalents	**(6,329)**
Beginning balance of cash and cash equivalents	**60,024**
Increase in cash and cash equivalents resulting from change of scope of consolidation	**275**
Ending balance of cash and cash equivalents	**53,969**

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

Consolidated Statement of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	**50,328**	**322,699**	**195,184**	**(9,286)**	**558,925**
Changes during current period					
Issuance of new shares	132	132	–	–	265
Allocation of retained earnings	–	–	(4,675)	–	(4,675)
Loss attributable to parent company shareholders	–	–	(960)	–	(960)
Acquisition of treasury stock	–	–	–	(8)	(8)
Disposition of treasury stock	–	(0)	–	0	0
Change of scope of application for consolidation and equity method	–	–	3,690	–	3,690
Changes in equity interest of parent company after transactions with non-controlling interest	–	(23)	–	–	(23)
Net changes other than shareholders' equity during current period	–	–	–	–	–
Total change during current period	**132**	**108**	**(1,945)**	**(7)**	**(1,711)**
Balance as of March 31, 2018	**50,461**	**322,807**	**193,239**	**(9,294)**	**557,214**

(Millions of yen)

Account item	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Unrealized gains on other securities	Deferred gains/losses on hedge	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2017	**5,989**	**0**	**5,697**	**(1,754)**	**9,933**	**1,946**	**8,977**	**579,782**
Changes during current period								
Issuance of new shares	–	–	–	–	–	–	–	265
Allocation of retained earnings	–	–	–	–	–	–	–	(4,675)
Loss attributable to parent company shareholders	–	–	–	–	–	–	–	(960)
Acquisition of treasury stock	–	–	–	–	–	–	–	(8)
Disposition of treasury stock	–	–	–	–	–	–	–	0
Change of scope of application for consolidation and equity method	–	–	–	–	–	–	–	3,690
Changes in equity interest of parent company after transactions with non-controlling interest	–	–	–	–	–	–	–	(23)
Net changes other than shareholders' equity during current period	4,105	39	4,160	943	9,248	81	689	10,019
Total changes during current period	**4,105**	**39**	**4,160**	**943**	**9,248**	**81**	**689**	**8,308**
Balance as of March 31, 2018	**10,094**	**39**	**9,858**	**(810)**	**19,182**	**2,028**	**9,666**	**588,091**

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

Notes to Consolidated Financial Statements

[Basis for Preparation of Consolidated Statutory Reports]

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 43

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

From the fiscal year under review, ICJ Department Store (Malaysia) Sdn. Bhd. has been included in the scope of consolidation due to its increased significance. Additionally, LEO MART Ltd. has been excluded from the scope of consolidation as its significance is immaterial.

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

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

2. Application of equity method

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

Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), West Japan Railway Isetan Ltd., ITM Clover Co., Ltd., Shinjuku Subnade Co., Ltd., JP Mitsukoshi Merchandising Co., Ltd., Japan Duty Free Fa-So-La Isetan Mitsukoshi Co., Ltd., Im Kankyo Building Management Co., Ltd.

Due to the increased importance of the impact on the consolidated financial statements of profit and loss under the equity method with regard to investments in subsidiaries and affiliates of Shin Kong Mitsukoshi Department Store Co., Ltd. (Taiwan), from the fiscal year under review, consolidated basis, profit and loss at the said subsidiaries and affiliates are included in the profit and loss calculations for Shin Kong Mitsukoshi Department Store. Results are reported for a total of 1 company, Shin Kong Mitsukoshi Department Store Group under the equity method.

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

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

according to our equity interest). Therefore, the equity method has not been applied to these companies.

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

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

3. Closing date of consolidated subsidiaries

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

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

4. Accounting policies

(1) Standards and methods for evaluation of significant assets

Securities

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

Inventories

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

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

(2) Depreciation methods for significant depreciable assets

Tangible fixed assets (except Lease assets)

Basically the straight-line method

Intangible fixed assets (except Lease assets)

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

Lease assets

Lease assets relating to finance lease without transfer of ownership

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

(3) Accounting standards for significant allowances and accruals

Allowance for doubtful accounts

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

Accrued bonuses

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

Allowance for customer-discount points

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

Allowance for redemption of gift certificates

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

Provision for loss on business of subsidiaries and affiliates

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

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

1) Accounting for Deferred assets

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

2) Significant Methods of Hedge Accounting

Method of hedge accounting

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

Means of hedging and hedged items

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

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

Hedging policy

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

Assessment of hedge effectiveness

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

3) Accounting for employees' retirement benefits

Method for attributing the estimated employees' retirement benefits to periods

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

Amortization of actuarial difference and prior service costs

Prior service costs are recognized on an accrual basis by the straight-line method over various periods (mainly 5 to 13 years) that are not more than the average remaining service period of employees at the time of the accrual.

The actuarial differences that resulted are mainly recognized in the following consolidated fiscal year by the straight-line method over various periods (5 to 13 years) that are not more than the average remaining service period of employees at the time of the accrual of a difference.

4) Accounting for consumption taxes, etc.

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

5) Method and period for amortization of goodwill

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

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of tangible fixed assets 389,869 million yen

2. Contingent liability

Guarantee liabilities

Loan guarantees for housing loans of employees	90 million yen
Guarantee liabilities for bank loans of subsidiaries and affiliates	
West Japan Railway Isetan Ltd.	(Note) 9,966 million yen
Total of guarantee liabilities	10,056 million yen

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

3. Details of inventory assets

Finished goods	50,164 million yen
Semifinished goods	427 million yen
Work in process	374 million yen
Raw materials and stores	924 million yen
Total	51,890 million yen

[Notes to Consolidated Statement of Income]

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

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

Usage	Item	Impairment losses (Million yen)	Location
Stores	Buildings and structures Land Other	129 2,011 23	Nagoya Mitsukoshi Sakae store (Nagoya-shi, Aichi)
Stores	Buildings and structures Other	879 132	Isetan Tachikawa store (Tachikawa-shi, Tokyo)
Stores	Buildings and structures Other	626 207	Fukuoka Mitsukoshi store (Fukuoka-shi, Fukuoka)
Stores	Buildings and structures Land Other	310 363 59	Hiroshima Mitsukoshi store (Hiroshima-shi, Hiroshima)
Stores	Buildings and structures Guarantee deposits Other	571 102 37	Isetan Matsudo store (Matsudo-shi, Chiba)
Stores	Buildings and structures Other	249 205	Isetan Fuchu store (Fuchu-shi, Tokyo)
Stores	Buildings and structures Other	1,442 589	Kuala Lumpur City, Malaysia
Stores and plants	Buildings and structures Land Guarantee deposits Other	1,662 878 49 24	Isetan Mitsukoshi Food Service plants, etc. (Koga-shi, Ibaraki)
Other	Buildings and structures Other	698 407	Alternative Theatre (Chiyoda-ku, Tokyo)
Computer systems for business operations	Software, Other	277 63	Shinjuku-ku, Tokyo
Stores and other	Buildings and structures Guarantee deposits Other	563 73 205	Shinjuku-ku, Tokyo and other
	Total	12,845	

(Note) Of impairment losses recorded in the consolidated income statement, 1,115 million yen is included in loss on closing of stores, while 228 million yen is included in loss on liquidation of subsidiaries and associates, and 314 million yen is included in Other.

(2) Circumstances leading to recognition of impairment losses

With regard to the asset group in which earnings generated by operating activities were

continually negative, the Company conducted write-downs to recoverable value and recorded the amount of decrease as an impairment loss.

(3) Methods of asset grouping
Assets have been grouped primarily with stores as the basic unit representing the minimum unit responsible for generating cash flow.

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

2. Amortization of goodwill for the fiscal year under review has been amortized based on the stipulations of Article 32 of the "Practical Guidelines on Capital Consolidation Procedures for Consolidated Financial Statements" (Japanese Institute of Certified Public Accountants; Final revision: November 28, 2014; Accounting Systems Committee Report No. 7).

3. On April 1, 2018, the supermarket and other businesses operated by Isetan Mitsukoshi Food Service Ltd. were transferred by corporate split to MI Food Style Co. Ltd., a wholly-owned subsidiary of the Group. Also, 66% of the shares of MI Food Style Co. Ltd. were transferred to Marunouchi Capital No. 2 Investment Limited Partnership, which is managed and operated by Marunouchi Capital Inc. Losses expected to result from this transfer of business have been booked in the fiscal year under review, on a consolidated basis as loss on transfer of business.

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

[Notes to Consolidated Statement of Changes in Net Assets]

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

Common stock 395,482,554 shares

2. Matters concerning dividend of surplus

(1) Amount of dividend payment

Resolution	Types of stock	Total dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effectuation date
Ordinary General Meeting of Shareholders June 21, 2017	Common stock	2,337	6.00	March 31, 2017	June 22, 2017
Board of Directors' Meeting November 7, 2017	Common stock	2,337	6.00	September 30, 2017	December 1, 2017

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

The following items regarding dividends on common stock are being proposed as a proposal for the Ordinary General Meeting of Shareholders scheduled for June 18, 2018.

Resolution	Types of stock	Resource for dividend	Total dividend (Millions of yen)	Dividend per share (Yen)	Base date	Effectuation date
Ordinary General Meeting of Shareholders June 18, 2018	Common stock	Retained earnings	2,338	6.00	March 31, 2018	June 19, 2018

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

Common stock 1,482,500 shares

[Notes to Financial Instruments]

1. Status of financial instruments

(1) Policy for initiatives pertaining to financial instruments

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

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

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

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

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

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

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

2. Market value, etc. of financial instruments

Amounts posted on the consolidated balance sheet as of March 31, 2018, market values, and the corresponding differences between the two are as follows.

(Millions of yen)

Items	Amounts posted on the consolidated balance sheet (Note 1)	Price (Note 1)	Differences
(1) Cash and deposits	55,710	55,710	—
(2) Notes and accounts receivable	134,082	134,082	—
(3) Marketable securities and investment securities			
Bonds held to maturity	3,670	3,758	88
Available-for-sale securities	37,095	37,095	—
(4) Guarantee deposits	59,288	55,934	(3,353)
(5) Notes and accounts payable	(113,119)	(113,119)	—
(6) Short-term borrowings (Note 2)	(18,672)	(18,672)	—
(7) Corporate bonds	(40,000)	(40,422)	422
(8) Long-term debt (Note 2)	(81,300)	(79,923)	(1,376)
(9) Derivative transactions	(4)	(4)	—

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

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

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

(1) Cash and deposits

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

(2) Notes and accounts receivable

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

(3) Marketable securities and investment securities

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

(4) Guarantee deposits

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

(5) Notes and accounts payable

Because notes and accounts payable are settled in the short term, the fair

value is almost equivalent to the book value, therefore notes and accounts payable are based on the book value.

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

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

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

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

Note 4: Non-listed shares and shares in subsidiaries and affiliates, etc. (posted as 86,288 million yen on the consolidated balance sheet) have no market price, their future cash flow cannot be estimated, and it is recognized that ascertaining their market value is extremely difficult. Accordingly, these items are not included in "Available-for-sale securities" under (3) Marketable securities and investment securities above.

[Notes to lease properties and other real estate]

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

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

(Millions of yen)

	Amounts posted on the consolidated balance sheet	Market value as of the end of the consolidated fiscal year under review
Rental properties and other real estate	141,898	181,486

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

2: Market values as of the end of the consolidated fiscal year under review primarily represent amounts calculated by the Company in accordance with the Real Estate

Appraisal Standards of Japan (including amounts that were adjusted using indices, etc.) and others.

[Notes to Per-share Information]

1. Net asset per share 1,478.74 yen
2. Net loss per share (2.47) yen

[Notes to Significant Post-balance Sheet Events]

Common control transactions, etc.
(Corporate split-off of subsidiary)

1. Outline of transaction

(1) Details of name and business of unit in question

Name of the unit: Supermarket and other businesses of Isetan Mitsukoshi Food Service Ltd., a consolidated subsidiary of the Company

Nature of its business: Chiefly retailing under the Queen’s Isetan brand

(2) Date of business combination

April 1, 2018

(3) Legal format of business combination

Corporate split, in which Isetan Mitsukoshi Food Service Ltd. (a consolidated subsidiary of the Company) split off part of its operations, with MI Food Style Co. Ltd. (a non-consolidated subsidiary of the Company) as the successor company.

(4) Matters concerning other transactions

Not applicable in the case of this corporate split. The split was carried out as part of an overhaul of the supermarket and other businesses operated by Isetan Mitsukoshi Food Service Ltd.

2. Summary of accounting treatment

Based on the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (“ASBJ”) Statement No. 21, issued September 13, 2013), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, issued September 13, 2013), the split is treated as a common control transaction.

On the same day that the corporate split took place, 66% of the shares in MI Food Style Co. Ltd. were transferred to Marunouchi Capital No. 2 Investment Limited Partnership, managed and operated by Marunouchi Capital Inc. Any losses likely to occur from this transfer business will be recorded in Losses from transfer of business in the consolidated income statement.

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

INDEPENDENT AUDITOR'S REPORT

May 7, 2018

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young ShinNihon LLC

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Seiji Hoshino

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Koichi Nagasawa

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Eri Sekiguchi

Pursuant to Article 444, Section 4 of the Corporation Law, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Isetan Mitsukoshi Holdings Ltd. (the "Company") applicable to the fiscal year from April 1, 2017 through March 31, 2018.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Isetan Mitsukoshi Holdings Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

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

Nonconsolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Account item	Amount	Account item	Amount
Assets	**741,614**	**Liabilities**	**275,922**
Current assets	**185,380**	**Current liabilities**	**173,728**
Cash and deposits	22,869	Current portion of bonds payable	10,000
Deferred tax assets	176	Short-term borrowings	26,700
Short-term loans receivable from subsidiaries and affiliates	156,680	Short-term borrowings payable to subsidiaries and affiliates	135,093
Corporate tax refund receivable, etc.	1,469	Accounts payable	100
Accrued income	6,957	Accrued expenses	1,544
Other	88	Accrued bonuses	134
Allowance for doubtful accounts	(2,862)	Other	155
Fixed assets	556,107	**Fixed Liabilities**	**102,194**
Tangible fixed assets	**1**	Corporate bonds	30,000
Appliance and fixtures	1	Long-term debt	69,300
Investments and other assets	**556,105**	Provision for loss on business of subsidiaries and affiliates	1,020
Investment securities	660	Provision for loss on guarantees	1,874
Stocks of subsidiaries and affiliates	456,142	**Net assets**	**465,692**
Long-term loans receivable from subsidiaries and affiliates	99,300	**Shareholders' equity**	**463,663**
Other	2	**Common stock**	**50,461**
Deferred assets	**127**	**Capital surplus**	**397,470**
Corporate bond issuance cost	127	Capital reserve	18,809
		Other capital surplus	378,661
		Retained earnings	**25,029**
		Other retained earnings	25,029
		Retained earnings carried forward	25,029
		Treasury stock	**(9,297)**
		Stock acquisition rights	**2,028**
Total	**741,614**	**Total**	**741,614**

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

Nonconsolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	Amount	
Operating revenues		
Dividend income	8,121	
Management service income	6,553	
Service revenue	897	15,572
Selling, general and administrative costs		7,226
Operating income		8,345
Nonoperating income		
Interest income	1,512	
Miscellaneous income	22	1,534
Nonoperating expenses		
Interest expenses	1,299	
Miscellaneous expenses	1,526	2,825
Ordinary income		7,054
Extraordinary losses		
Loss on valuation of stocks of subsidiaries and affiliates	4,314	
Other	124	4,439
Income before income taxes		2,615
Corporate tax, corporate inhabitant tax, business tax	4	
Deferred taxes	71	75
Net income		2,539

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

Nonconsolidated Statement of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account item	Shareholders' equity					
	Common stock	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings carried forward	Total retained earnings
Balance as of April 1, 2017	**50,328**	**18,676**	**378,661**	**397,337**	**27,165**	**27,165**
Changes during current period						
Issuance of new shares	132	132	–	132	–	–
Dividends from surplus	–	–	–	–	(4,675)	(4,675)
Net income for current period	–	–	–	–	2,539	2,539
Acquisition of treasury stock	–	–	–	–	–	–
Disposition of treasury stock	–	–	(0)	(0)	–	–
Net changes other than shareholders' equity during current period	–	–	–	–	–	–
Total change during current period	**132**	**132**	**(0)**	**132**	**(2,135)**	**(2,135)**
Balance as of March 31, 2018	**50,461**	**18,809**	**378,661**	**397,470**	**25,029**	**25,029**

(Millions of yen)

Account item	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on other securities	Total valuation and translation adjustments		
Balance as of April 1, 2017	**(9,289)**	**465,541**	**–**	**–**	**1,946**	**467,488**
Changes during current period						
Issuance of new shares	–	265	–	–	–	265
Dividends from surplus	–	(4,675)	–	–	–	(4,675)
Net income for current period	–	2,539	–	–	–	2,539
Acquisition of treasury stock	(8)	(8)	–	–	–	(8)
Disposition of treasury stock	0	0	–	–	–	0
Net changes other than shareholders' equity during current period	–	–	–	–	81	81
Total change during current period	**(7)**	**(1,878)**	–	–	81	**(1,796)**
Balance as of March 31, 2018	**(9,297)**	**463,663**	**–**	**–**	**2,028**	**465,692**

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

Notes to Nonconsolidated Financial Statements

[Significant Accounting Policies]

1. Standards and methods of valuation of assets

   Securities

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

2. Standards of accounting for allowances and accruals

   Allowance for doubtful accounts

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

   Accrued bonuses

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

   Provision for loss on business of subsidiaries and affiliates

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

   Provision for loss of guarantee liabilities

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

3. Other important accounting policies for preparation of financial documents

   1) Accounting method for deferred assets

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

   2) Accounting for consumption taxes, etc.

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

[Notes to Nonconsolidated Balance Sheet]

Accumulated depreciation of tangible fixed assets 0 million yen

Guarantee liabilities

Guarantee liabilities in respect to funds borrowed by subsidiaries and affiliates

West Japan Railway Isetan Ltd. 9,966 million yen

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

Short-term receivables from subsidiaries and affiliates 6,991 million yen

Short-term payables to subsidiaries and affiliates 1,173 million yen

[Notes to Nonconsolidated Statement of Income]

Transactions with subsidiaries and affiliates

Turnover based on operating transactions

Operating revenues 15,572 million yen

Selling, general and administrative expenses 554 million yen

Other revenues 2,284 million yen

[Notes to Nonconsolidated Statement of Changes in Net Assets]

Matters concerning treasury stock (unit: shares)

Type of stock	Number of shares as of the beginning of current term	Number of shares increased in current term	Number of shares decreased in current term	Number of shares as of the end of current term
Common stock	5,686,950	7,059	567	5,693,442

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

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

[Notes to Tax Effect Accounting]

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

(Deferred tax assets)

Accrued bonuses	41 million yen
Accounts payable	192 million yen
Accrued enterprise tax	50 million yen
Stock option expenses	410 million yen
Loss on valuation of stocks of subsidiaries and affiliates	7,302 million yen
Provision for loss on business of subsidiaries and affiliates	312 million yen
Provision for loss on guarantees	573 million yen
Allowance for doubtful accounts	876 million yen
Other	309 million yen
Sub-total deferred tax assets	10,070 million yen
Valuation reserve	(9,893) million yen
Total deferred tax assets	176 million yen

[Notes to Transactions with Related Parties]

Subsidiaries and affiliates, etc. (Millions of yen)

Attributes	Name of companies, etc.	Ratio of holding of voting rights, etc. (or Ratio of voting rights held) (%)	Relationship with the related parties	Contents of transactions	Transaction amount	Account item	Term-end balance
Subsidiaries	Isetan Mitsukoshi Ltd.	Direct: 100%	Interlocking directorate Business administration Borrowing and Lending of Fund	Proceeds from management (Note 1)	6,129	Accrued income	6,619
				Accounting fees (Note 1)	514	—	—
				Receipt of funds (Note 2)	8,000	Affiliates short-term loans receivable	90,000
						Affiliates long-term loans receivable	99,300
				Receipt of interest (Note 3)	1,140	Accrued income	103
				Borrowing of funds (Note 2)	5,297	Affiliates short-term borrowings	9,123
				Payment of interest	11		
				Payment of personnel expenses for loaned employees (Note 4)	3,907	Accrued expenses	191
Subsidiaries	Iwataya Mitsukoshi Ltd.	Direct: 100%	Borrowing and Lending of Fund	Receipt of funds (Note 2)	987	Affiliates short-term loans receivable	8,711
Subsidiaries	Nagoya Mitsukoshi Ltd.	Direct: 100%	Borrowing and Lending of Fund	Repayment of funds (Note 2)	374	Affiliates short-term borrowings	7,591
Subsidiaries	MICARD Co. Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Receipt of funds (Note 2)	19,021	Affiliates short-term loans receivable	31,764
				Receipt of interest (Note 3)	221		
Subsidiaries	MI TOMONO-KAI Co., Ltd.	Indirect: 100%	Borrowing and Lending of Fund	Repayment of funds (Note 2)	915	Affiliates short-term borrowings	87,907
				Payment of interest (Note 3)	509		
Subsidiaries	Isetan Mitsukoshi System Solutions Ltd.	Direct: 100%	Interlocking directorate Borrowing and Lending of Fund	Lending of funds (Note 2)	1,500	Affiliates short-term loans receivable	9,000
Affiliates	West Japan Railway Isetan Ltd.	Direct 40%	Interlocking directorate	Guarantee liabilities	11,840	Provision for loss on guarantees	1,874

Transaction conditions and decision policies thereof

Notes:

1. Proceeds from management, and accounting fees are determined based on contract conditions.
2. With respect to the borrowing and lending of fund, the Company has a cash management system (CMS) that manages funds within the Group in an integral manner.
3. The loans and borrowings interest rates are determined in a reasonable manner in a consideration of market interest rates.
4. The personnel expenses for loaned employees paid by Isetan Mitsukoshi Ltd. were settled at cost.
5. The above amounts do not include consumption and other taxes.

[Notes to Per-share Information]

1. Net asset per share	1,189.52 yen
2. Net income per share	6.52 yen

[Notes to Significant Post-balance Sheet Events]

Not applicable.

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

INDEPENDENT AUDITOR'S REPORT

May 7, 2018

The Board of Directors

Isetan Mitsukoshi Holdings Ltd.

Ernst & Young ShinNihon LLC

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Seiji Hoshino

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Kouichi Nagasawa

Designated Limited Partner
Engagement Partner
Certified Public Accountant
Eri Sekiguchi

Pursuant to Article 436, Section 2, Paragraph 1 of the Corporation Law, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the notes to the financial statements and the related supplementary schedules of Isetan Mitsukoshi Holdings Ltd. (the "Company") applicable to the 10th fiscal year from April 1, 2017 through March 31, 2018.

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

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

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

Opinion
In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Isetan Mitsukoshi Holdings Ltd., applicable to the fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

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

Certified Copy of Audit Report of the Board of Corporate Auditors

AUDIT REPORT

The Board of Corporate Auditors, following review and deliberations on the audit reports made by each Corporate Auditor concerning the execution of duties by Directors for the 10th fiscal term from April 1, 2017 to March 31, 2018, have prepared this Audit Report, and hereby submit it as follows:

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

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

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

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

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

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

   In accordance with the aforementioned procedures, the Corporate Auditors reviewed the business report, supplementary schedules thereto, the statutory reports (nonconsolidated balance sheets, nonconsolidated statement of income, nonconsolidated statement of changes in net assets, notes to nonconsolidated statutory reports), supplementary schedules thereto, and consolidated statutory reports (consolidated balance sheets, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated statutory reports) for the year ended on March 31, 2018.

2. Results of Audit

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

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

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

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

On January 12, 2018, our subsidiary Isetan Mitsukoshi Ltd. was sanctioned with a cease and desist order and Order for Payment of Surcharge on the grounds of "unfair trading restrictions" under the Antimonopoly Act by the Japan Fair Trade Commission. The Board of Corporate Auditors reaffirmed that measures are being taken to ensure thorough compliance with laws and regulations, including the Antimonopoly Act, by the Company and its subsidiaries.

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

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

May 9, 2018

Board of Corporate Auditors of Isetan Mitsukoshi Holdings Ltd.

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