Isetan Mitsukoshi Group
Business Results Explanation Meeting
Fiscal Year Ended March 31, 2019

Isetan Mitsukoshi Holdings Ltd.

May 8, 2019

Contents

1. Results of FY2018
(Fiscal Year Ended March 31, 2019)

2. Targets for FY2019
(Fiscal Year Ending March 31, 2020)

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Consolidated Results

(Billions of yen)	FY2018	YoY change	YoY Difference
Net Sales (Comparable-store basis)	**1,196.8**	-4.7% (+0.1%)	-59.5
Gross Profit	**348.2**	-5.2%	-19.0
SG&A	**319.0**	-6.9%	-23.8
Operating Income	**29.2**	+19.7%	+4.8
Recurring Income	**31.9**	+17.1%	+4.6
Net Income	**13.4**	—	+14.4

Consolidated Results

Factors of YoY Difference

(Billions of yen)		Main Items	Main Difference YoY
Net Sales	-59.5	Business terminations (Isetan Mitsukoshi Food Service, Mammina)	-40.7
		Closure of Matsudo Store	-20.6
		Isetan Mitsukoshi Real Estate, MICARD	+1.4
Gross Profit	-19.0		
SG&A	-23.8	Business and store terminations (Isetan Mitsukoshi Food Service, Mammina, Matsudo Store)	-21.7
		Reduction in labor expenses	-3.0
		Increase in new digital expenses	+1.6
Operating Income	+4.8		

Consolidated Results (by Segment)

(Billions of yen)	Net Sales	Operating Income	YoY Difference
Department Store Business	**1,111.2**	15.3	+0.8
Credit & Finance Business/Customer Organization Management Business	**39.1**	6.4	+1.0
Real Estate Business	**48.3**	7.7	+1.1
Others	**88.9**	-0.3	+1.9
Total	**1,196.8**	29.2	+4.8

*** Total includes adjusted amounts.**

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Consolidated Plan

(Billions of yen)	FY2019	YoY change	YoY Difference
Net Sales	**1,190.0**	-0.6%	-6.8
Gross Profit	**348.0**	-0.1%	-0.2
SG&A	**318.0**	-0.3%	-1.0
Operating Income	**30.0**	+2.6%	+0.7
Recurring Income	**30.0**	-6.2%	-1.9
Net Income	**14.0**	+3.9%	+0.5

Consolidated Plan

Factors of YoY Difference

(Billions of yen)		Main Items	Main Difference YoY
Net Sales		Domestic department stores (closures -17.0 and increase in consumption tax -2.0)	-19.0
		Domestic department stores (increase in sales from remodeling of flagship stores, etc. +13.0 and new digital businesses +5.0)	+18.0
	-6.8	Isetan Mitsukoshi Real Estate	-2.9
Gross Profit	-0.2		
SG&A		Reduction in personal expenses	-4.2
		Reduction of expenses from closure of domestic stores (excluding personal expenses)	-3.0
	-1.0	Increase in expenses from growth businesses (strategic remodeling, new digital businesses, etc.)	+5.6
Operating Income	+0.7		

Consolidated Plan (by Segment)

(Billions of yen)	Net Sales	Operating Income	YoY Difference
Department Store Business	**1,110.0**	**16.0**	+0.6
Credit & Finance Business/Customer Organization Management Business	**39.5**	**6.0**	-0.4
Real Estate Business	**32.0**	**5.8**	-1.9
Others	**88.0**	**1.7**	+2.0
Total	**1,190.0**	**30.0**	+0.7

*** Total includes adjusted amounts.**

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1. Growth Strategy “Business Model Innovation”
2. Growth Strategy “New Digital Business”
3. Growth Strategy “Expanding Real Estate Business”
4. Structural Reform
5. ESG Measures

Vision

Content presented in November 2018

Direction for value offering

Isetan Mitsukoshi Group – Connecting people and bridging times

Utilize IT, stores, and people for the
"Department Store of the New Age (platformer)"

I. Provide a "supreme customer experience" both online and offline

II. Provide a "new customer experience" by adding digital technologies to Group's strengths

III. "Expand customer contact points" through the real estate business

Cost structure reform

Isetan Mitsukoshi Group's strength and business structure

Content presented in November 2018

Strategy Overview

Growth Strategy	(1) Business model innovation
	(2) New online business
	(3) Expand real estate business = District development
Structural Reform	(1) Cost structure reform

Growth Strategy ~Business Model Innovation~

Providing a “supreme customer experience” both online and offline

Enabling the purchase of products from flagship stores by e-commerce

Stores (offline)



Products



Sales

Product information

Inventory information

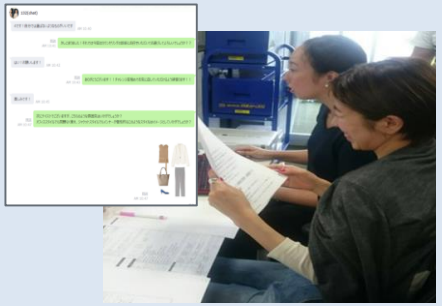


Customer

EC (online)



Products

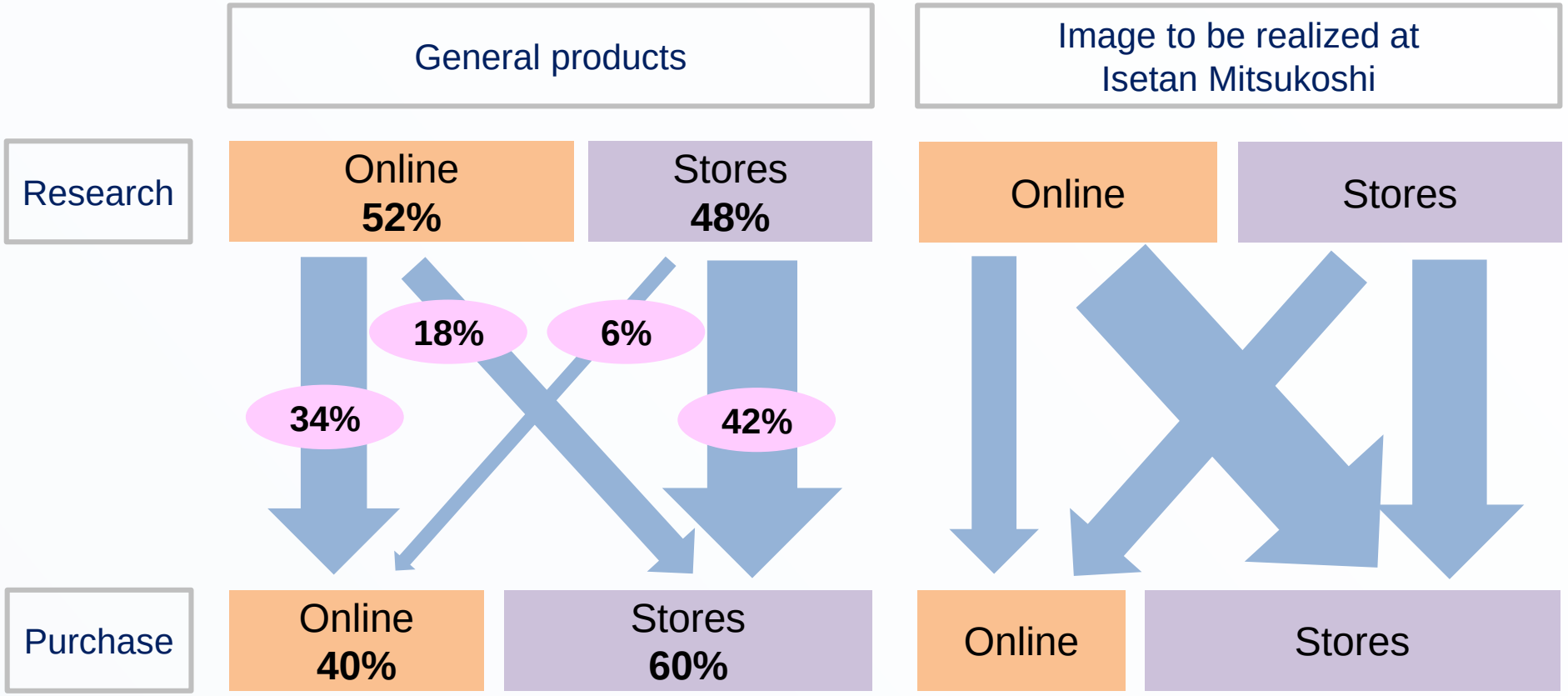


Sales

Growth Strategy ~Business Model Innovation~

Aims and indicators of seamless connection at Isetan Mitsukoshi

(Proportion of online and physical stores in purchase process)



Customers can freely utilize both online services and stores
There are many customers who read articles online then purchase products in stores

Growth Strategy ~Business Model Innovation~

Progress

Providing a “supreme customer experience” both online and offline

Enabling the purchase of products from flagship stores by e-commerce

Stores (offline)



Products



Sales

Product information

Inventory information

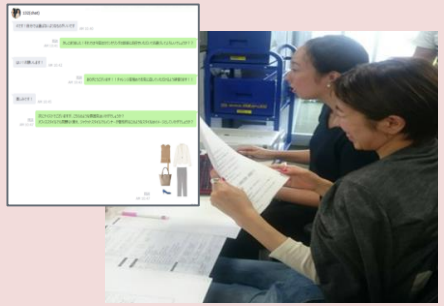


Customer

EC (online)



Products



Sales

Growth Strategy ~Business Model Innovation~

Progress

Providing a “supreme customer experience” both online and offline

Effects of customer services utilizing digital technologies at the Nihombashi Main Store Status from October 2018 to March 31, 2019

Net sales	YoY
Departments total	**103.4%**
Events total	91.6%
Nihombashi Store total	101.1%
Other	89.1%
Externally published number	100.9%

Comparison of customers using and not using concierges	
Visiting stores	1.5x
Purchase amount	2.3x
Use of multiple stores	1.2x

Growth Strategy ~Business Model Innovation~

Progress

Providing a “supreme customer experience” both online and offline

Enabling the purchase of products from flagship stores by e-commerce

Stores (offline)



Products



Sales

Product information

Inventory information

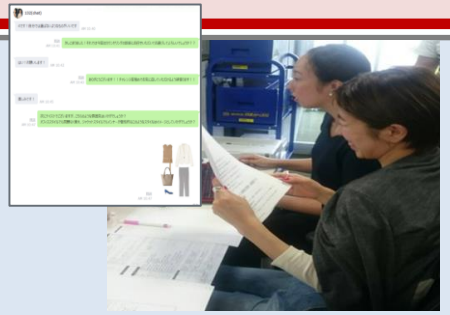


Customer

EC (online)



Products



Sales

Growth Strategy ~Business Model Innovation~

Providing a “supreme customer experience” both online and offline

Future initiatives

■ Enhancing the customer experience

- Extend the Nihombashi Store model to all stores in the Group
- Integrate customer interfaces
- CRM strategy (points incentives and GCP)
- Develop the foundations of customer experience

■ Promote Group information strategy

- Acquire customer data (promote the acquisition of digital IDs)
- Utilize information

Growth Strategy ~Business Model Innovation~

Progress

Store model reform (flagship stores)

	FY2018	FY2019	FY2020~
Shinjuku Main Store 	Men's building	Main building	Reaping profits
Nihombashi Main Store 	First stage	Second stage	
Ginza Store 		Women Watch, Jewelry	

Store model reform (flagship stores)

Shinjuku Main Store: Grand opening in March 2019











Store model reform (regional stores)



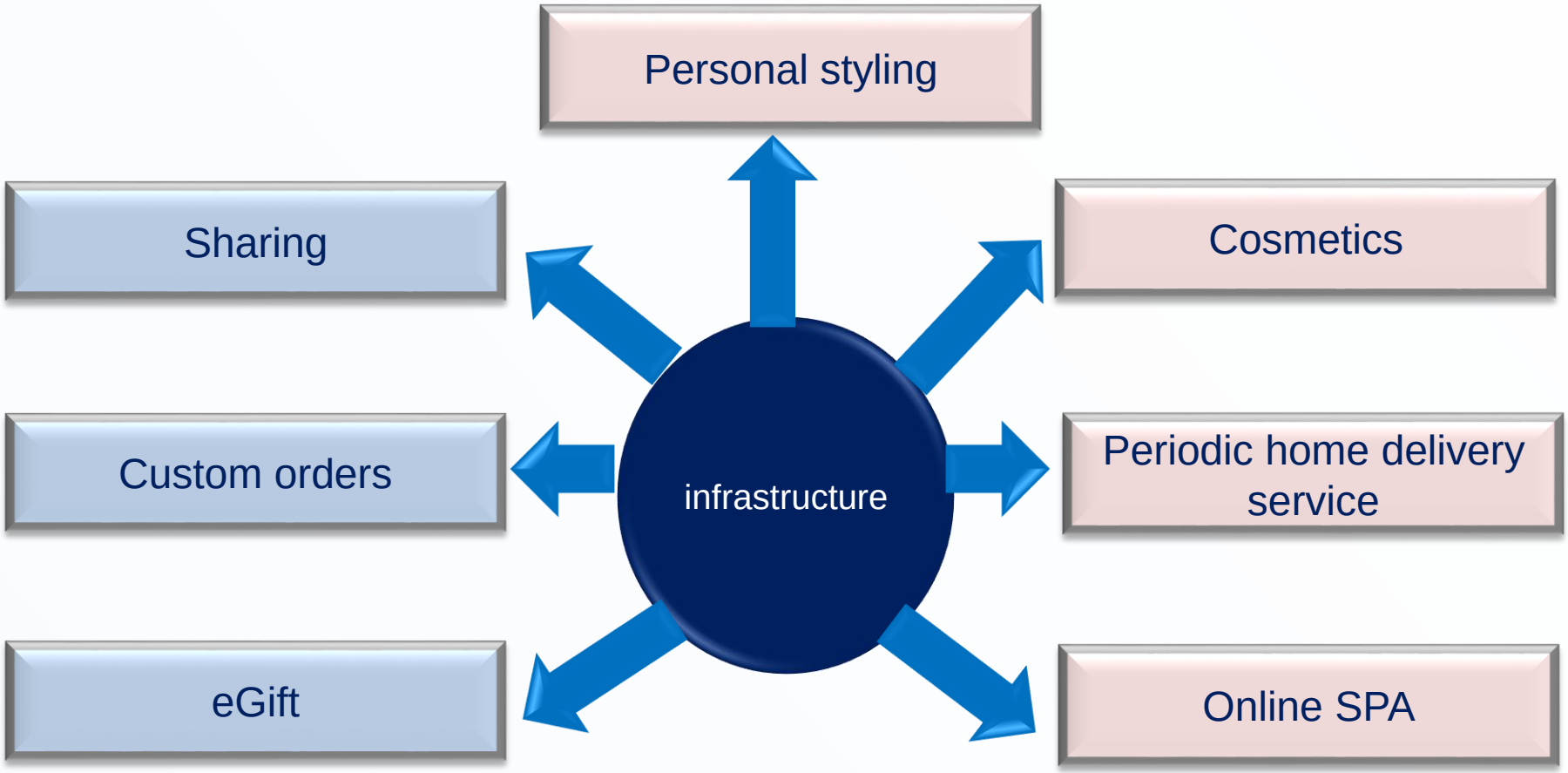


Transformation of MD and model reform utilizing digital technologies

Growth Strategy ~New online business~

Content presented in November 2018

Provide a "new customer experience" by adding digital technologies to Group's strengths



Growth Strategy ~New online business~

Progress

Launched	FY2019	FY2020 onward
ISETAN DOOR	DROBE	Sharing
meeco Meet cosmetics. Meet new me.	eGift	Considering new businesses
arm in arm	Custom orders	

Growth Strategy ~Expanding real estate business~

Progress

Commercial facilities and leasing

<Urban SC>	<Community-oriented SC>	<Contents specialized>
LACHIC	mi:ts	ALTA FOOD & TIME ISETAN YOKOHAMA









<Tenant sales total>

FY2016 39.1 billion yen ⇒ FY2018 44.2 billion yen

Commercial facilities and leasing

<The Philippines> Real estate development (residential + commercial facility)



Established joint venture with Federal Land Incorporated and Nomura Real Estate Development.

Joint participation in mixed-use development of dwellings for sale and commercial complex.

Multipurpose complex to be focused on the food category, under the “MITSUKOSHI” name.

Commercial complex to open in 2021, with full completion planned for 2027 (all four residential buildings)

Structural Reform

Content presented in November 2018

Cost structure reform

Decided to close 7 large stores and 13 small stores, and liquidate or downsize (including share transfers) approximately 12 businesses

Temporary end of closures of large stores

Full-fledged launch of cost structure reforms

Structural Reform

Content presented in November 2018

Cost structure reform

(1) Reduction of SG&A	324.0 billion → 300.0 billion yen on a consolidated basis
(2) Redeployment of staff	11,000 staff → optimize the number of personnel
(3) Replacement of real estate properties	Includes relocation of Head Office
(4) Organizational improvement	Profit management by each organization and placement of staff dedicated to cost reform

Structural Reform

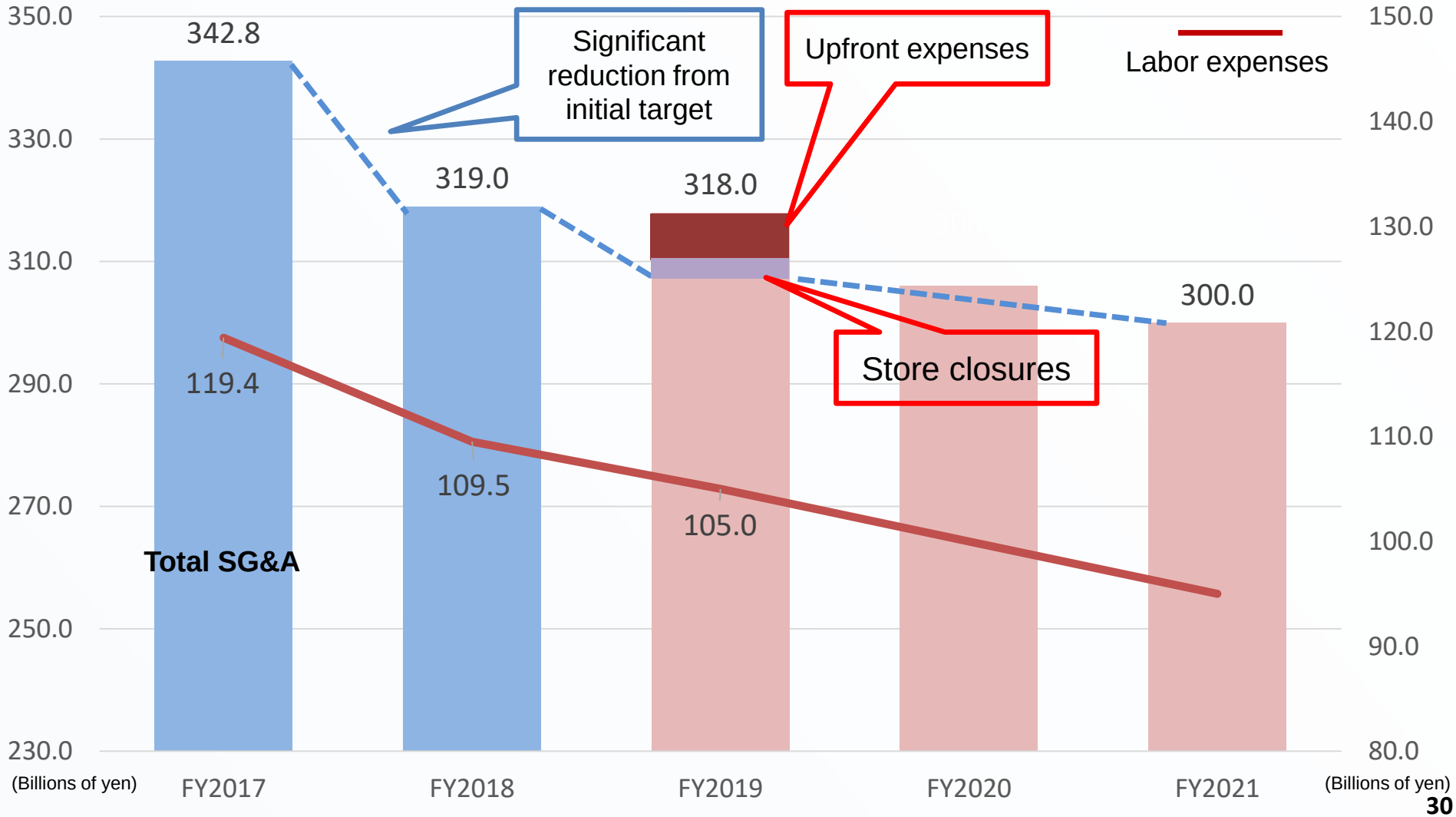
Progress

Cost structure reform (FY2018)

(1) Reduction of SG&A	319.0 billion yen on a consolidated basis (-4.9 billion yen from time of announcement in November 2018)
(2) Redeployment of staff	-1,500 people (-700 people on non-consolidated basis)ent
(3) Replacement of real estate	Head Office (HDS) transferred, and lease payments reduced
(4) Organizational restructuring	Integrated management of HDS and operating companies ended, and responsibilities of operating companies clarified

Structural Reform

Targeting significant reduction in SG&A by FY2021 through fundamental structural reforms



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ESG Measures

Isetan Mitsukoshi Group – Connecting people and bridging times

Priority efforts (1)

Connecting people and communities

- Connecting customers with communities and creators



Priority efforts (2)

Connecting sustainable societies and bridging times

- Bridging a safe and stable environment from the past to the future



Priority efforts (3)

Enhancing employee satisfaction (ES)

- Creating an environment that is easy for people to work in, and investing in human resources



Governance and communication

- Promoting fair trading and business activities



ESG Measures

Governance and communication

Enhancement of disclosure corresponding to Japan's Corporate Governance Code

Strengthening of the Board of Directors' function and effectiveness

Strengthening of decision-making and Group control systems

This document contains forward-looking statements, which are based on the information currently available and certain assumptions the Company considers to be reasonable, and involve various risks and uncertainties.
Actual results, performance, achievements or financial position may be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.