Isetan Mitsukoshi Group
Business Results Explanation Meeting
Fiscal Year Ended March 31, 2018

Isetan Mitsukoshi Holdings Ltd.

May 9, 2018

Contents

1. Results of FY2017
(Fiscal Year Ended March 31, 2018)

2. Targets for FY2018
(Fiscal Year Ending March 31, 2019)

3. Initiatives in the Future

4. Towards Sustainable Growth

Consolidated Results

(Billions of yen)	FY2017	YoY change	YoY Difference
Net Sales	**1,268.8**	+1.2%	+15.4
Gross Profit	**367.2**	+0.5%	+1.6
SG&A	**342.8**	+0.3%	+1.1
Operating Income	**24.4**	+2.0%	+0.4
Recurring Income	**27.3**	-0.3%	-0.0
Net Income	**-0.9**	—	-15.9

Main Factors of YoY Difference

(Billions of yen)	Items	YoY Difference
Net Sales	Existing department stores	+10.1
	Closed department stores	- 21.0
	Other than department stores	+2.4
+15.4	Newly consolidated companies	+23.9
Gross Profit	Sales-linked	+1.0
	Closed stores and business	- 4.5
	Inventory disposal	- 0.8
+1.6	Newly consolidated companies	+5.9
SG&A	Expenses (marketing, labor, and other expenses)	- 5.5
	Investment-related expense	+0.6
+1.1	Newly consolidated companies	+6.0

Isetan Mitsukoshi Results (Non-consolidated)

(Billions of yen)	FY2017	YoY change	YoY Difference
Net Sales	**648.6**	-1.7%	-11.5
Gross Profit	**182.7**	-1.9%	-3.6
SG&A	**178.1**	-2.8%	-5.2
Operating Income	**17.5**	+10.4%	+1.6
Recurring Income	**18.8**	+12.0%	+2.0
Net Income	**1.6**	-50.4%	-1.6

Consolidated Results (by Segment)

(Billions of yen)	Net Sales	Operating Income	YoY Difference
Department Store Business	**1,144.4**	14.4	3.3
Credit & Finance Business/Customer Organization Management Business	**38.9**	5.3	-0.0
Other Retail & Specialty Store Business	**54.8**	-1.2	-0.0
Real Estate Business	**45.0**	6.6	+0.1
Shared Service Business and Others	**91.7**	-1.0	-2.9
Total	**1,268.8**	24.4	+0.4

*** Total includes adjusted amounts.**

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Consolidated Plan

(Billions of yen)	FY2018	YoY change	YoY Difference
Net Sales	**1,195.0**	-5.8%	-73.8
Gross Profit	**354.0**	-3.6%	-13.2
SG&A	**325.0**	-5.2%	-17.8
Operating Income	**29.0**	+18.8%	+4.5
Recurring Income	**30.0**	+9.8%	+2.6
Net Income	**13.0**	—	+13.9

*** Net income includes an expected extraordinary gain (loss) of (10.0) billion yen.**

Main Factors of YoY Difference

(Billions of yen)	Items	YoY Difference
Net Sales	Existing stores and business	+11.9
	Closed stores and business	- 73.5
- 73.8	Change in acounting method	- 12.2
Gorss Profit	Existing stores and business	+3.4
	Closed stores and business	- 18.6
- 13.2	Inventory optimization	+2.0
SG&A	Labor costs	- 9.5
	Other expenses	- 13.2
- 17.8	Inventory-related and other expenses	+4.9

Isetan Mitsukoshi (Non-consolidated) Plan

Billions of yen	FY2018	YoY change	YoY Difference
Net Sales	**630.0**	-2.9%	-18.6
Gross Profit	**181.0**	-1.0%	-1.7
SG&A	**175.0**	-1.8%	-3.1
Operating Income	**19.5**	+10.8%	+1.9
Recurring Income	**20.5**	+9.0%	+1.6
Net Income	**7.0**	+334.9%	+5.3

Consolidated Plan (by Segment)

(Billions of yen)	Net Sales	Operating Income	YoY Difference
Department Store Business	1,120.0	17.5	+3.0
Credit & Finance Business/Customer Organization Management Business	40.0	6.0	+0.6
Other Retail & Specialty Store Business	—	—	+1.2
Real Estate Business	50.0	6.0	-0.6
Shared Service Business and Others	94.0	-0.7	+0.3
Total	1,195.0	29.0	+4.5

* Total includes adjusted amounts.

Investment Plan

(Billions of yen)	FY2017	FY2018	YoY Difference
Ordinary investment	20.8	21.0	+0.2
Strategic investment	13.4	21.5	+8.1
System investment	4.2	9.5	+5.3
Investment total	38.4	52.0	+13.6

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Reformation

Reform of non-profitable stores and business structure

		Benefits to FY2018 operating income
Initiatives for FY2017	· Closure of the Matsudo Store · Closure of small to medium-size stores · Exit from the Mammina business · Disposal of the majority of the IMFS shares, etc.	**+3.0 billion yen**
Initiatives for FY2018	· Continuation to address pending issues	**±0.0 billion yen**

The end should be in sight for reformation of the stores and business structure by the end of FY2018.

*** Benefits will be reflected in FY2019.**

Reformation

Structural reform other than the store and business closure

		Benefit to FY2018 operating income
Ongoing initiatives for FY2017 to FY2018	· Promotion of cost visualization and KPI · Expansion of Next Career Opportunity System	**+3.0 billion yen**
Condition of FY2018	· Increase in logistics cost and lease payments, etc.	**-1.9 billion yen**
		Total +1.1 billion yen
Initiatives for FY2018	· Increase in investment-related expense	**-4.9 billion yen**

Reformation

Inventory disposal

		Benefit to FY2018 operating income
Initiatives for FY2017	· Disposal of the inventories equivalent to 10.0 billion yen in selling price (Clearance of current carryover stocks)	**+2.0 billion yen**
Initiatives for FY2018	· Promotion of further inventory optimization associated with promotion of “visualization”	**±0.0 billion yen** *** Benefits will be reflected in FY2019.**

Cashflow improvement/related expense reduction/operational load reduction

Reformation

Aiming for operating income of 35.0 billion yen during FY2019
(One year earlier than the plan announced in November)

(Billions of yen)	FY2012	FY2013	FY2014	FY2015
SG&A	**320.8**	**335.4**	**322.4**	**328.7**
Operating Income	**26.6**	**34.6**	**33.1**	**33.1**

(Billions of yen)	FY2016	FY2017	FY2018	FY2019
SG&A	**341.6**	**342.8**	**325.0**	**320.0**
Operating Income	**23.9**	**24.4**	**29.0**	**35.0**

Transformation

Digital transformation

Digitalization of existing operations

+

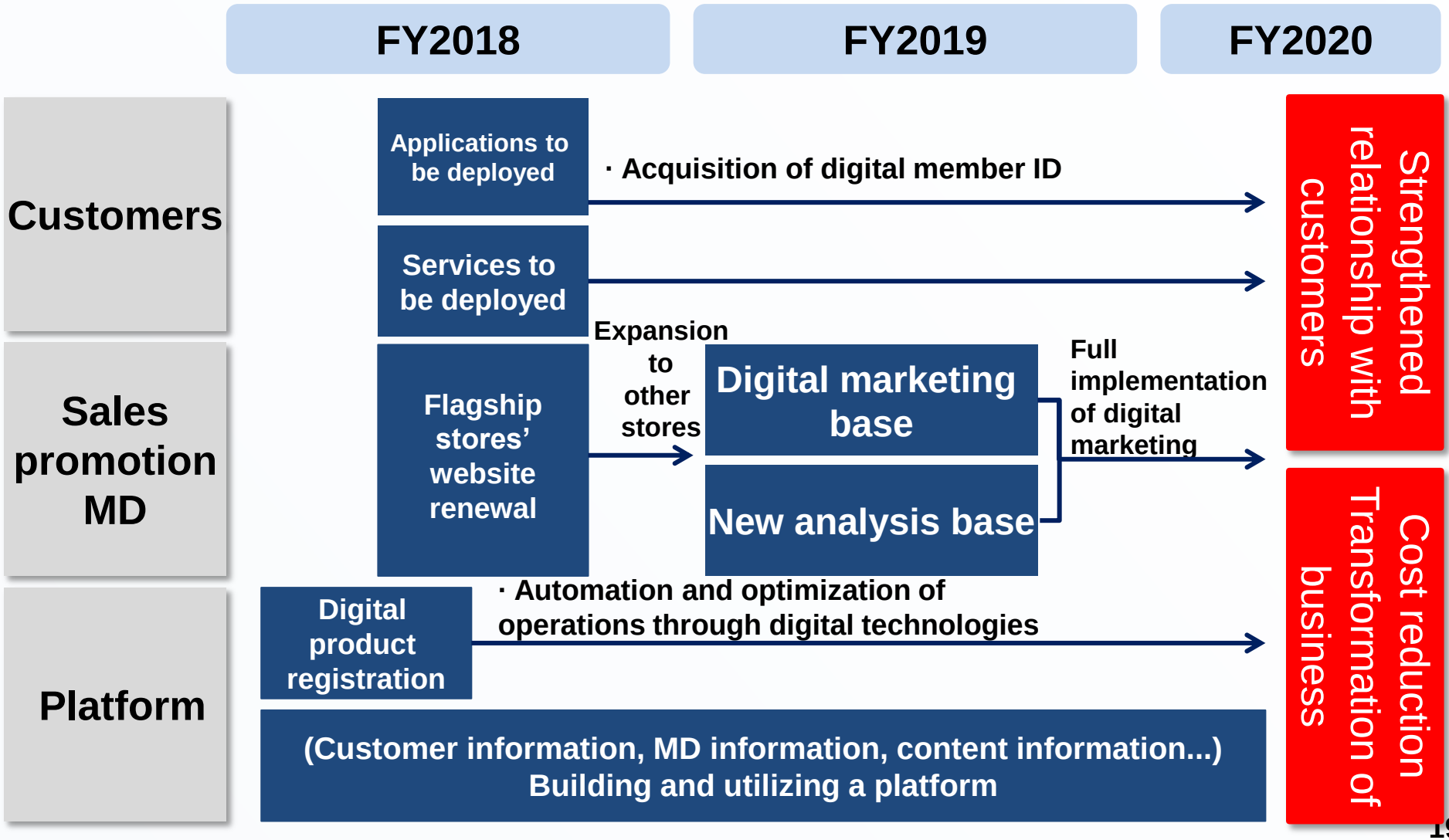
New business utilizing digital technologies

System investment	**Related investment**

More than 20.0 billion yen by FY2020

Transformation

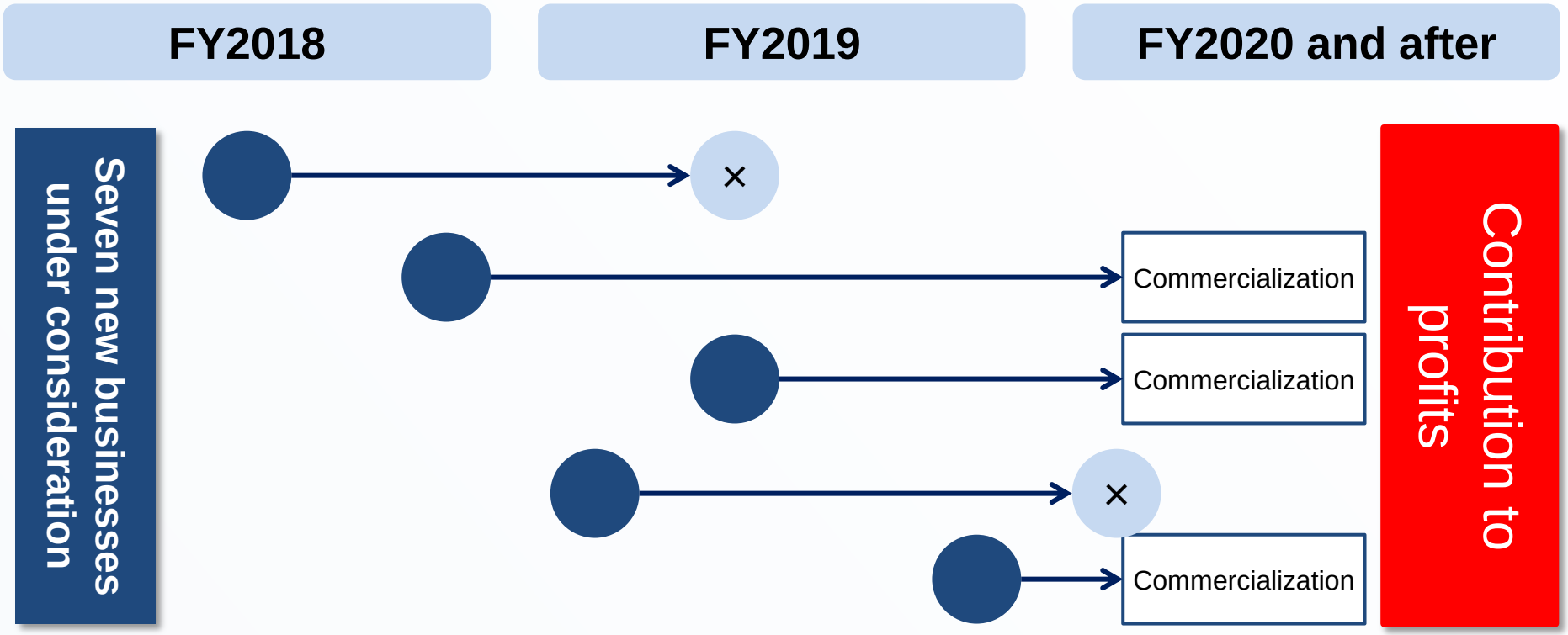
Digitalization of existing operations



Transformation

New business utilizing digital technologies

Start up of business with a agile method
System development utilizing external knowledge



Transformation

Revitalization of flagship stores

	FY2018	FY2019	FY2020
Shinjuku Store	Establishment of "Isetan for Fashion" concept First phase: Men's fashion; Men's LUX; Men's accessories; CRM	Second phase: Watch; Jewelry; Accessories; Cosmetics	Reaping profits
Nihom-bashi Store	Specialty store to provide hospitality First phase: Cosmetics; Men's accessories; LUX; Accessories; CRM	Second phase: Watch; Jewelry; Art; LUX; Women; Men	Reaping profits

Investment of more than 20.0 billion yen by FY2020

Transformation

Real Estate Business

1. Maximization of the value of the Group's real estate

2. Operation of commercial facilities





Transformation

Overseas business

Retail + Real estate

Combined commercial development	Leasing management	Digitalization	Original contents
			

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Towards Sustainable Growth

Corporate governance

Strengthening of the Board of Directors' function

- Strengthening of the Outside Directors structure
- Initiatives for promoting effectiveness of the Board of Directors
- Further strengthening of the Advisory Committee to the Board of Directors (Nomination and Remuneration Committee)

Strengthening of internal control

- Thorough information management
- Establishment of related regulations and promotion councils, etc.

Enhancement of disclosure corresponding to Japan's Corporate Governance Code

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.