Isetan Mitsukoshi Holdings Ltd.
Business Results Explanation Meeting
2Q of Fiscal Year Ending March 2016

November 9, 2015 (Monday)

Today's Agenda

1. Results for the First Half,
   and Targets for the Full Year
2. Progress in Critical Strategy
3. Profit/Investment Plans
   and Returns to Shareholders

1. Results for the First Half, and Targets for the Full Year

Consolidated Results（Actual）

(Billions of yen)	FY 2014 2Q	FY 2015 2Q	Difference	Change	May 2015 Target
Net Sales	581.6	613.8	+32.2	+5.5%	600.0
Operating Income	9.7	14.4	+4.7	+48.6%	10.0
Recurring Income	11.2	16.8	+5.6	+50.1%	9.0
Net Income	6.1	10.8	+4.7	+78.1%	6.0

Consolidated Results (Targets)

(Billions of yen)	FY 2014 Full Year	FY 2015 Full Year	Difference	Change	May 2015 Target
Net Sales	1,272.1	1,310.0	+37.8	+3.0%	1,300.0
Operating Income	33.0	37.0	+3.9	+11.8%	35.0
Recurring Income	34.5	39.0	+4.4	+12.8%	35.0
Net Income	29.8	27.0	-2.8	-9.7%	25.0

Isetan Mitsukoshi Results (Actual and Targets)

(Billions of yen)	FY 2015 2Q	YoY Difference	FY 2015 Full Year	YoY Difference	May 2015 Target Difference
Net Sales	320.2	+22.9	689.7	+33.4	+10.1
Operating Income	11.4	+3.0	25.0	+0.9	+1.0
Recurring Income	14.3	+3.5	26.0	-0.1	+2.0
Net Income	10.0	-8.0	19.0	-9.7	+1.0

Consolidated Results (Operating Income by Segment)

(Billions of yen)	FY 2015 2Q	YoY Difference	FY 2015 Full Year	YoY Difference	May 2015 Target Difference
Department Store Business	8.9	+4.9	25.5	+4.0	+2.1
Credit & Finance Business/ Customer Organization Management Business	3.0	±0.0	5.5	±0.0	±0.0
Other Retail & Specialty Store Business	-0.7	-0.2	-0.2	±0.0	-0.3
Real Estate Business	3.1	-0.3	6.2	-0.1	+0.1

2. Progress in Critical Strategies

Overview of Key Strategies

	Department store business in Japan	Overseas business	Other retail & specialty store business	New and other businesses
Expanding and enhancing customer interaction	**Providing value at flagship stores** Small- to medium-sized stores Structural innovation at unprofitable stores Web and EC businesses (digital strategies)	New flagship model New earnings model (commercial real estate) Structural innovation of unprofitable stores	Food supermarket business Fashion business Mail order business	Card business Travel business Personnel services business Bridal business Restaurant business Salon business
Creating content with high customer value	Global content creation			
Improving productivity	Structural innovation of purchasing and sourcing logistics	Improvement of personnel productivity	Promotion of commercial real estate business	
Strengthening fundamentals to use Group strategy	Group MKTG and CRM Personnel training and HR system	Creating mechanisms for content development Creating information strategy system	Strengthening SSC functions and promoting use of PCs Restructuring business systems	

Expanding and Enhancing Customer Interaction

-Department Store Business in Japan-

Providing Value at Flagship Stores (Redevelopment after Integration)

Shinjuku	Nihombashi	Ginza
[2008] Women's Phase I "ISETAN GIRL," "MA LINGERIE" and "BEAUTY APOTHECARY"	Seasonal remodeling-centered	[2010] Remodeling with increased floorspace
[2013] Women's Phase II (Women 2-4F) Fashion Museum		
[2014] 5F Living, 6F Babies & Kids, solutions		
[2016-17] Food, restaurants	[2016-17] Cultural resort department store	[2015] Remodeling with an urban duty free store

Carry out extremely high-value redevelopment to global standards

Providing Value at Flagship Stores: Shinjuku

Development of Living and Babies & Kids floors





2Q results (YoY, change)

	Sales	No. of customers	Spend per customer	Margin	Shopping around (ladies)
Living	106%	89%	119%	32.2% (+0.3%)	35.8% (+0.8%)
Babies & Kids	106%	86%	123%	32.8% (+0.3%)	32.2% (+4.7%)

Providing Value at Flagship Stores: Shinjuku

Further developing the fashion museum

Isetan Shinjuku Main Store: Results

	Sales	Margin
2Q	127.5 billion yen (110%)	29.88% (-0.22%)
2015 Full Year	274.3 billion yen (106%)	30.08% (+0.01%)

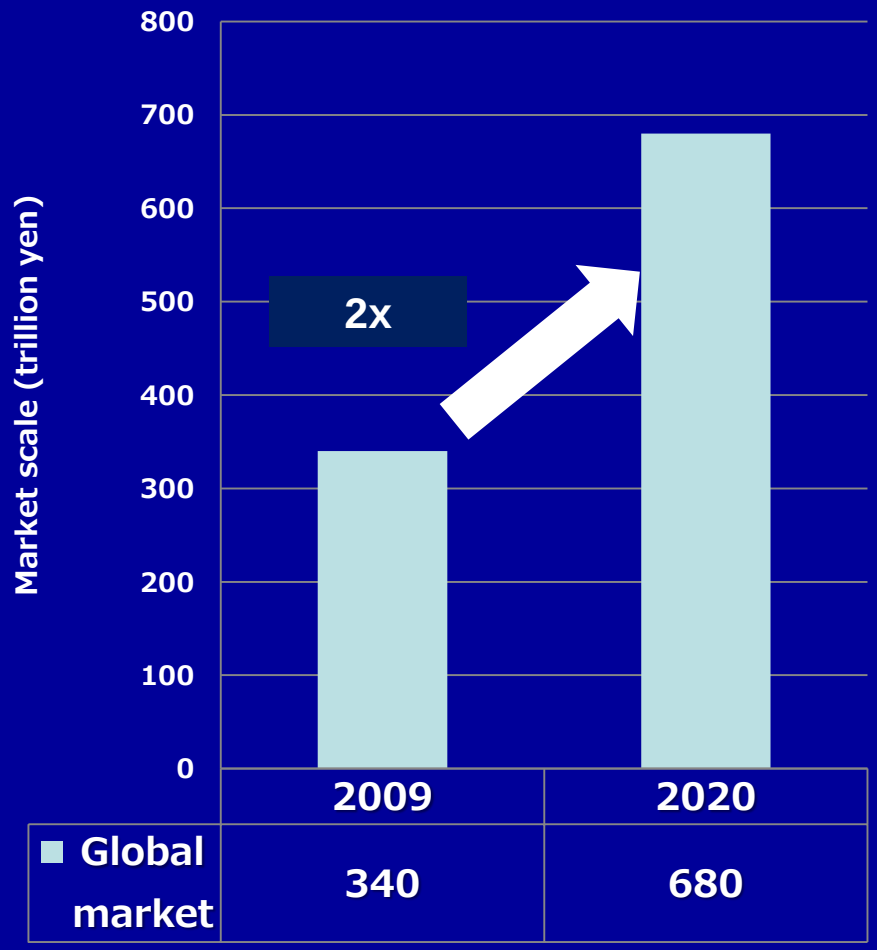
Further challenges

- **Food, restaurants** (Measures scheduled for 2016-2017)
- Men's building, clothing, ladies' items, living (on a rolling implementation schedule)

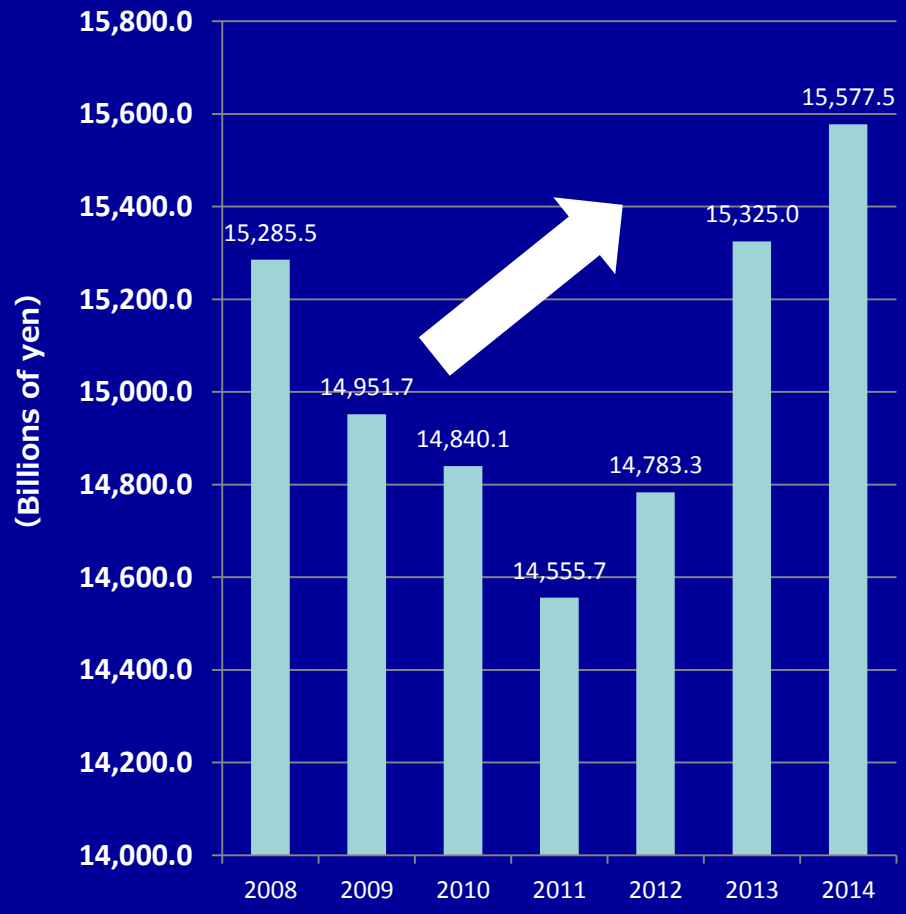
Providing Value at Flagship Stores: Shinjuku

Overview of restaurant floor redevelopment plan

Global dining market



Dining out market in Japan



Providing Value at Flagship Stores: Shinjuku

Restaurant floor concept

Global Reception

Hospitably receive customers from all over the world, ensure that they have a fulfilling time in the Fashion Museum and create a floor people will not want to miss.

Create a consistently international atmosphere throughout the store, with time and space to “feel Japan.”

Cocreating with designers and creators who share the Isetan concept







Strategic investment for 2016-2018: 9.0-12.0 billion yen **Profit boost in FY 2018: 4.0-5.0 billion yen (vs. FY 2015)**

Providing Value at Flagship Stores (Nihombashi)

Challenge of creating a cultural resort department store

Mitsukoshi Nihombashi main store: Results

	Sales	Margin
2Q	79.5 billion yen (104%)	27.85% (-0.18%)
2015 Full Year	170.4 billion yen (103%)	27.99% (+0.01%)

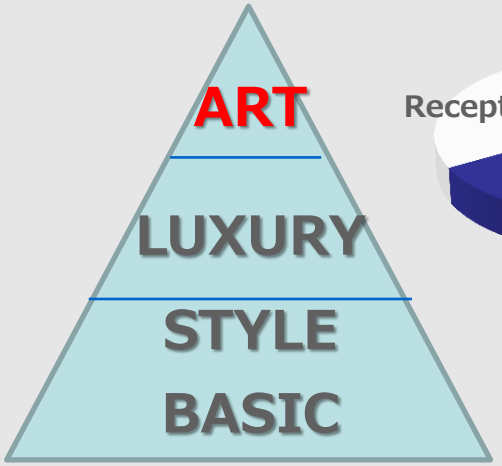
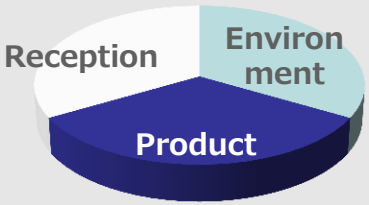
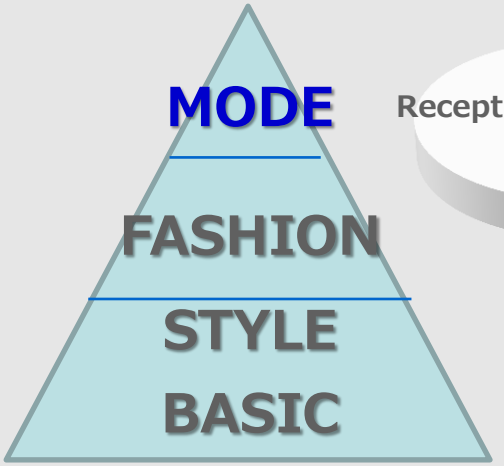
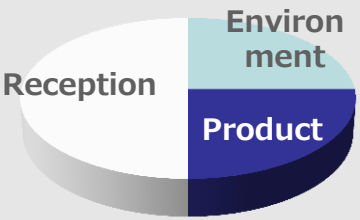
2016-2017

Mitsukoshi Nihombashi main store:

Launch of redevelopment centered on main building

Providing Value at Flagship Stores (Nihombashi)

Characteristics of merchandising

	Mitsukoshi Nihombashi main store	Isetan Shinjuku main store
Concept	Cultural resort	Fashion museum
Customer reception	Consultation type	Advisor type
Product	ART at apex of MD structure	MODE at apex of MD structure
Image	 	 

Strategic investment for 2016-2018: 15.0-18.0 billion yen Profit boost in FY 2018: 1.0-1.5 billion yen (vs. FY 2015)

Providing Value at Flagship Stores (Ginza)

Oct. 14 Opening after remodeling of Mitsukoshi Ginza store

Seasonal + Genuine	Japan + Depth
Spirit of Hospitality	Values + Exchange

- Sales (October)
  105% of target, 118% YoY
- Customer trends:
  Sales increases among the 20s (116%) and 30s (110%)
- 140% area efficiency through revitalization of 3F women's items, jewelry and watches, etc. in the east side which was regarded as an issue

Providing Value at Flagship Stores (Ginza)

Mitsukoshi Ginza store: Results

	Sales	Margin
2Q	41.0 billion yen (126%)	28.54% (+0.59%)
2015 Full Year	86.5 billion yen (116%)	28.44% (+0.38%)

Need to stay on offensive to achieve net sales of ¥100.0 billion as a world landmark

Opening of the first urban duty free store in Japan (ex-Okinawa)

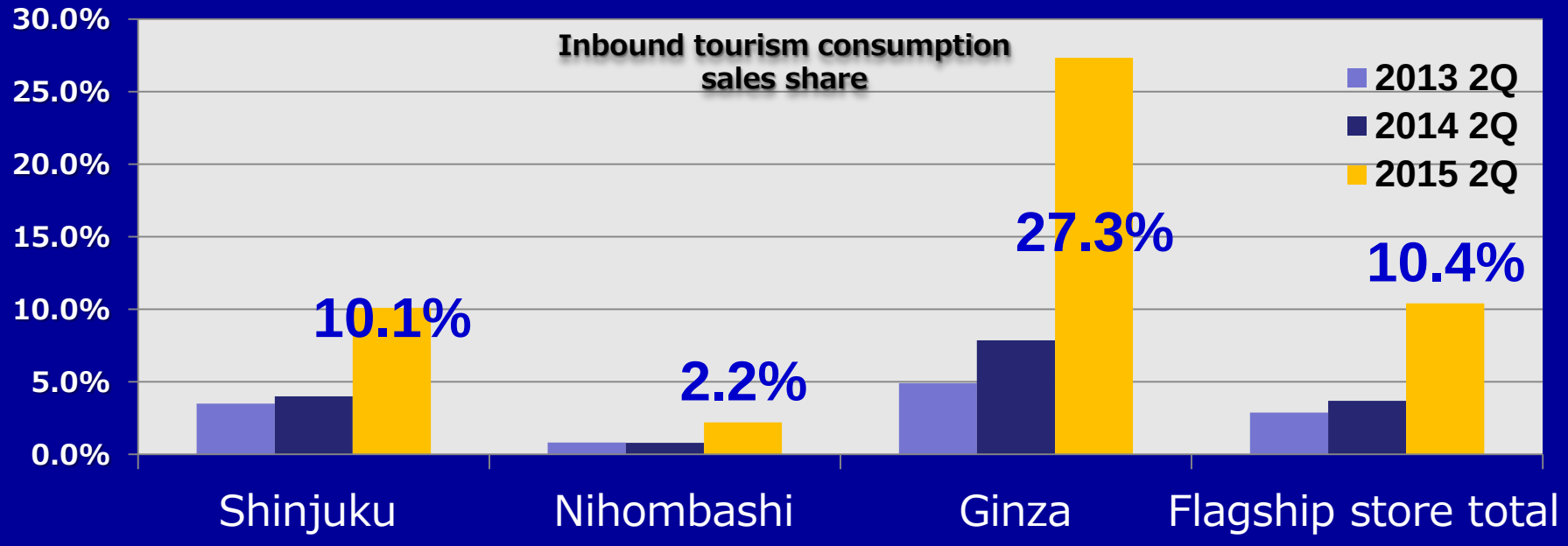
Continuous trials to become the most trendy global department store (foods, etc)

Strategic investment for 2016-2018: 1.0-2.0 billion yen (5.0 billion yen already invested in FY 2015)

Profit boost in FY 2018: 1.0-1.5 billion yen (vs. FY 2015)

(Reference) Inbound Tourism Consumption Initiatives

More than three-fold growth. Ahead YoY even without inbound tourism consumption.



2015 2Q	Inbound tourism consumption sales	YoY without inbound tourism consumption
Flagship stores	26.0 billion yen	104%
Branches and regional stores	4.1 billion yen	101%
Group total	30.1 billion yen	102%

Overview of Key Strategies

	Department store business in Japan	Overseas business	Other retail & specialty store business	New and other businesses
Expanding and enhancing customer interaction	Providing value at flagship stores **Small- to medium-sized stores** **Structural innovation at unprofitable stores** Web and EC businesses (digital strategies)	**New flagship model** **New earnings model (commercial real estate)** **Structural innovation of unprofitable stores**	Food supermarket business Fashion business Mail order business	Card business Travel business Personnel services business Bridal business Restaurant business Salon business
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Approaches to Structural Innovation

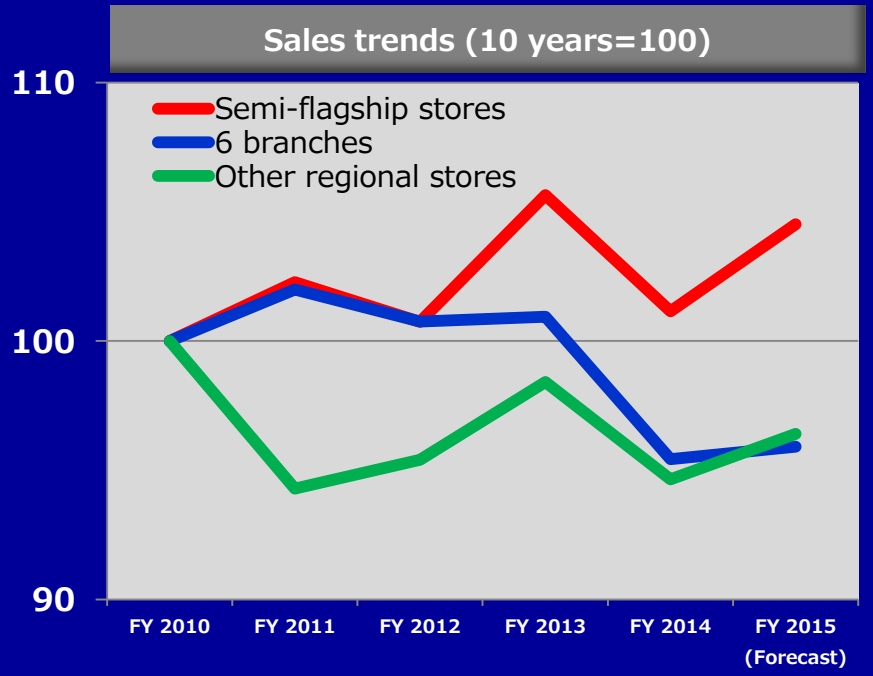


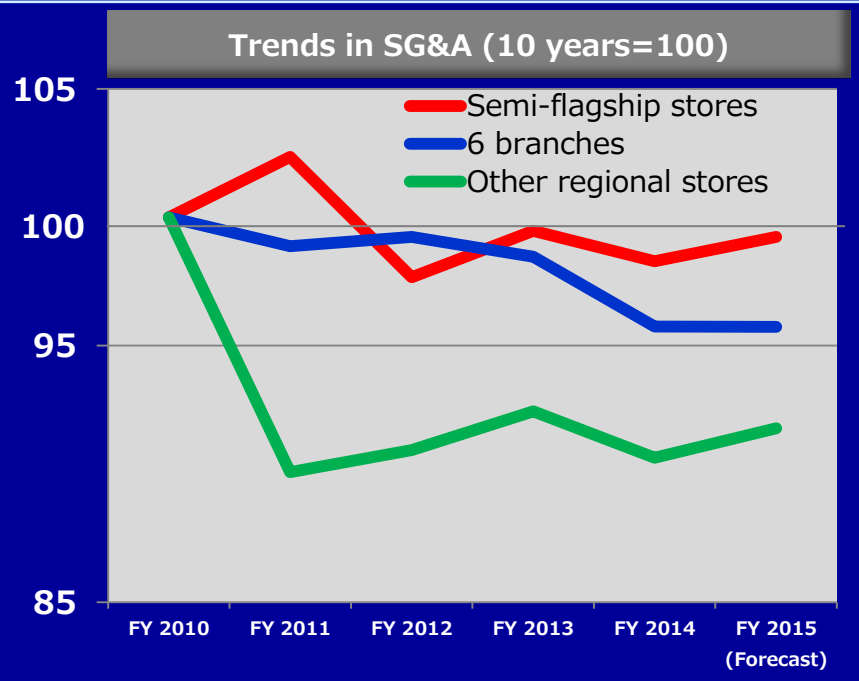
	Concentrate investment in areas of strength	Transfer Group strengths externally	Development of new businesses Alliances with other formats
Flagship stores	Redevelopment investment	Roppongi, Marunouchi	Digital, etc.
Semi-flagship stores	Concentrated investment	Nagoya, other places	FUKUOKA DUTY FREE SHOP Partner with stations, airports, etc.
Structural reform stores	Introduce original content	Partner with small stores	• Maximize Japan value • Leverage EC • Real estate business, integrated commercial facilities
Overseas stores	Flagships	Specialty stores	

Structural Innovation of Regional Stores

Measures to date

- Concentrate investment in semi-flagship stores
- Open small stores within suburban areas
- Reduce expenses (more efficient deployment of personnel, rent negotiation, introduction of LED lighting, etc.)





*Except Nagoya LACHIC

Measures for the future: Structural innovation maximizing the use of Group resources

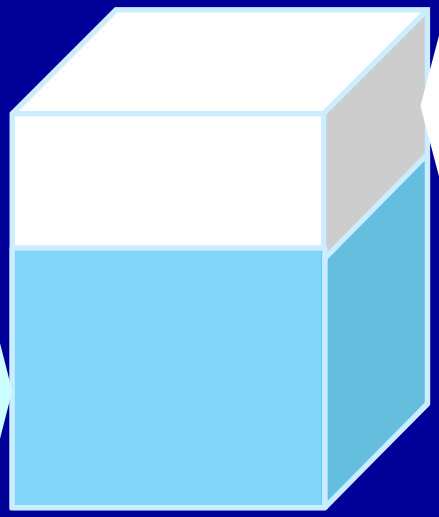
Structural Innovation of Regional Stores

For branches and regional stores other than semi-flagship stores, shift from conventional department stores to specialty stores tailored to providing convenience for local customers

Continue improvements on semi-flagship stores (remodeling, etc. in 2015 in Sapporo, and in 2017 in Nagoya)

Maximize Group strengths

- Introduce proprietary MD at flagship stores
- Improve margins through SPA products
- Strengthen measures for priority customers



Introduce new content

- **In-house developed content (restaurants, medical malls, salons, etc.)**
- **Incorporate proprietary content at the regional level (rediscover Japan value, etc.)**
- **Use external tenant leasing**

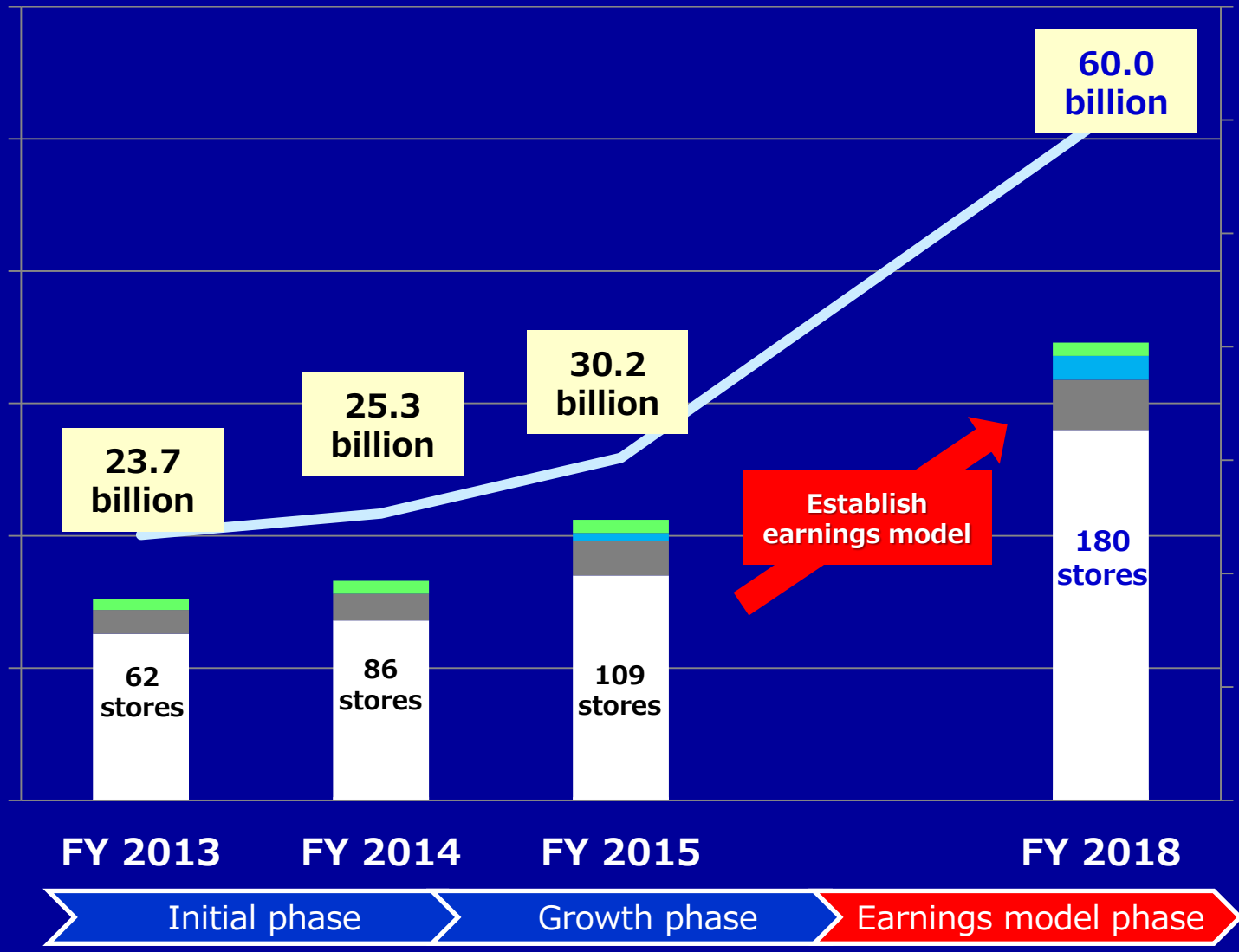
Strengthen fundamentals

Draw on Group marketing functions that respond to the needs of regional customers

Strategic investment for 2016-2018: 10.0-12.0 billion yen

Profit boost in FY 2018: 1.0-2.0 billion yen (vs. FY 2015)

Small to Medium-Sized Stores



Haneda store

MI PLAZA

*Greater Tokyo area + regions

ISETAN MiRROR

Specialty store

Outlet

Sales

*Greater Tokyo area + regions

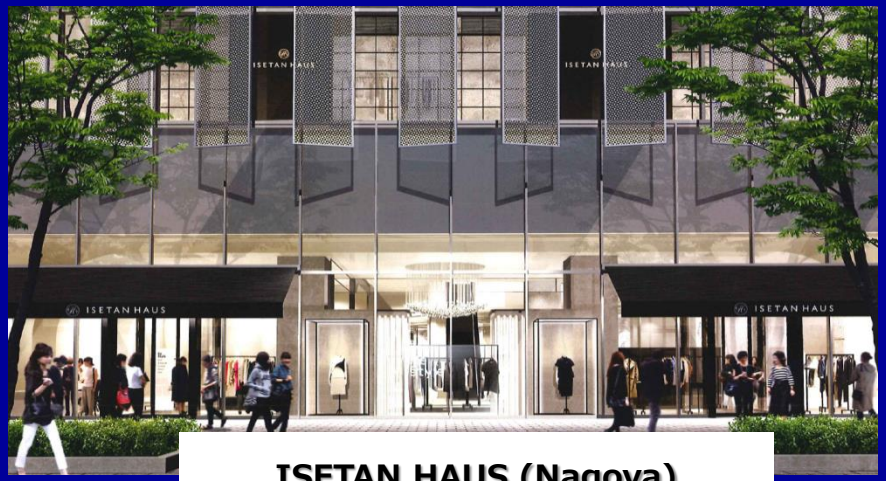
Small- to Medium-Sized Stores

■ Measures for establishing an earnings model

- Develop model for city center medium-sized store
- More precisely tailor store openings to regional characteristics
- Develop high-margin products at MI PLAZA
- Streamline operations (personnel, logistics systems, etc.)



ISETAN SALONE MEN'S (Marunouchi)



ISETAN HAUS (Nagoya)

Small- to Medium-Sized Stores

	Sales	Newly opened stores
2Q	13.2 billion yen (94% of target, 116% YoY)	7 stores (±0 vs. plan)
FY 2015 Full Year	30.1 billion yen (91% of target, 119% YoY)	22 stores (-2 vs. plan)

* Figures for whole Group

ISETAN MiRROR: 3 store openings planned in the second half, at a total investment of around 3.0 billion yen. First-half targets not met.

Specialty stores (medium-sized): Toward a 3-store network covering Marunouchi and Nagoya

MI PLAZA: Progress as scheduled in scrap & build program (+17 stores)

First-half targets not met at current stores.

Strategic investment for 2016-2018: 4.0-5.0 billion yen

Profit boost in FY 2018: 1.0-2.0 billion yen (vs. FY 2015)

Structural Innovation of Overseas Business

Current status

- Changing external environment
  (Rents, personnel costs, increasing competitive pressures, etc.)
- Country risk
  (Falling Shanghai Stock Exchange prices, Tianjin explosion, etc.)

Slow response to environmental changes

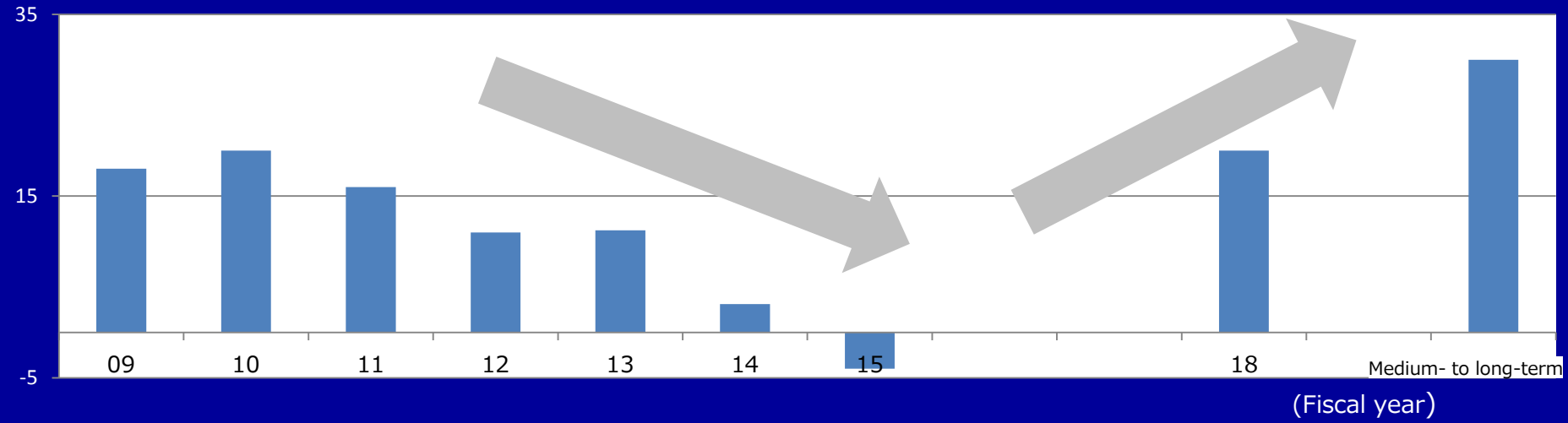
Future directions

(1) Develop and roll out competitive content

(2) Restructure store models

(3) Establish new earnings paradigm
(Commercial real estate business, etc.)

Operating income at overseas business



Structural Innovation of Overseas Business

(1) Develop and roll out competitive content

Supply from Merchandising Headquarters in Japan

Global MD
MD with development, procurement and compilation to in-house value standards
(ReStyle, ISETAN MiRROR, etc.)

Japan MD
MD with “Japan” feel, functions, technology and design capabilities

Procurement at each store

Local MD
MD tailored to customer needs in countries and regions where stores have been opened

Expand

Be selective

Strengthen competitiveness by using Group strengths
Carry out global reorganization

Structural Innovation of Overseas Business

(2) Restructure store models

Quickly establish a flagship and specialty store model

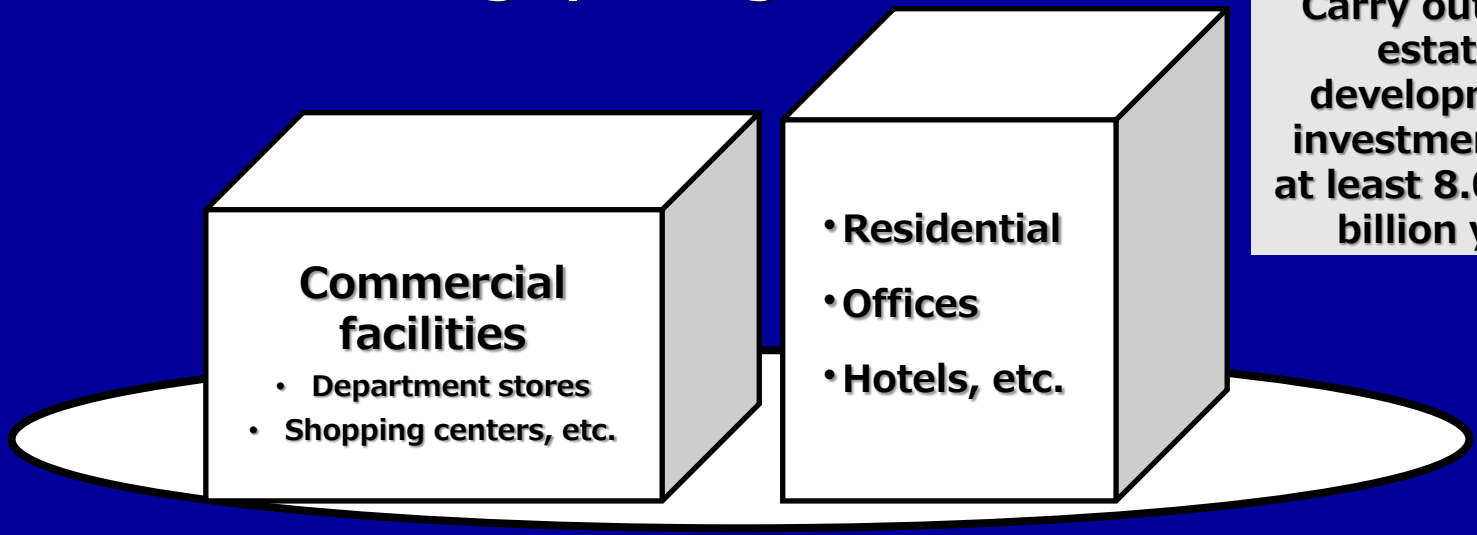
Flagship	**Provide MD, environment and marketing services in the same grade of that in the Japan flagship stores**	**Pilot project at Singapore SCOTTS store**
Specialty store	**Shift to categories and items of strength to make stores specialized in uniqueness** **(“Cool Japan” concept stores, ISETAN SALONE, Isetan Men's, etc.)**	**Pilot project for “Cool Japan” store in LOT10 stores in Malaysia**

Change format for current stores in line with area characteristics

Open new stores for establishment of new businesses

Structural Innovation of Overseas Business

(3) Establish new earnings paradigm



Carry out real estate development investments of at least 8.0-10.0 billion yen

Participate in integrated real estate developments

Generate earnings by drawing on Group strengths such as commercial facility operation and facility management in ASEAN and other emerging economies

Strategic investment for 2016-2018: 15.0-20.0 billion yen

Profit boost in FY 2018: 1.5-2.0 billion yen (vs. FY 2015)

Creating Content with High Customer Value
Expanding and Enhancing Customer Interaction
-New Businesses-

Overview of Key Strategies

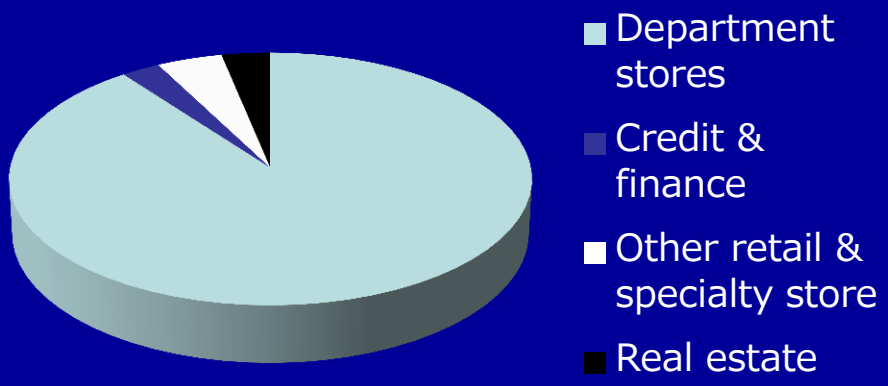


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Targeted Profile of New Businesses

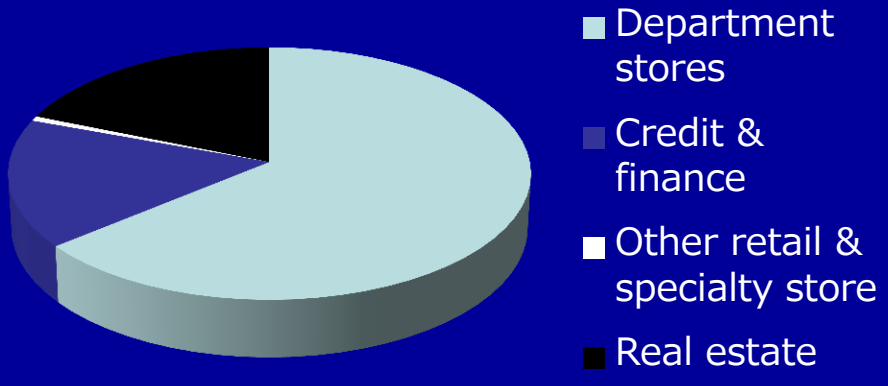
Business portfolio (2014)

Net sales



Department stores account for 90%

Operating income



Department stores account for 65%

- **Open stores in a diverse range of channels within the Group**
- **Expand and enhance contact points to win next-generation customers**
- **Promote commercialization through specialization to respond to changing lifestyles**

⇒ Improve the balance of the business portfolio

Open Stores within Group Channels (Restaurants, etc.)

Develop specialized restaurant and café outlets to respond to expansion in the dining business

Planning → Procure foodstuffs → Provide premises → Prepare in-house → Customer service

Portion relating to department stores

Fully produce restaurant business in the Group and outside

Autonomous management in dining business

Restaurant business

Café business





Department stores





Related businesses





New businesses (bridal, salon, other)

Develop content for supply in Japan and overseas ⇒ Enhanced dining value

Expand and Enhance Contact Points to Win Next-Generation Customers (Bridal)

- Expand package proposals for next-generation department store customers
- Respond to a polarizing market with comprehensive bridal business packages including direct wedding venue management (high spend per customer market).

Planning / management	Catering	Gifts
Rings and wedding wear	Flower arrangement	Videos, flowers

Plan Do See Inc.

Extensive business operation know-how

- Manage Kobe Oriental Hotel
- Manage Ginza restaurant “6th”

×

Isetan Mitsukoshi

- Product development capability
- Strong customer base

Make completely new proposals in bridal business, including hotel entrustment business and renovation of historic buildings (1 project to open during FY 2017)

Specialization to Respond to Changing Lifestyles: Salon

Develop new "active senior" market by delivering enriched lifestyles

"New adult" space



Daily life third zone

Experience/community (Wine/tea/art/asset management)

Refer customers

In-store marketing information

Coordinate with current stores and businesses








Coordination

Commercialization of lifestyle proposals

New services

New content within Group

First store pilot (first half of 2016), second and third stores to open within the fiscal year

Overview of Digital Strategies

By placing digital operations at the base, review all businesses and policies from a digital perspective

Merge Web and bricks-and-mortar approaches, and interweave stores/products/services/content, etc., to create new value/customers/businesses

(3) Create new businesses

(1) Strengthen EC at department stores
(Merge Web and bricks-and-mortar approaches)

(2) Merge digital and services/MD

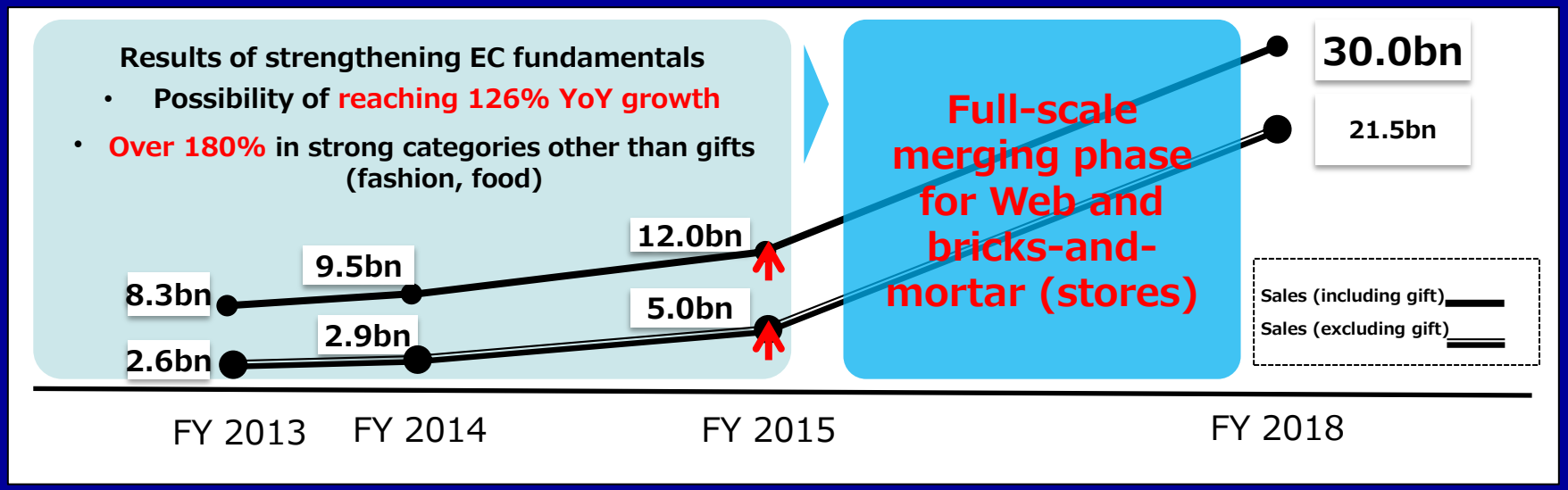
Data analysis/Strengthen **digital marketing** functions

Develop infrastructure

Create customer database	Create product database

System platform/Management platform

Digital Strategies (1) Strengthen EC at Department Stores



Second-half FY2015: Carry out the following strategies on behalf of original department stores

(1) Provide genuineness and quality	→	Create luxury EC
(2) Category specialization	→	Shift to category EC
(3) Global diffusion of Japanese values	→	Full-scale launch of global EC

Digital Strategies (2) Merge Digital and Services/MD

Actively introduce innovative digital technologies and services from around the world, and create new value through combination with analog values



Global trend (Digital + fashion)

Enhance hospitality
New shopping experience
Propose next-generation lifestyles

- Electronic customer cards
- Digital fitting room
- 3D printing
- Artificial intelligence/robot interface
- IoT/device sales

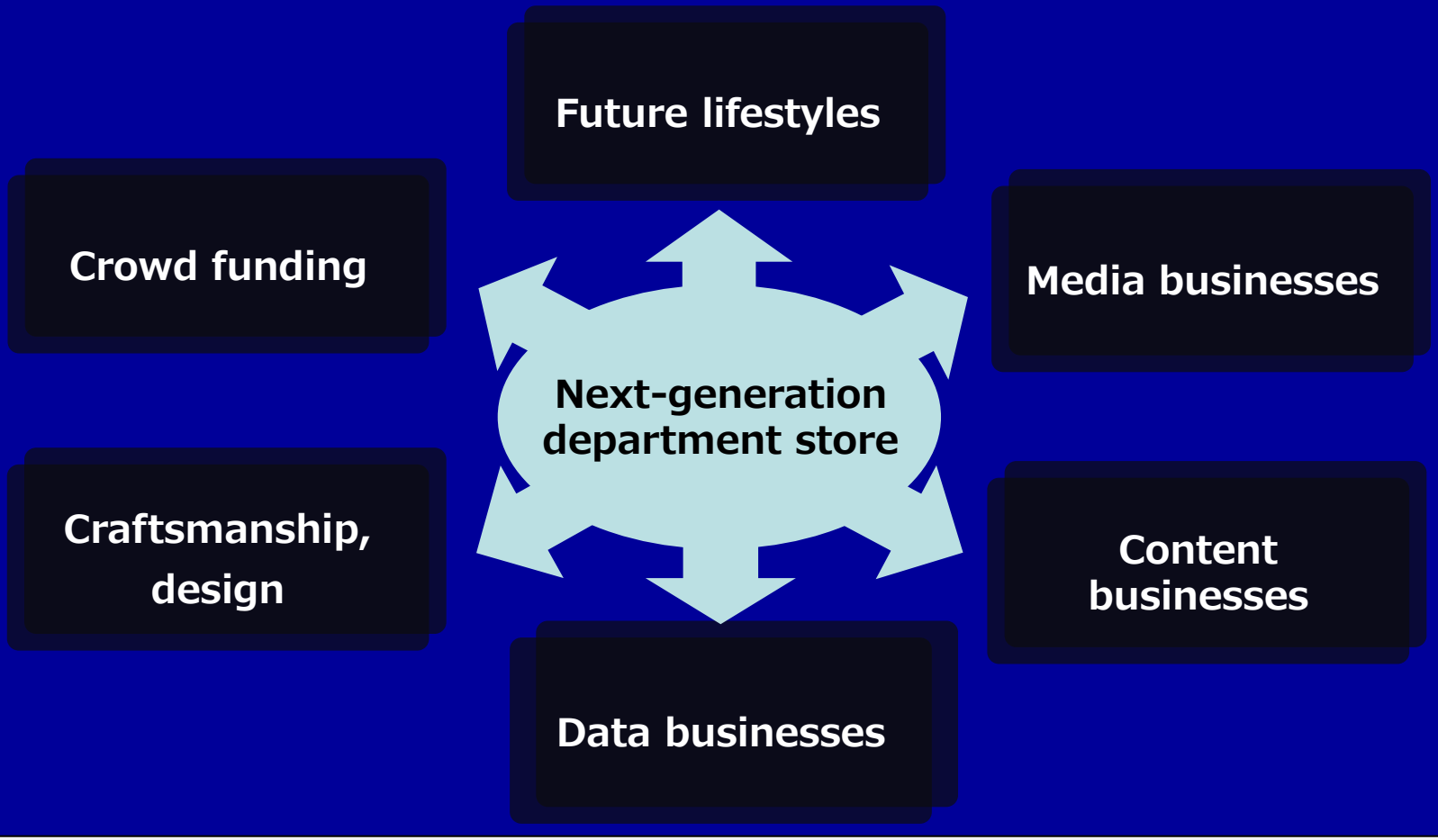






Digital Strategies (4) Creating New Businesses

From a fusion of digital and analog technologies, develop next-generation department store business into uncharted territory



Strategic investment for 2016-2018: 9.0-11.0 billion yen
Profit boost in FY 2018: 4.0-6.0 billion yen (vs. FY 2015)

Improving Productivity

Overview of Key Strategies

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Progress in Purchasing Structure Innovation

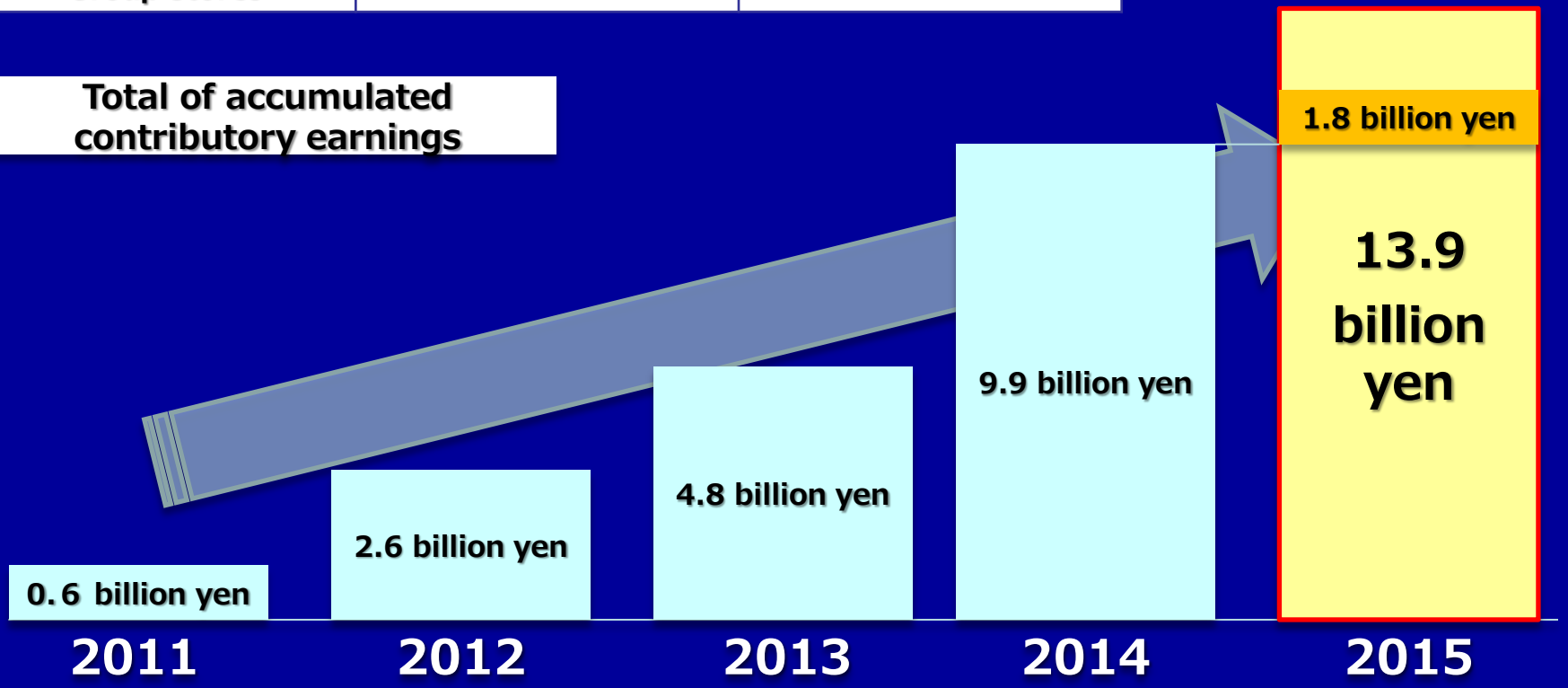
2015 2Q results

	Contributory earnings	Impact on margin
Total for department stores in Japan	1.8 billion yen	+0.35%
Total for flagship stores	0.8 billion yen	+0.36%
Total for branches and Group stores	1.0 billion yen	+0.36%

Transaction margin for department stores in Japan

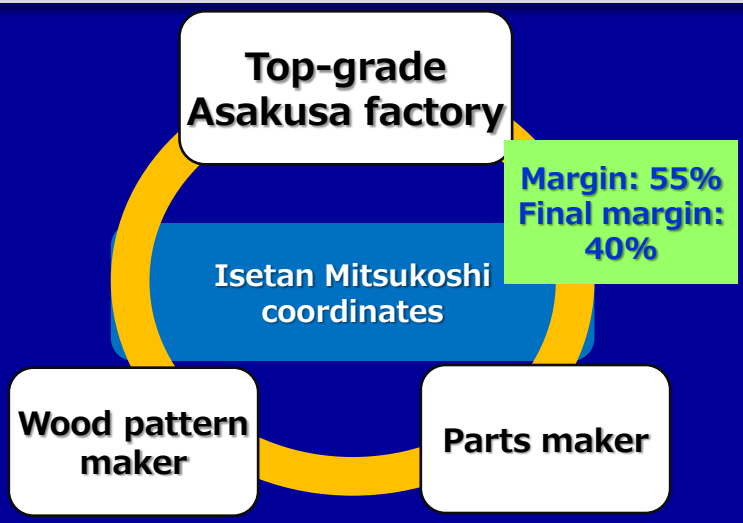
+0.06%

Total of accumulated contributory earnings



Progress in Purchasing Structure Innovation

New businesses from purchasing structure innovation (Number Twenty-one)



Solution-type development

Solve foot problems

Fashion-proposal-type development

Expand new brand through collaboration among 3 Japan factories

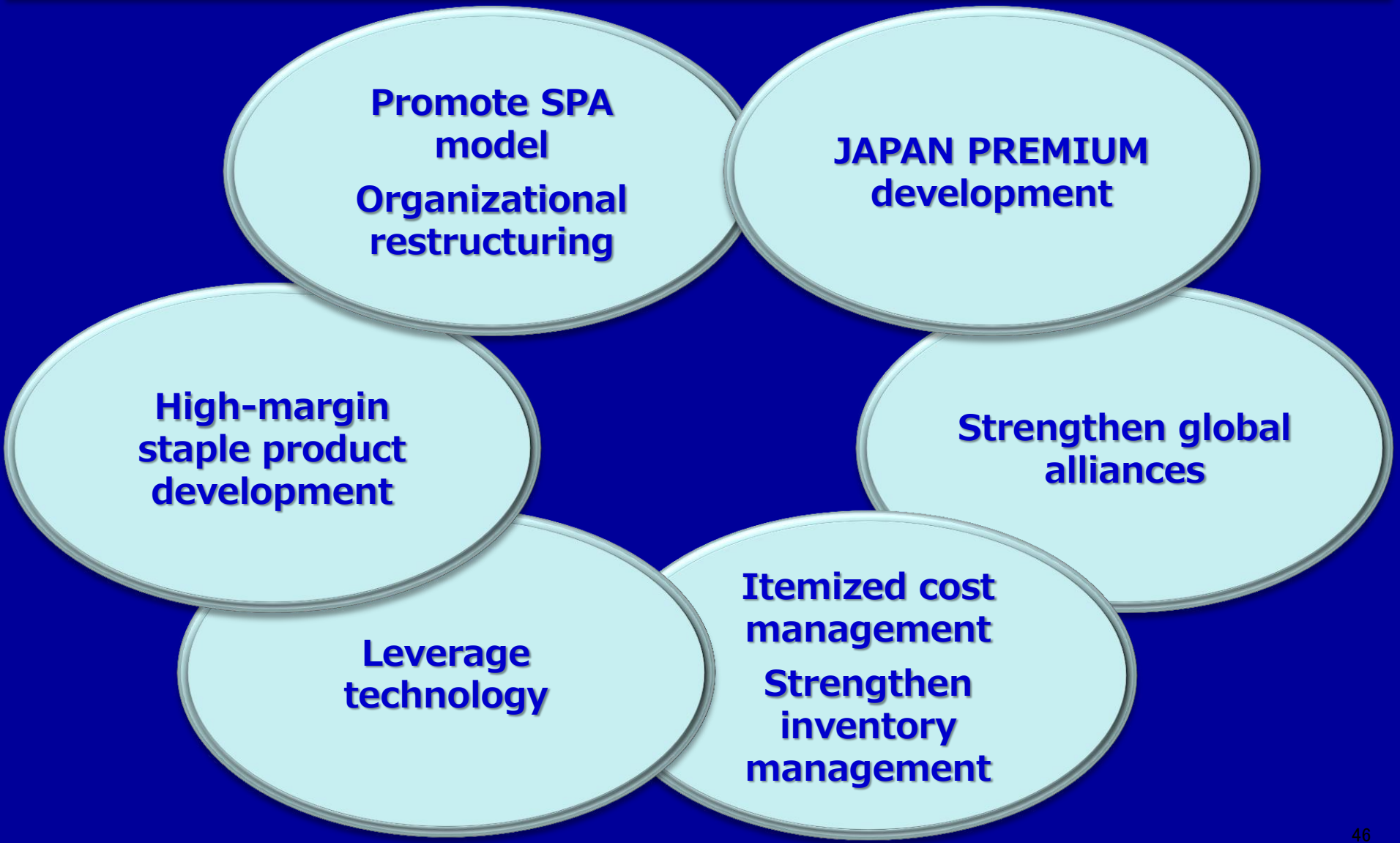


Develop products and expand marketing channels for global customer base (OEM business)

- Wholesale to departments in Japan and overseas, and selected shops: Start with 6,500 pairs, 50.0 million yen.
- Expand starting with handbags and shoes, bringing wider choice of tastes and classes.
- Wholesale to US, European department stores and select shops with store openings in Premiere Classe (overseas exhibition), etc.

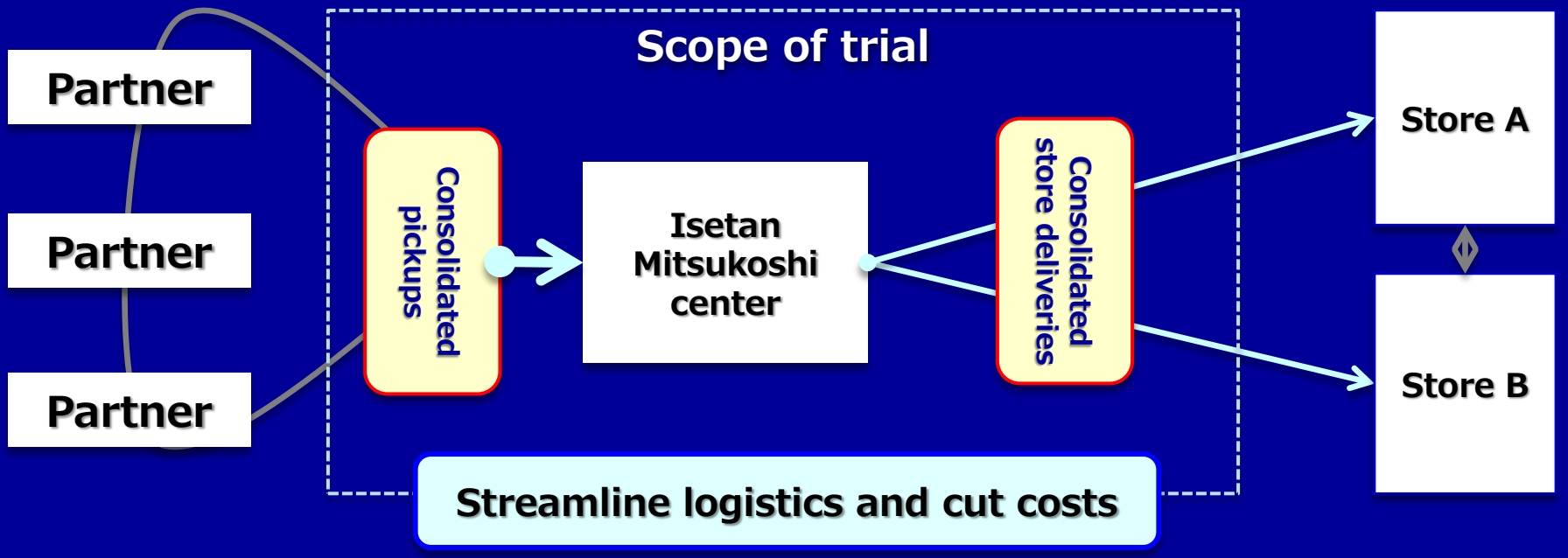
Progress in Purchasing Structure Innovation

Medium- to long-term direction: Total accumulated contributory profit of **20.5 billion yen** for FY 2018



Structural Innovation of Sourcing Logistics

Cut logistics costs and losses due to missing goods by using new logistics services



Hidden margin improvement through reduced logistics costs and reduced loss of sales opportunity: 5.0 billion yen

Cut logistics costs

2.0 billion yen

Provide infrastructure, consolidate logistics flows and hubs

Cut loss of sales opportunity

3.0 billion yen

Speed up logistics, ensure appropriate inventory, etc.

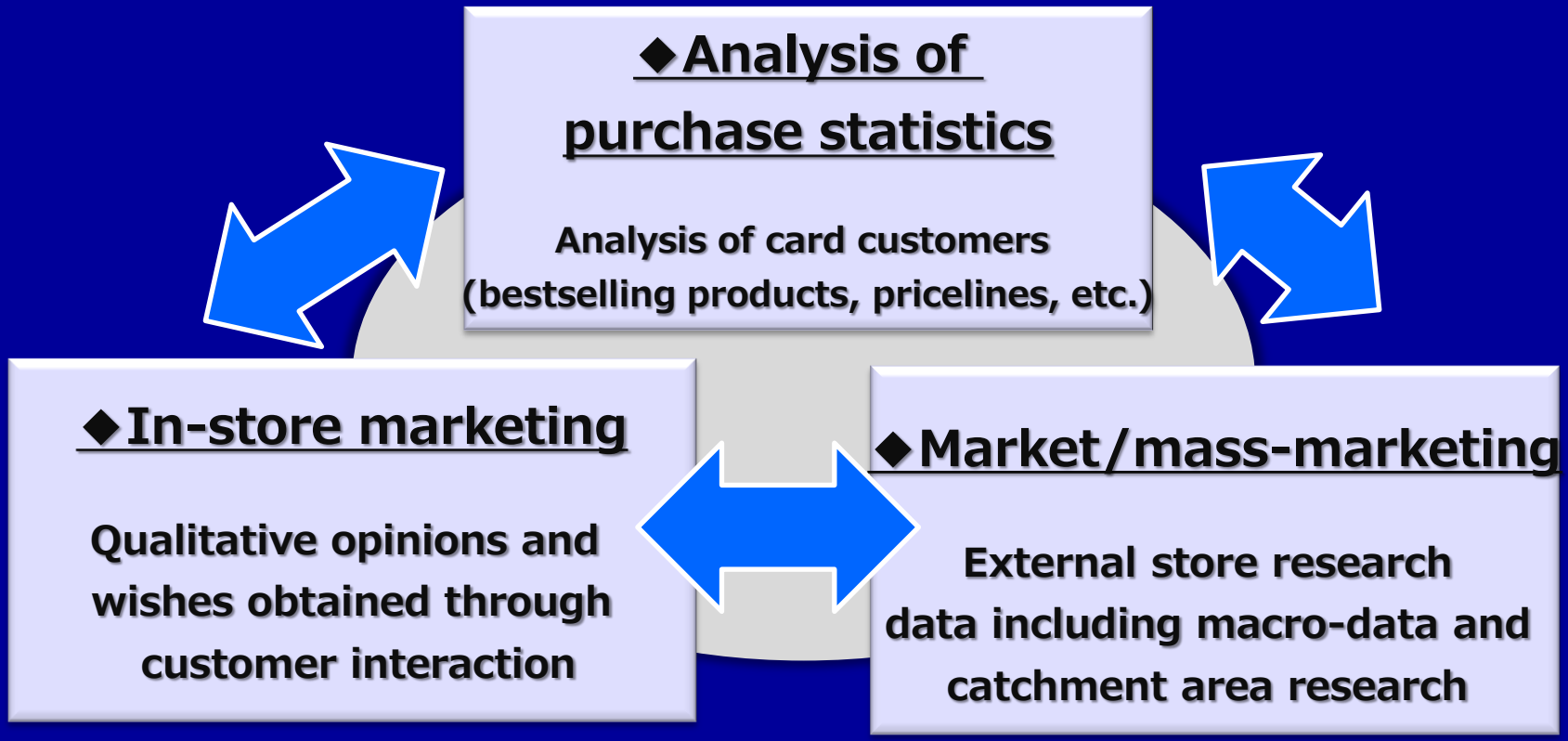
Strengthening Group Business Platforms

Overview of Key Strategies

	Department store business in Japan	Overseas business	Other retail & specialty store business	New and other businesses
Expanding and enhancing customer interaction	Providing value at flagship stores Small- to medium-sized stores Structural innovation at unprofitable stores Web and EC businesses (digital strategies)	New flagship model New earnings model (commercial real estate) Structural innovation of unprofitable stores	Food supermarket business Fashion business Mail order business	Card business Travel business Personnel services business Bridal business Restaurant business Salon business
Creating content with high customer value	Global content creation			
Improving productivity	Structural innovation of purchasing and sourcing logistics	Improvement of personnel productivity	Promotion of commercial real estate business	
Strengthening fundamentals to use Group strategy	**Group MKTG and CRM** **Personnel training and HR system**	Creating mechanisms for content development Creating information strategy system	Strengthening SSC functions and promoting use of PCs Restructuring business systems	

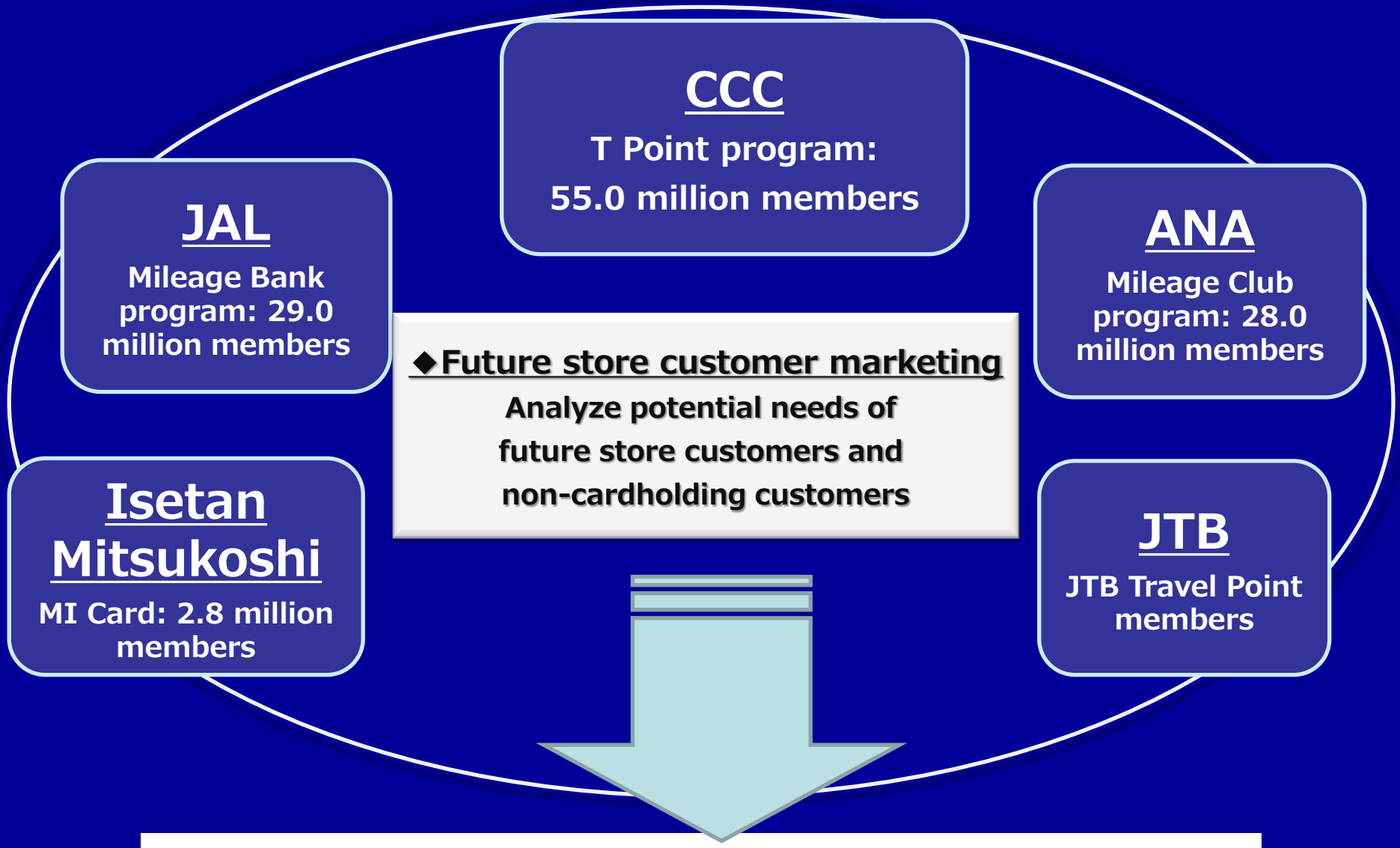
Group Marketing/Group CRM

Company's current marketing



Need for a platform for analysis of potential needs

Group Marketing/Group CRM



Create new lifestyles

Group Marketing/Group CRM

CCC
T Point program: 55.0 million members

Establish marketing joint venture

Isetan Mitsukoshi
MI Card: 2.8 million members

Membership of T Point program

- Improve customer convenience through external exchange, etc.
- Merger of Group point-based incentive programs
- Acquire wide range of lifestyle information through big data analysis

Establish database marketing platform

Proposals for completely new stores, floor, shops and content

Develop new businesses such as external sale of database, etc.

Help increase sales through new memberships and increase “shop around” purchases by current customers

Personnel Training and HR System

Maximize employee abilities, foster and discover talent that can embrace globalization

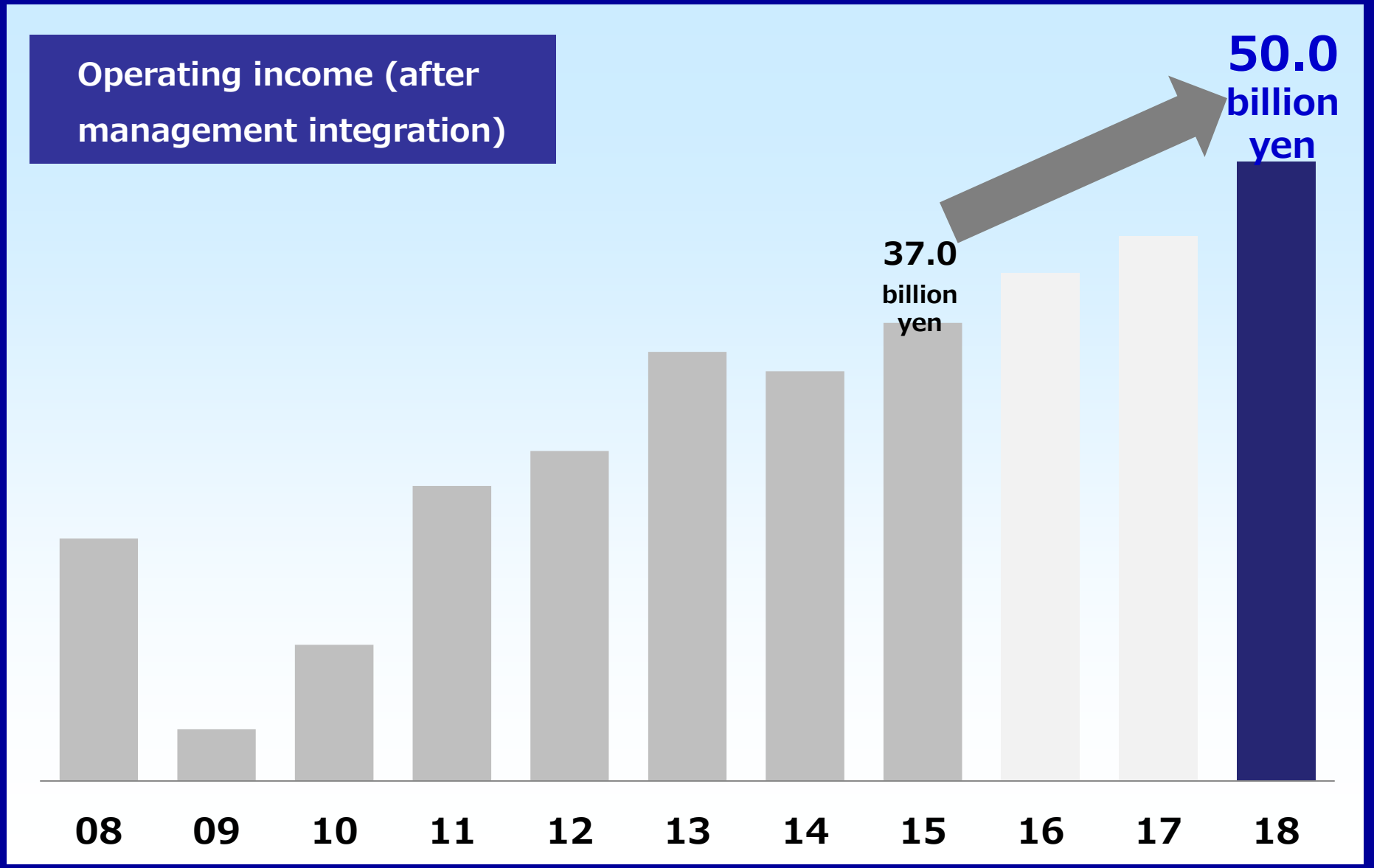
(April 2016-)

- **Introduce sales incentive program**
- **Unlimited contracts for contract employees**
- **New personnel system for elder employees (further develop in future)**
- **Exchange of personnel, expansion of external placements**
- **Encourage diversity**
  Hire foreigners, provide training in Japan to overseas staff



3. Profit/Investment Plans and Returns to Shareholders

Toward Operating Income of 50.0 Billion Yen in FY 2018 (Earnings Target)



Toward Operating Income of 50.0 Billion Yen in FY 2018 (Earnings Target)

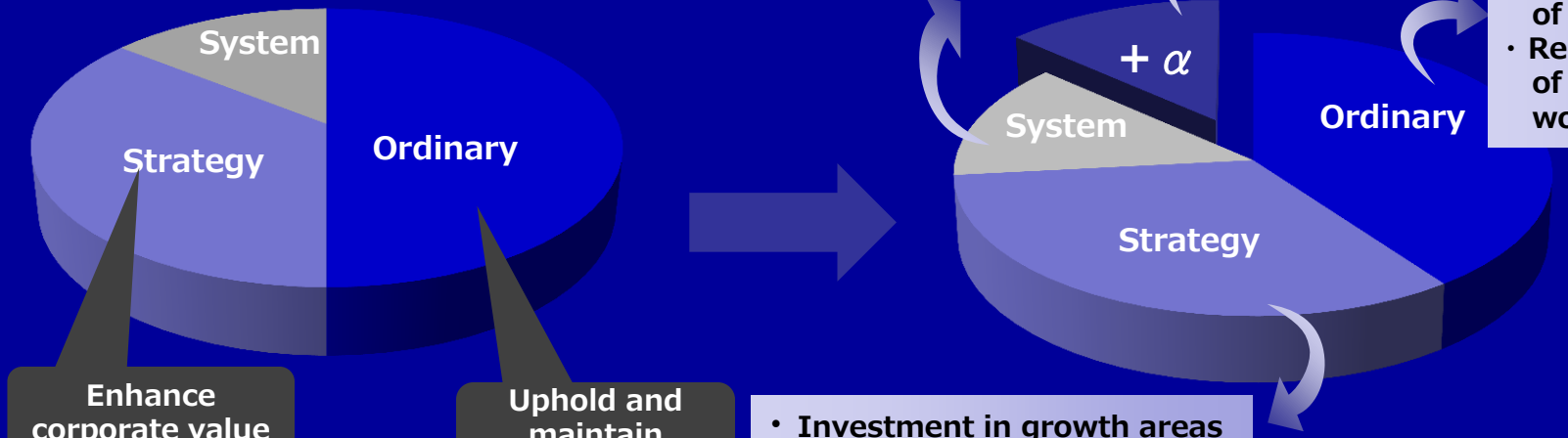
Investment plans (FY 2016-2018)

150.0 billion + α

Generation of new funding from earnings growth and reduced conventional investment, etc.

- Expand EC business
- Infrastructure for purchasing structure innovation

- Structural reform of stores
- Reduce unit price of construction works



Enhance corporate value

Uphold and maintain assets

- Investment in growth areas
- Implementation based on profitability analysis

Current status

Group vision for the future

Strategic Investment and Profit Growth by Business

(Billions of yen)	FY 2016-2018 Strategic Investments	Profit Boost in FY 2018 (vs. FY 2015)
Flagship Stores	25.0-35.0	+6.0-8.0
Branches and Regional Stores	10.0-12.0	+1.0-2.0
Small- to Medium-Sized Stores	4.0-5.0	+1.0-2.0
WEB	9.0-11.0	+4.0-6.0
Overseas	15.0-20.0	+1.5-2.0
Cards	4.0-6.0	+3.0-4.0
Others (Retail, specialty stores and real estate, etc.)	18.0-21.0	+4.0-5.0

Improving Shareholder Returns and Capital Efficiency

- Certain level of shareholder returns reflecting business results
  Increase dividend (annual) 11 yen → 12 yen
- Flexible acquisition of treasury stock

Enhanced return to shareholders
on good balance of investment and cash flow

ROE 5.5-6%	=	Improve earnings capability	×	Improve capital efficiency	×	Enhanced shareholder returns
		・Purchasing structure innovation ・Expansion of growth businesses		・Effective use of real estate ・Streamlining of assets		

FY 2018: ROE 5.5-6.0% is the target

Aspired Image towards Sustainable Growth

Becoming the world's foremost retail and services group

