

Isetan Mitsukoshi Group
Business Results Explanation Meeting
Second Quarter of the Fiscal Year
Ending March 31, 2018



Isetan Mitsukoshi Holdings Ltd.

November 7, 2017



1. Results of the Second Quarter of the Fiscal Year Ending March 31, 2018
2. Full Year Targets of the Fiscal Year Ending March 31, 2018
3. Next 3-year Plan

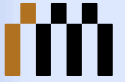
Consolidated Results



(Millions of yen)	FY2017 First Half	YoY change	YoY Difference
Net sales	595,261	+2.2%	+13,087
Gross Profit	173,993	+1.5%	+2,563
SG&A	166,343	+0.6%	+1,013
Operating Income	7,649	+25.4%	+1,549
Recurring Income	9,552	+26.0%	+1,973
Net Income	18	—	-8,320

Isetan Mitsukoshi Results (Non-consolidated)

(Millions of yen)	FY2017 First Half	YoY change	YoY Difference
Net sales	300,067	-1.4%	-4,209
Gross Profit	84,575	-2.2%	-1,898
SG&A	84,469	-5.2%	-4,588
Operating Income	7,225	+76.6%	+3,133
Recurring Income	9,464	+40.3%	+2,716
Net Income	5,647	+51.9%	+1,929



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Consolidated Plan

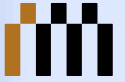


(Millions of yen)	FY2017	YoY change	YoY Difference	Difference from Target
Net sales	1,265,000	+0.9%	+11,542	±0
Gross Profit	368,000	+0.7%	+2,390	-4,000
SG&A	350,000	+2.4%	+8,326	-4,000
Operating Income	18,000	-24.8%	-5,935	±0
Recurring Income	20,000	-27.1%	-7,418	±0
Net Income	10,000	-33.2%	-4,976	±0

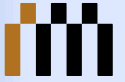
Isetan Mitsukoshi (Non-consolidated) Plan



(Millions of yen)	FY2017	YoY change	YoY Difference	Difference from Target
Net sales	642,325	-2.7%	-17,822	+8,789
Gross Profit	181,163	-2.8%	-5,243	+747
SG&A	180,167	-1.8%	-3,245	-3,219
Operating Income	13,000	-18.4%	-2,937	+3,000
Recurring Income	14,000	-16.6%	-2,796	+4,000
Net Income	9,000	+177.3%	+5,754	+3,500

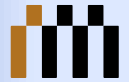


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- 3. Next 3-year Plan**



Contents

1. Summary of the Next 3-year Plan
Reformation (Strengthening of earnings structure)
& Transformation (Transformation of business structure)
2. The Isetan Mitsukoshi Group's Vision
3. Specific Measures for Reformation
4. Directions of Transformation



Reformation & Transformation

<STEP 1>

Reformation



“Structural Innovation”
“Earnings structure”

< Target >
Operating income:
35.0 billion yen

By FY2017 - FY2020

<STEP 2>

Transformation

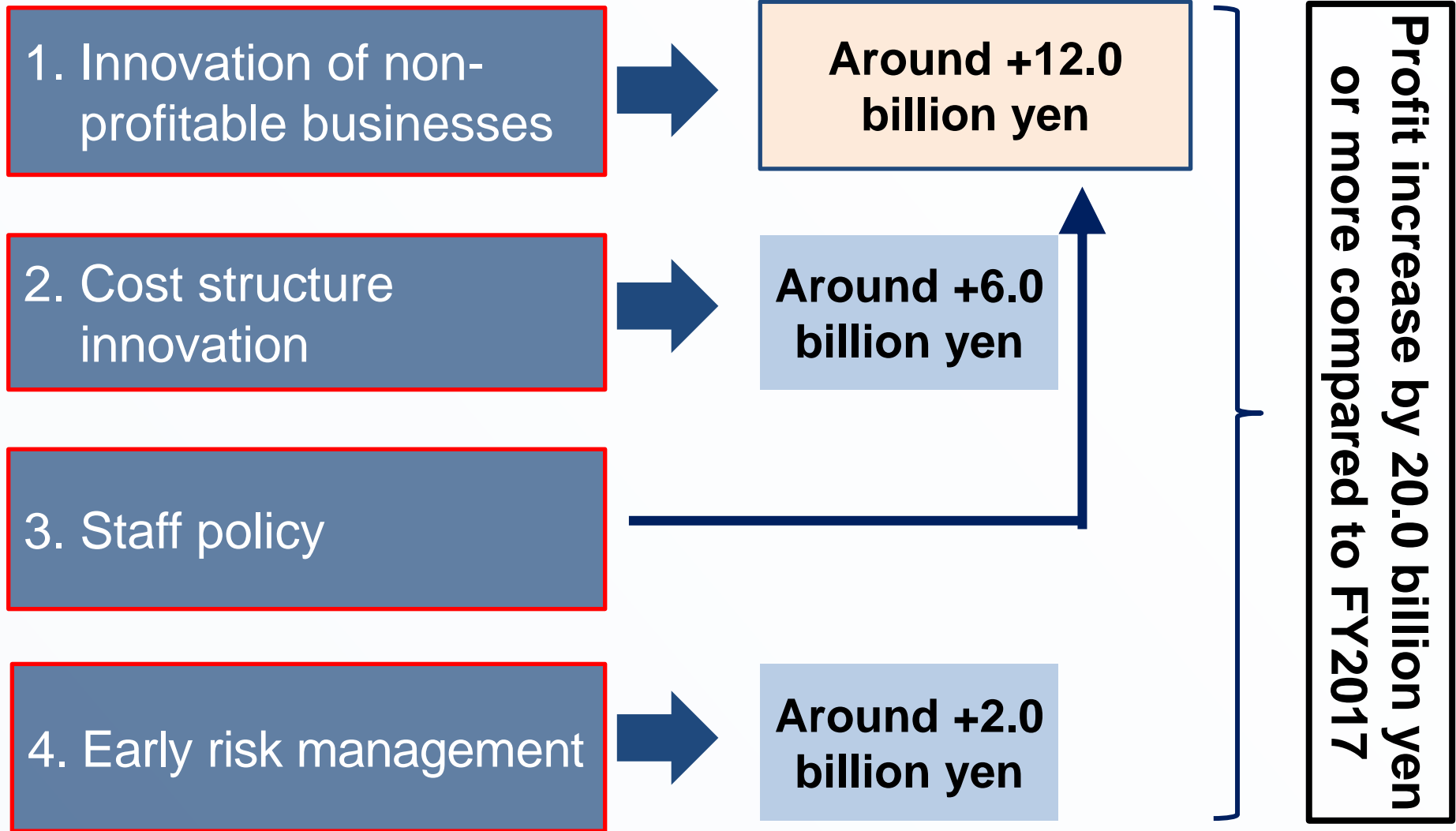


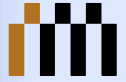
“Conversion”
“Growth”

Securing profits necessary
for further growth

Preparation and advance investment

Action Items for Reformation and its Effects on Profits





Innovation of non-profitable businesses

(1) Branches and regional stores

(2) Small- to medium-sized stores

(3) Overseas stores

(4) Subsidiaries and associates

Cost reductions

Resizing

Conversion of business categories

Closures



Cost structure innovation

Cost visualization

+

KPI



**Measurement
of PDCA effects**



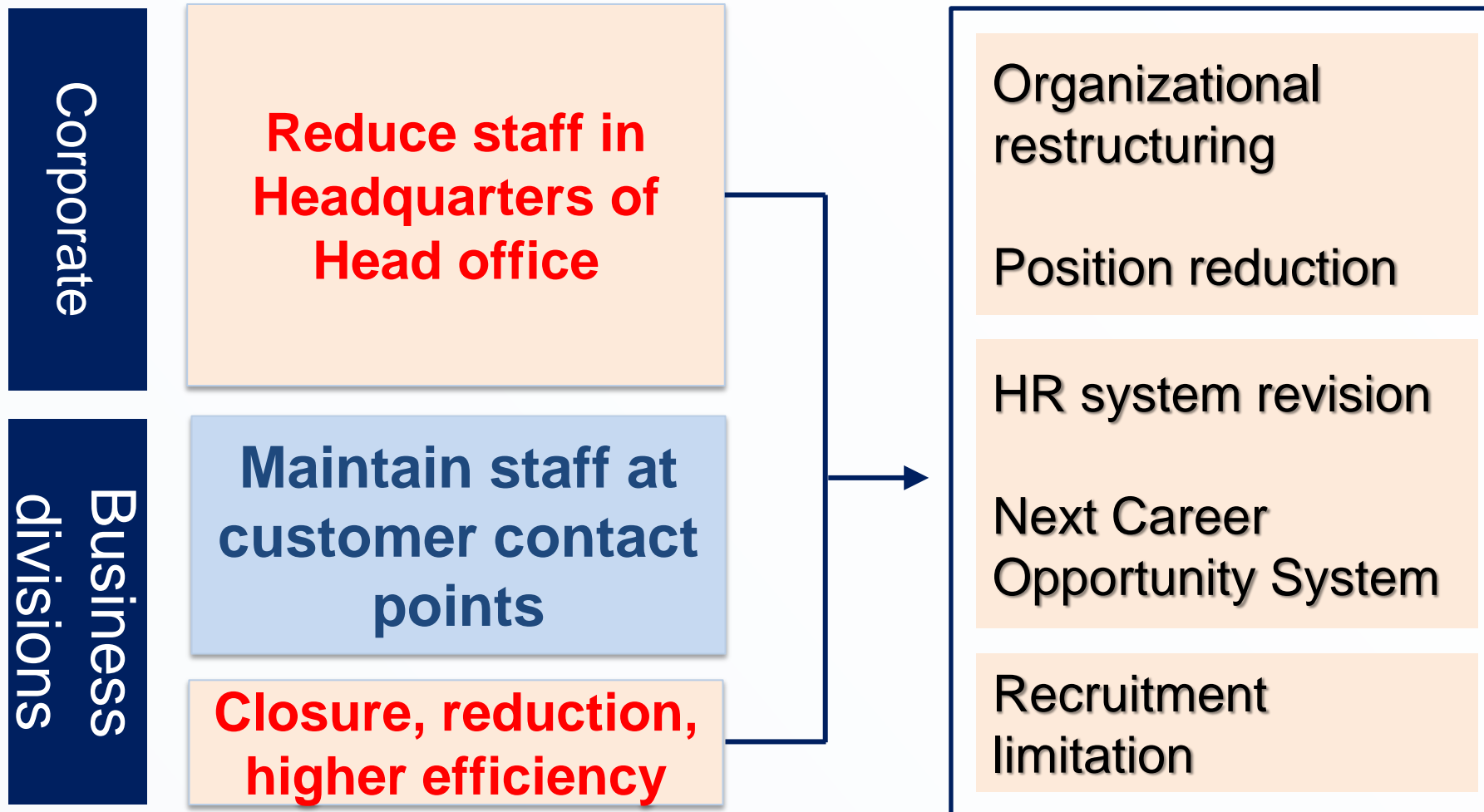
**Reduction of
internal costs
through shared
services**

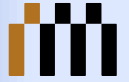


**Utilization of
external sources:
BPO**



Staff policy concepts





Expansion of Next Career Opportunity System

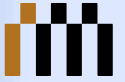
**Expansion of
choices**

**Appropriate staff
arrangement**



Higher monetary amounts

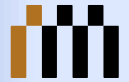
Expansion of target age



Early risk management

Inventory disposal

- **FY17: Disposal of inventory with selling price of over 10.0 billion yen**
- **FY18: Effects of profit returns**



Reformation & Transformation

<STEP 1>

Reformation



“Structural Innovation”
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< Target >
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By FY2017 - FY2020

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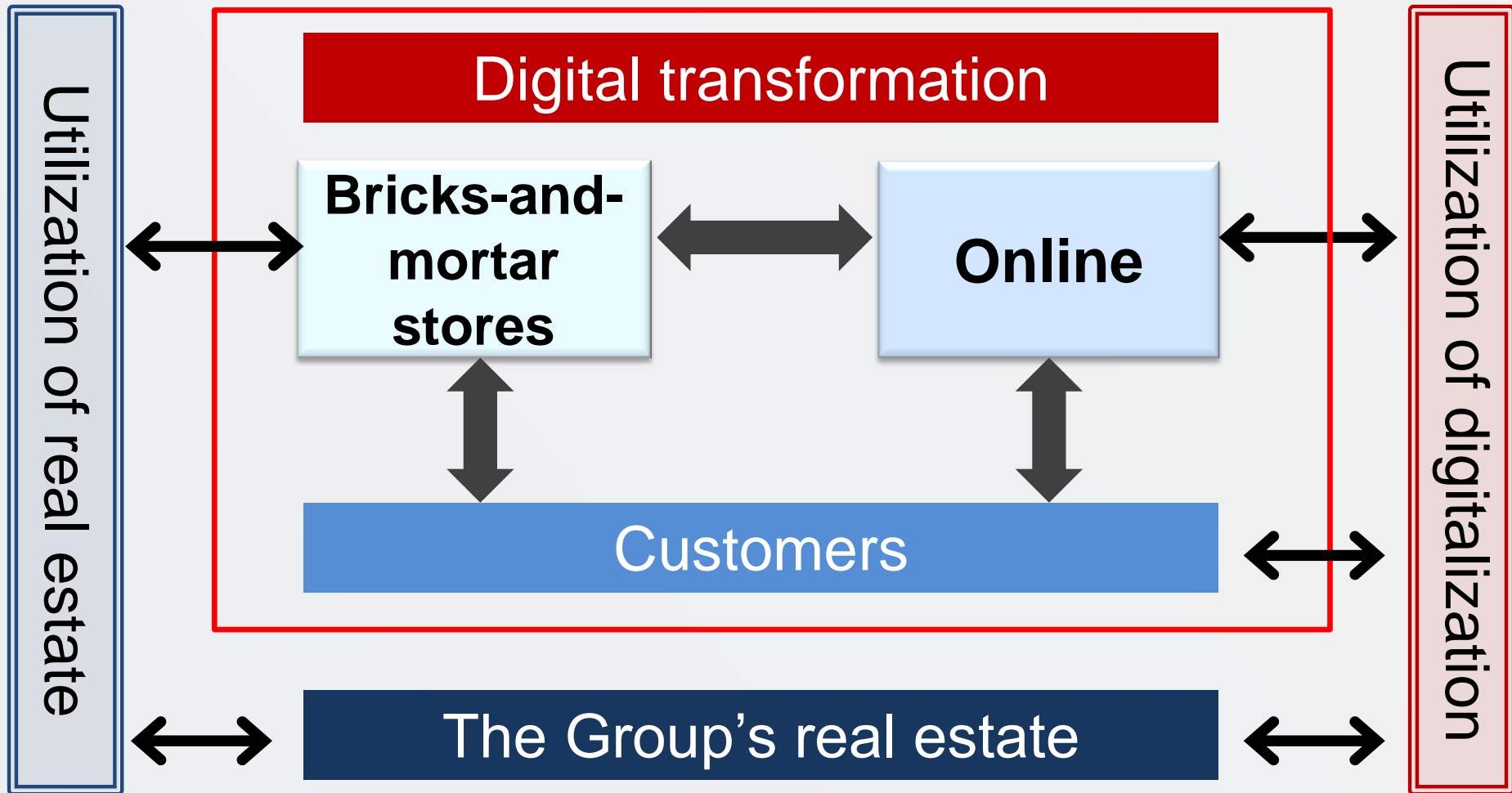
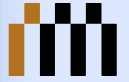


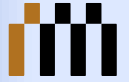
“Conversion”
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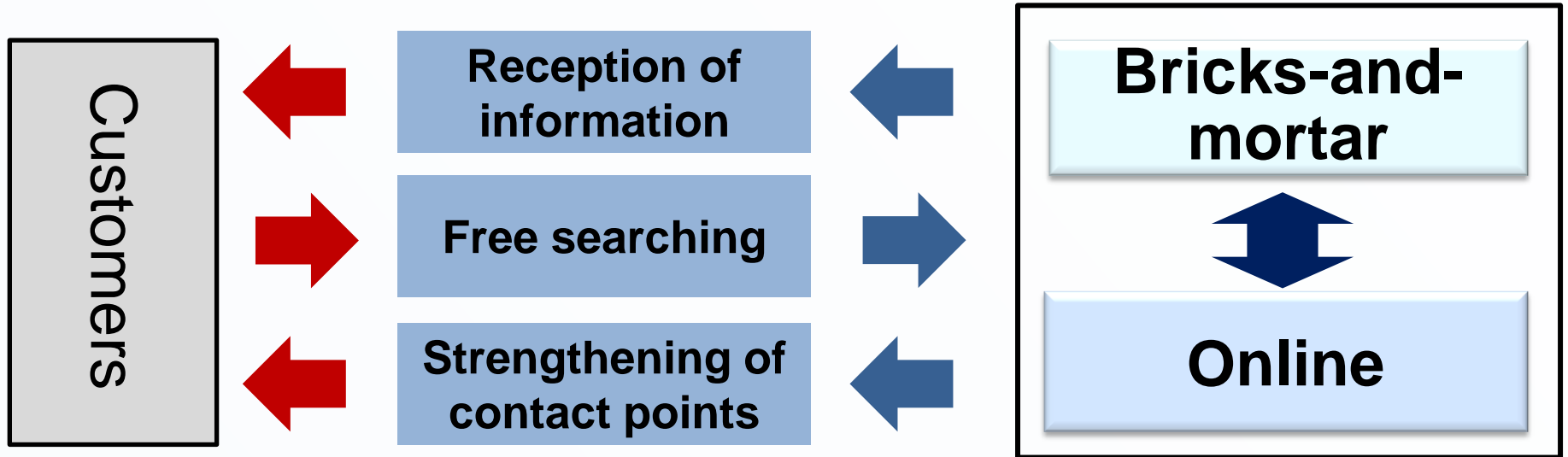
Preparation and advance investment

The Isetan Mitsukoshi Group's Vision





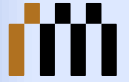
Digital transformation



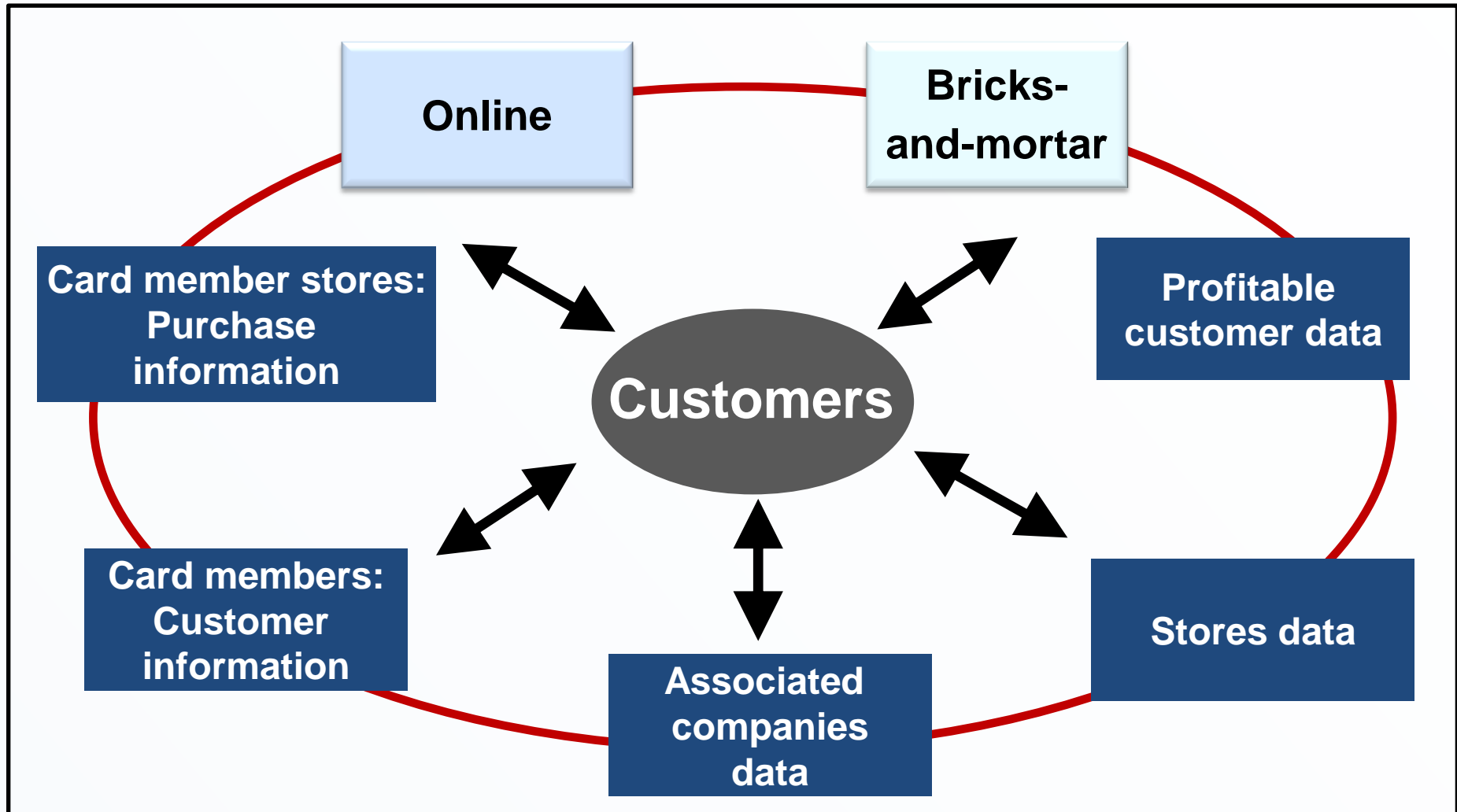
Foundation

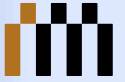
Centralization of customer information

Digitalization of operational flows



Centralization of customer information





Digital operational flow

Store
development

MD
service

Event
promotion

Advertisement,
appeal

Digital information



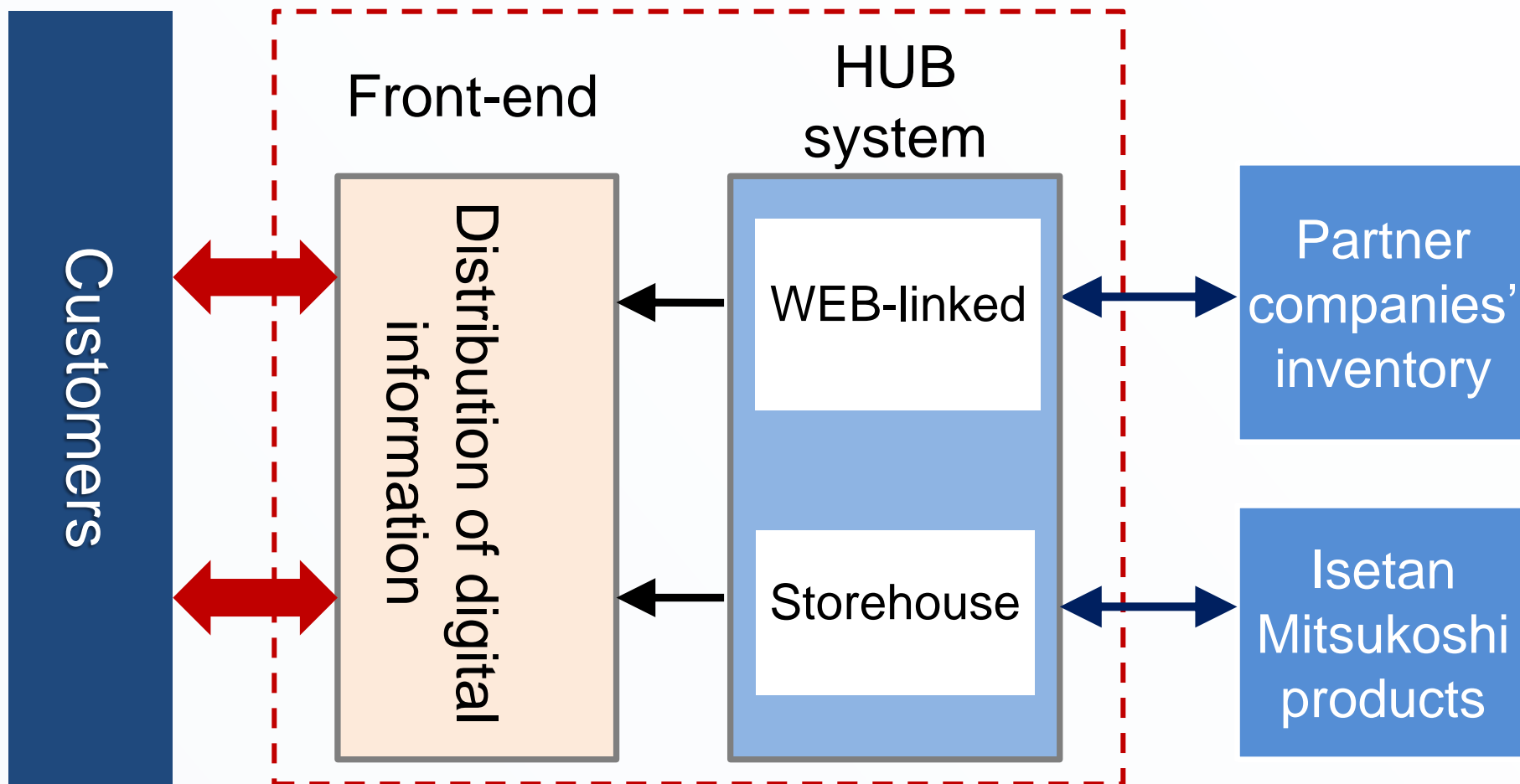
Digitalization of operational flows

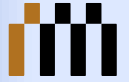


Contact points with customers: Digital “One to One”

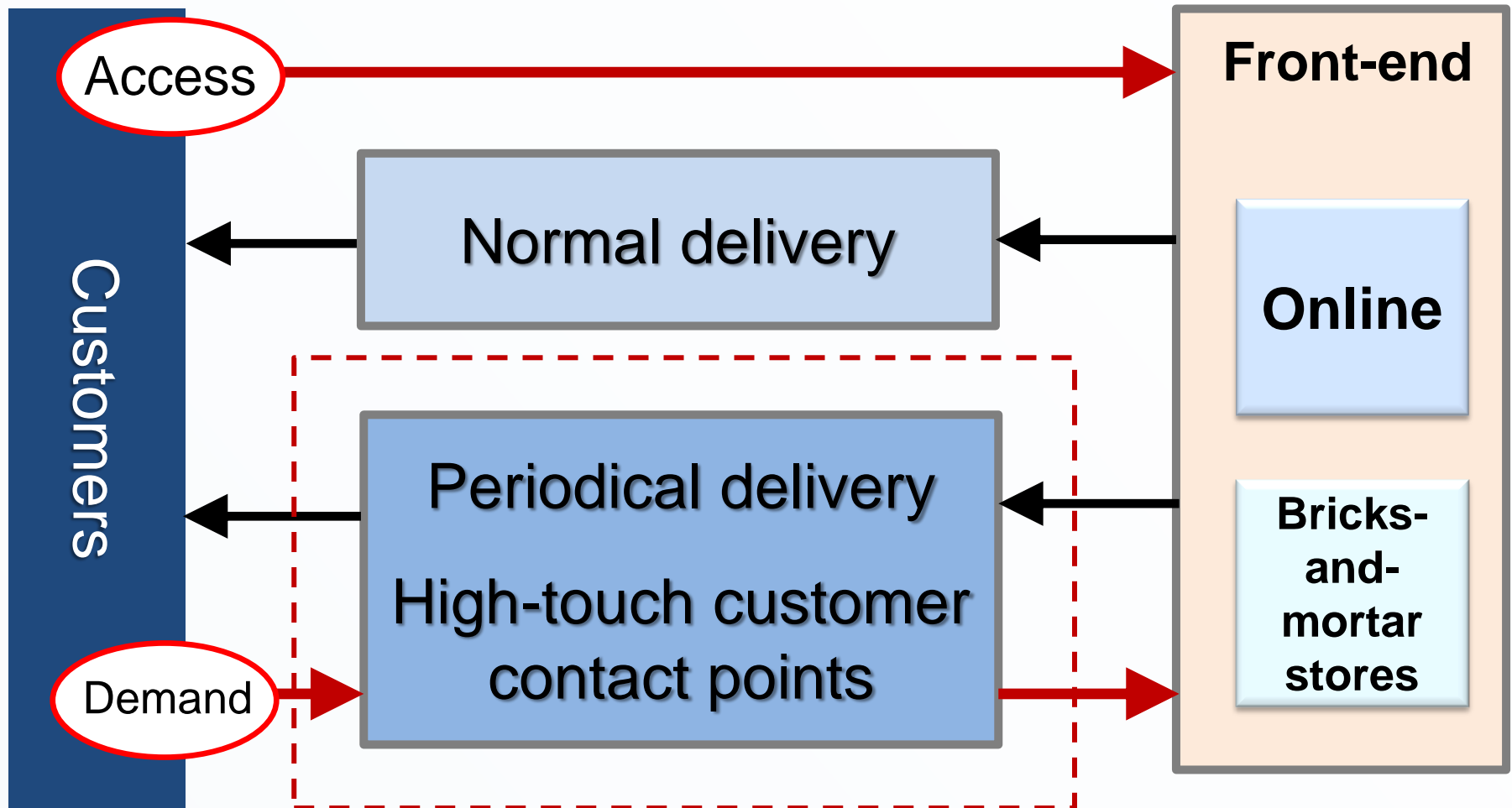


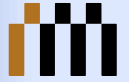
EC business restructuring





Strengthening of customer contact points





Card business

Until now

**Focused on
department store
customers**

**Raise average
store sales
per customer**



From now on

**Expansion of
membership size**

**Expansion of
amount spent and
occasions**

Shinjuku Main Store

Return to “Isetan = Fashion”



Symbol of digital information distribution

Transformation: Vitalization of Flagship Stores

Nihombashi Main Store

“Establishment” × “High Quality”



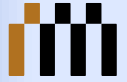
Symbol of digitalization of “hospitality”

Restructuring of the Group’s loyalty program



Main building 1F, Nihombashi Main Store
Concept image of remodeling





Real Estate

The Group's real estate

Around the east
gate of Shinjuku

Around Nihombashi

Other

From FY2017

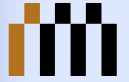
Operation of commercial facilities

Kokubunji

Yokohama

Other

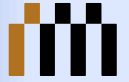
Trials & verification



The Group's real estate (Around the east gate of Shinjuku)

Assets owned by the Group around the east gate of Shinjuku (land and buildings)

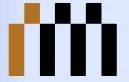




Operation of commercial facilities



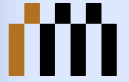
Kokubunji: Concept image of new stores



Operation of commercial facilities



Yokohama:
Concept image of
new stores



Overseas business

Retail

+

**Real
estate**



**Large-scale
commercial
development**



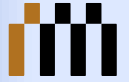
**Leasing
management**



Digitalization



**Original
contents**



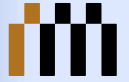
The Philippines

Large-scale complex development

 NEW VALUE, REAL VALUE — N.R.E Group
NOMURA REAL ESTATE DEVELOPMENT

 Isetan Mitsukoshi Holdings Ltd.

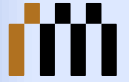




Chengdu

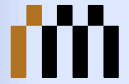
Food specialty store





Tianjin (under consideration)





Conclusion: Reformation & Transformation

<STEP 1>

Reformation



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“Earnings Structure”

Target:
Operating Income:
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By FY2017 - FY2020

<STEP 2>

Transformation



“Conversion”
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further growth

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