Interfacing with Excellence

ISETAN MITSUKOSHI HOLDINGS

Isetan Mitsukoshi Holdings
Results for the Second Quarter of FY2014

November 7, 2014

I. Isetan Mitsukoshi Holdings
Financial Results for the Second Quarter of FY2014

Isetan Mitsukoshi Holdings Consolidated Results for the Second Quarter of FY2014

(100 million yen) (Figures are rounded down to the nearest 100 million yen)	Results	YoY YoY difference	YoY difference excluding mail-order business reorganization	Difference vs forecast in May 2014
Net sales	**5,816**	**-3.5% -212**	**-86**	**-2.2% -133**
Gross profit	**1,629**	**-4.46% -75**	**-23**	**-2.7% -45**
Selling, general and administrative expenses	**1,532**	**-3.0% -47**	**+8**	**-2.7% -42**
Operating income	**97**	**-22.7% -28**	**-32**	**-2.4% -2**
Recurring income	**112**	**-16.5% -22**	**—**	**24.6% +22**
Net income	**61**	**-18.0% -13**	**—**	**52.6% +21**

Compared with forecast shows the difference with first half forecasts made when FY2013 results were disclosed.

YoY: Net sales and each income indicator decreased despite a recovery trend from the consumption tax hike.

Difference vs forecast: Although net sales fell below forecast, operating income was down only slightly by controlling expenses. Recurring income and net income exceeded forecasts.

Isetan Mitsukoshi Holdings Results for the Second Quarter of FY2014 – Results by Segment

(100 million yen) (Figures are rounded down to the nearest 100 million yen)	Net sales	YoY YoY difference	Operating income (loss)	YoY YoY difference
Department store business	5,312	-2.7% -147	40	-45.8% -34
Credit & finance business / Customer organization management business	165	3.9% +6	29	39.3% +8
Other retail & specialty store business	282	-30.1% -121	(5)	(-8) +3
Real estate business	219	21.7% +39	34	12.9% +3
Other, consolidated adjustments	(164)	— +11	(2)	— -10
Consolidated total	5,816	-3.5% -212	97	-22.7% -28

Credit & finance business / Customer organization management business: Sales and profit up due to expansion of outside transaction amounts for MICARD.

Other retail & specialty store business: Sales decreased in line with mail-order business reorganization, with only a minor impact on operating income.

Real estate business: Sales up due to transfer of ALTA business from department store business.

Department Store Business Results for the Second Quarter of FY2014

(100 million yen) (Figures are rounded down to the nearest 100 million yen)	Net sales	YoY YoY difference	Operating income (loss)	YoY YoY difference
Isetan Mitsukoshi Ltd.	2,972	-3.1% -94	83	-7.4% -6
Domestic regional department stores	1,882	-3.0% -57	(24)	(-2) -21
Overseas department stores	414	2.3% +9	1	-74.1% -3
Other, consolidated adjustments	43	— -4	(20)	— -1
Department store total	5,312	-2.7% -147	40	-45.8% -34

Domestic regional department stores: Net sales decreased, except Takamatsu Mitsukoshi. Operating income decreased companywide.

Overseas department stores: Net sales increased on a yen basis in part due to the weak yen. Operating income decreased.

Isetan Mitsukoshi Ltd. Results for the Second Quarter of FY2014

(100 million yen) (Figures are rounded down to the nearest 100 million yen)	Results	YoY YoY difference	YoY difference excluding ALTA business reorganization
Net sales	2,972	-3.1% -94	-66
Operating gross profit	874	-2.0% -18	-5
Selling, general and administrative expenses	790	-1.4% -11	+1
Operating income	83	-7.4% -6	-6
Recurring income	108	11.0% +10	—
Net income	180	179.8% +115	—

Net sales: Sales increased at the Mitsukoshi Ginza store due mainly to an increase in sales to foreign customers.
(YoY: Isetan Shinjuku Main store -3.3%, Mitsukoshi Nihombashi Main store -4.7%, Mitsukoshi Ginza store 4.7%)
Operating income: Minimized to a decrease of ¥600 million by controlling SG&A expenses.

II. Isetan Mitsukoshi Holdings
FY2014 Financial Results Forecast

Forecast of Consolidated Results for FY2014

(100 million yen) (Figures are rounded down to the nearest 100 million yen)	Full-year forecast	YoY YoY difference	YoY difference excluding mail-order business reorganization	Difference vs forecast in May 2014
Net sales	12,800	-3.1% -415	-148	-1.5% -200
Gross profit	3,575	-3.4% -125	-13	-1.5% -55
Selling, general and administrative expenses	3,225	-3.8% -128	-17	-1.7% -55
Operating income	350	1.0% +3	+4	0% ±0
Recurring income	320	-16.8% -64	—	0% ±0
Net income	200	-5.5% -11	—	0% ±0

◆Initial net sales forecast revised down in light of first half results.

◆Operating income expected to increase in line with initial forecast as the decline in income is covered by controlling expenses.

◆Recurring income and net income unchanged from initial forecast after factoring in delayed booking of equity in earnings of affiliates.

Forecast of Consolidated Results for FY2014 – Forecast of Results by Segment

(100 million yen) (Figures are rounded down to the nearest 100 million yen)	Net sales forecast	YoY YoY difference	Difference vs forecast in May 2014	Operating Income forecast	YoY YoY difference	Difference vs forecast in May 2014
Department store business	11,870	-1.2% -140	-1.7% -210	234	0.8% +1	-2.9% -7
Credit & finance business / Customer organization management business	350	4.5% +15	0% ±0	52	0.1% ±0	0% ±0
Other retail & specialty store business	570	-33.6% -288	-1.7% -10	0	(-3) +3	(0) ±0
Real estate business	460	15.6% +62	-4.2% -20	62	-4.1% -2	5.1% +3
Other, consolidated adjustments	(450)	— -63	— +40	2	— +1	— +4
Consolidated total	12,800	-3.1% -415	-1.5% -200	350	1.0% +3	0% ±0

◆Initial forecasts in the department store business have been revised down due to competition from overseas department stores.

◆Income expected to increase in line with initial forecast for credit & finance business / customer organization management business and other retail & specialty store business.

◆Initial forecasts for real estate business revised up due to gains on sales of real estate.

Department Store Business Financial Results Forecast for FY2014

(100 million yen) (Figures are rounded down to the nearest 100 million yen)	Net sales forecast	YoY YoY difference	Difference vs forecast in May 2014	Operating Income (loss) Forecast	YoY YoY difference	Difference vs forecast in May 2014
Isetan Mitsukoshi Ltd.	6,673	-1.2% -79	-1.2% -81	240	3.9% +8	0% ±0
Domestic regional department stores	4,213	-1.7% -73	-1.7% -74	40	-11.5% -5	0% ±0
Overseas department stores	885	1.6% +13	-6.2% -58	11	-2.0% ±0	-38.2% -6
Other, consolidated adjustments	96	— -1	— +4	(57)	— -1	— ±0
Department store business total	11,870	-1.2% -140	-1.7% -210	234	0.8% +1	-2.9% -7

◆Initial forecasts unchanged for domestic regional department stores as the decline in income is covered by controlling expenses.

◆Initial forecasts revised for overseas department stores due to downward trend in results in Southeast Asia.

*Other, consolidated adjustments include income from fixed-term rentals and income from outside rental real estate recorded in the real estate segment.

Isetan Mitsukoshi Ltd. Financial Results Forecast for FY2014

(100 million yen) (Figures are rounded down to the nearest 100 million yen)	Full-year forecast	YoY YoY difference	YoY difference excluding ALTA business reorganization	Difference vs forecast in May 2014
Net sales	6,673	-1.2% -79	-26	-1.2% -81
Operating gross profit	1,943	-0.2% -3	+22	-0.8% -16
Selling, general and administrative expenses	1,703	-0.7% -12	+13	-0.9% -16
Operating income	240	3.9% +8	+8	0% ±0
Recurring income	235	0.9% +2	—	0% ±0
Net income	270	88.5% +126	—	59.6% +100

◆Net sales are forecast to increase by controlling expenses despite being down on initial forecast.

◆Operating income forecast in line with initial forecast for fourth consecutive period following the integration of operating companies in the Tokyo Metropolitan region.

III. Aspired Image of the Group in the Medium Term and Progress of Initiatives

1. Toward Realizing the Group Vision

◇Aspired Image in the Medium Term
◇Overview of Three-Year Plan
◇Aim for Operating Income of 50 Billion Yen

1. Toward Realizing the Group Vision ～Aspired Image in the Medium Term

Isetan Mitsukoshi Group Vision

High quality lifestyles and being of use to our customers in the many different aspects of their lives	The indispensable department store for each individual customer throughout his or her life	The world's foremost retail services group with high profitability and sustained growth

Aspired Image in the Medium Term

- Creating highly attractive content
- ×
- Expanding and enriching customer interaction opportunities
- ×
- Improving productivity

Establishing infrastructure and functions

Achieving operating income of over 50 billion yen in FY2018

1. Toward Realizing the Group Vision ～ Overview of Three-Year Plan (FY2014-FY2016)

Expand profitability by organically linking and mutually utilizing Group resources

Domestic Stores

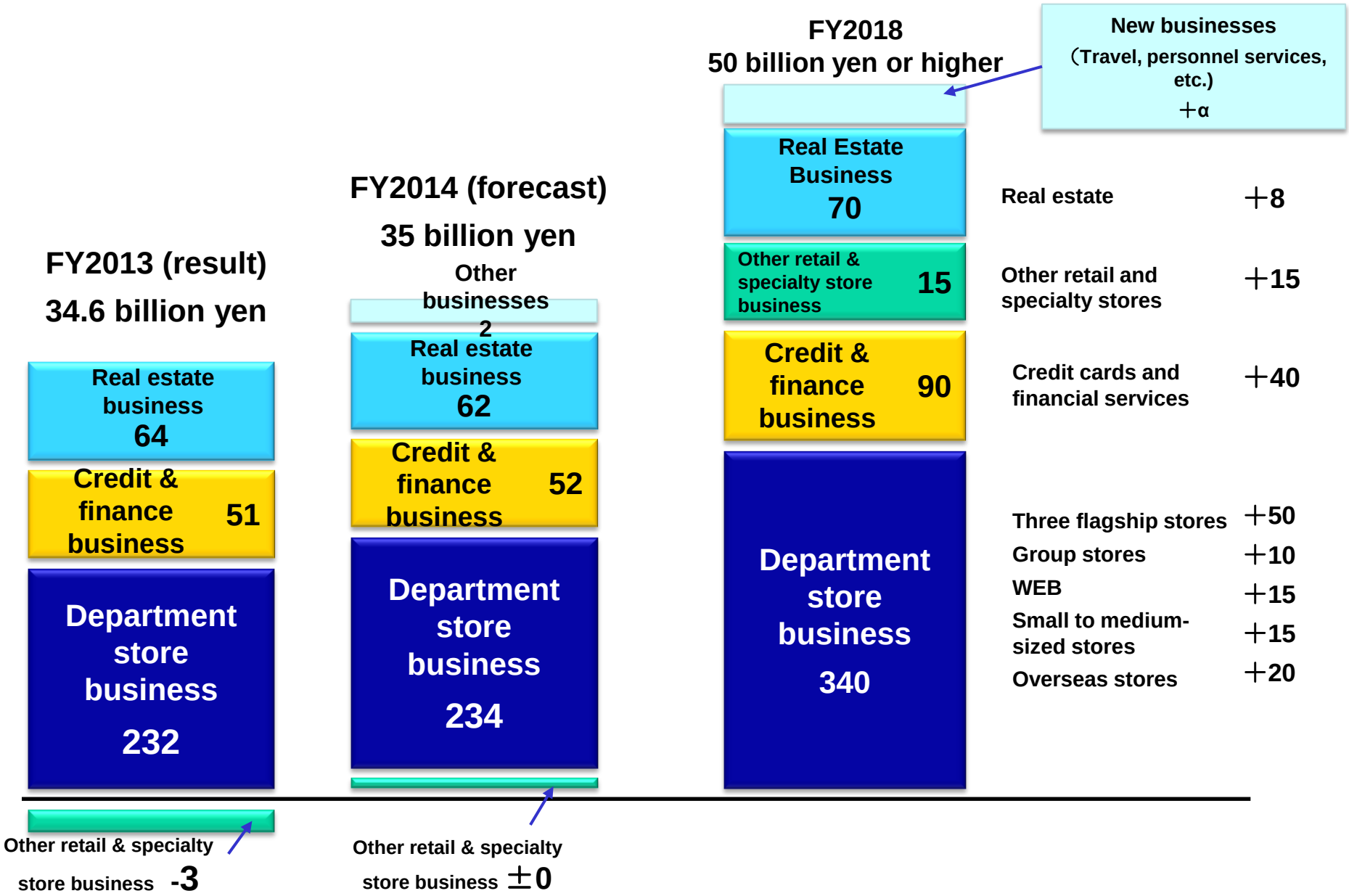
Three flagship stores	Keep strengthening as premium asset of Group
Branch stores and Group stores	Concentrate investment in stores in large cities
Small to medium-sized stores	Expand store openings and develop new formats

Overseas Stores	• Conduct structural reform of existing stores • Create new store model (Cool Japan)
WEB	Strengthen department store e-commerce (EC) and introduce a new type of WEB business
Growth Businesses	• Strengthen existing businesses • Develop new businesses

- Initiatives to increase productivity
  - Supply chain reforms
  - Raise people productivity
- Promote Group customer relationship management (CRM)
- Strengthen inbound/outbound
- Store⇔WEB link

Achieving operating income of over 50 billion yen in FY2018

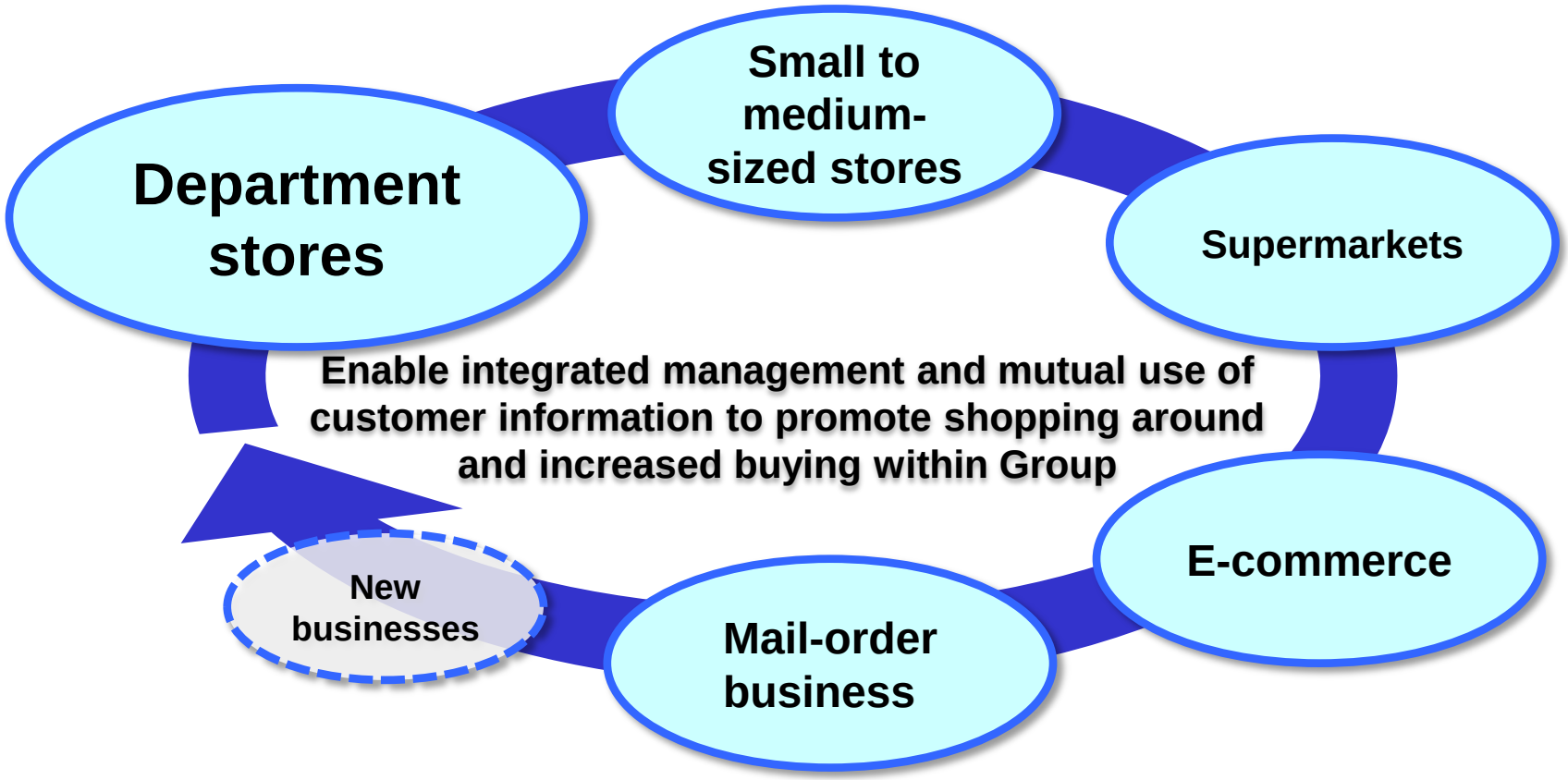
1. Toward Realizing the Group Vision ～ Aim for Operating Income of over 50 Billon Yen



2. Key Strategies to Utilize Group Resources and Draw Out Potential

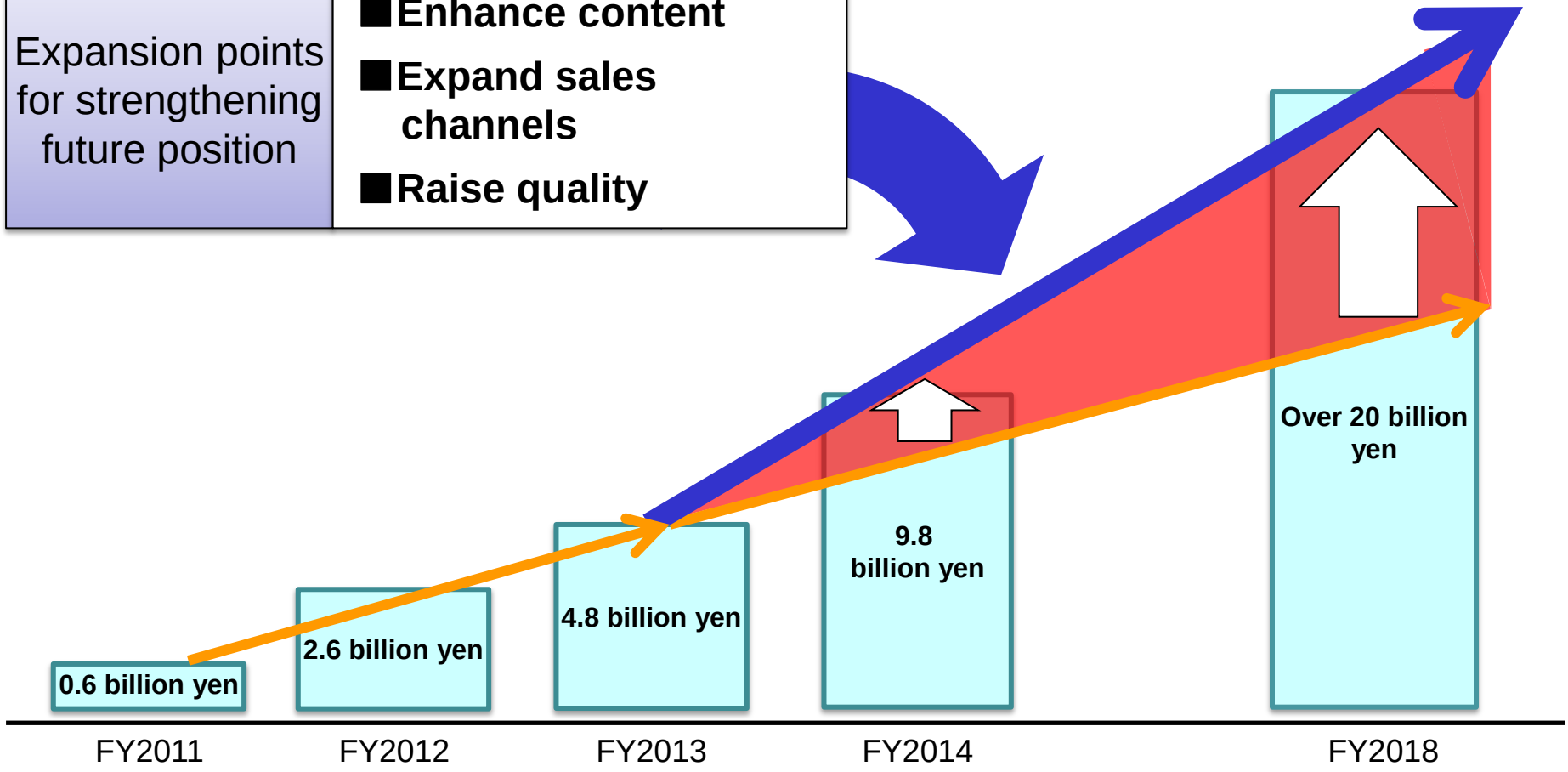
◇Group CRM
◇Supply Chain Reforms (Increase Uniqueness, Profitability)
◇Initiatives to Increase People Productivity

Promote Group CRM to strengthen relationship with Group customers



Increase wallet share, develop products and services, and cultivate and expand new businesses

Expansion points for strengthening future position	■Enhance content ■Expand sales channels ■Raise quality



[FY2018] Profit contribution of over 20 billion yen
(Cumulative total FY2011-FY2018)

2. Key Strategies to Utilize Group Resources and Draw Out Potential ~ Supply Chain Reforms

Supplier share	Current 14%	→	FY2018: 20% or higher

Increase accuracy and expand existing initiatives (Diff. in gross profit ratio +10%)

■Expand flagship store plan inside and outside Group

■Strengthen branding as shared private brands (PB)

Women's shoes PB
NUMBER TWENTY-ONE

Men's business (suits, jackets, misc.)
Isetan Men's

Living (Basic items)
Product Project

⋮

Work to develop Specialty store retailer of Private label Apparel (SPA) type products (Diff. in gross profit ratio +20%)

■Ensure manufacturing leverages know-how back as far as upstream (Material procurement, factory selection, etc.)

Women's pants

Men's misc. items
(socks, underwear)

Products common to events, sales (women's, men's, living, etc.)

⋮

Sustainable corporate growth

Increase people productivity

Ensure qualitative growth

Efforts to enhance sales quality

Reinforce recruitment, development, allocation and evaluation

Recruit and utilize youth / women

Expand sales opportunities

Realize optimum personnel assignment

(Ex.) Optimize operating conditions

⇨Create intrinsic high quality department store sales system

From past shopping area studies

Skills and behavior of exceptional stylists visualized quantitatively and qualitatively

■**Formulate program to increase shopping quality**
(9 behaviors and 23 skills ⇒ Strengthen OJT)

■**Develop data on sales performance**
(Quality time share with customers, sales per hour, etc.)

To further increase productivity

Strategically assign personnel based on information and data collected

■**Specify strategic blocks for providing uniqueness and allocate exceptional stylists such as senior stylists and experienced workers with required skills**

■**Examine system of redistributing part of profit gained through strategic personnel assignment as incentive to strive for personal results**

Enhance quality and quantity by appropriately evaluating block stylists who produce results and increasing motivation

3. Domestic Store Strategies

◇Three Flagship Stores
◇Group Stores
◇Small to Medium-Sized Stores

Complete the world's greatest fashion museum



Future direction

Ongoing investment toward next evolution

Fashion

■March 2013 - Floor remodeling for women's jewelry & watches, miscellaneous

■March 2014 - Men's Annex 4F/5F floor remodeling

Growth of living and children's

Spring 2015

Remodeled floors open (plan)

■5F living

■6F baby/children's

Women's⇒Boost shopping around ratio on 5F/6F ■Approx. 20%⇒40%

Food

Examine "food" related remodeling (restaurants, etc.)

Ongoing evolution

[FY2018] Increase profit by 2.5 billion yen versus FY2014

Propose world's best products and services for all child-rearing settings

October 1　Open "Park" baby and children's floor on 6F

[New development]
Propose products and services based on parent's values for every child-rearing setting

×

[New approach (Park)]
Provide impetus for nurturing five areas and small experiences for kids





Realize concept of "a department store based on culture" by becoming a hub for conveying various lifestyles and cultures

Future direction



Create a store that attracts new customers such as people visiting town and people from nearby offices

Invest in remodeling to create a high-profit store

[FY2018] Increase profit by 1 billion yen versus FY2014

Establish function as a “new global department store” originating from Japan in world-renowned Ginza

Future direction

New target customers (1)

Attract city dwellers (Japanese), including people from the Tokyo bay area

New target customers (2)

Enhance inbound marketing for foreign visitors/residents, stimulate repeat visits



Provide ultimate hospitality in a style unique to Isetan Mitsukoshi

- **Customer service with hospitality**
- **Appeal JAPAN style**
- **Store environment improvements**

[FY2018] Increase profit by 1.5 billion yen versus FY2014

Measures to strengthen government tourism sector

- Ease ASEAN visa approval
- Increase flights to Haneda
- Expand tax exemptions

Expand Ginza store foreign customer sales

■FY2013: **3.5** billion yen (YoY **+144**%)
⇨Share **5.1**%

■FY2014: **¥2.6** billion yen (YoY **+68**%)
(1st half) ⇨ Share **7.9**%

Need to create new store model as a single broad category

Open "**Japan Duty Free GINZA (airport-style duty-free shop)**"
as first step toward creating a global store by 2020

Also reorganize merchandise suitable for Ginza at the center of the world

Japan Duty Free GINZA (Airport-style duty-free store)

Create a kind of airport-style duty-free store the world has never seen by providing unique Japanese hospitality, a stylish environment and an optimum product lineup for high-end customers around the world

Scheme	Establish new company Japan Duty-Free Fa-So-La Isetan Mitsukoshi Co., Ltd.

Isetan Mitsukoshi Holdings × **Japan Airport Terminal Co., Ltd.** × **Narita International Airport Corporation**

■Open: Around autumn 2015 ■Location: 8F Mitsukoshi Ginza store (3,300m²)

■Products: Luxury brand clothing, jewelry, watches, cosmetics

+ **JAPAN SENSES** merchandise

No. of Ginza store buying customers: +100,000, account for 1 billion yen of total store sales

Strengthen operating foundations through large-scale remodeling of stores in large cities

Future direction

Fukuoka	**Open “LACHIC” in B1 Fukuoka Mitsukoshi in September 2014 ⇨ Secure new customers by providing “department store + specialty store merchandise”**
Sapporo	**Open store following first phase of remodeling in spring 2015**
Nagoya	**Examine remodeling toward vitalization of Sakae area**

[FY2018] Increase profit by 1 billion yen versus FY2014

Strive to secure new customers for entire Fukuoka Mitsukoshi store by providing a wide range of categories that cannot be covered by department store business format

September 13

Open “LACHIC FUKUOKA TENJIN” in Fukuoka Mitsukoshi on B1









Realize structure for 180 stores and sales of 60 billion yen

Future direction

*Figures in boxes: [No. of stores at end of FY2014] ⇨ [No. of stores planned to open in FY2015-2018]

Channel strategy

Isetan Mirror



10 stores ⇨ +8 stores

Isetan Haneda Store



3 stores ⇨ +3 stores

Isetan Outlet Stores



5 stores ⇨ +2 stores

NEW **Fashion select store**

Tokyo Midtown (2015 spring planned)

Dai Nagoya Building (2015 autumn planned)

0 stores ⇨ +8 stores
Incl. 2 stores at left

Area strategy

Existing satellite / MI PLAZA







70 stores ⇨ +70 stores

[FY2018] Increase profit by 1.5 billion yen versus FY2014

4. Overseas Business Strategy

Restructure overseas business strategy

Future direction

Conduct structural reforms toward establishing a profitable model for existing stores

Create new store model

"Cool Japan Model **(Malaysia / Lot 10)**"

[FY2018] Increase profit by 2 billion yen versus FY2014

Create a Cool Japan Model with a view to expanding to other countries/regions

Image of business structure

Isetan Mitsukoshi Ltd.

Isetan of Japan Sdn. Bhd. (IOJ) — Equity 51%

Cool Japan Fund Inc. (Cool Japan Fund) — Equity 49%

New company (JV)



Restructure into a new store by remodeling Lot 10

October 2015 New Lot 10 open (planned)

Cool Japan Model

ISETAN MITSUKOSHI JAPAN SENSES



Stores that express the appeal of Japan (Cool Japan) throughout the shopping center, beginning with JAPAN SENSES

5. WEB Strategy

Swiftly achieve 30 billion yen in department store EC sales and maximize profitability through department store EC + new type of WEB business

Future direction

Department store EC

■Leverage advantage of having the world's best real stores

■Unique product lineup for EC

+

New type of WEB business

■Integrate two-way information transmission function and product sales function stimulating buying motives

■Entry into social commerce

[FY2018] Increase profit by 1.5 billion yen versus FY2014

5. WEB Strategy ~ Future Direction

Past initiatives

Strengthen foundation toward business expansion

Operate integrated EC site and strengthen continuity	Establish foundation toward realization of a new type of WEB business
Start operating integrated EC site	Establish groupwide WEB services
Expand lineup and enhance services	Trial new WEB business

Continue promoting links with external EC and media (Origami / LINE, etc.)

Future direction

Implement measures toward realizing business expansion and profitability

Develop and expand EC and WEB business	Promote groupwide digitization
EC embodying department store worldview	Build system to promote digital strategy
Enhance WEB service and expand customer interaction opportunities by further specifying targets	Integrate, edit, optimize and transmit content held by Isetan Mitsukoshi
Promote global expansion of EC and WEB business linked to “Cool Japan”	Digitize stores and strengthen digital infrastructure with data analysis system

Continue and develop links with external EC and media

6. Growth Businesses

Establish sturdy profit foundation not influenced by department store sales

Future direction

Promote shift to main card for existing customers

- **Strengthen branding**
- **Expand top-ranked card**



Increase share of external business volume (30%⇒50%)

[FY2018] Increase profit by 4 billion yen versus FY2014

Establish chain operation through highly profitable multi-store model

Future direction

Create high value-added, high-profit store model

- Remodeling of existing stores
- Open more stores, including inside department stores in Tokyo

Establish chain operation



Queen's Isetan Mejiro store opened on Nov. 20, 2014 (image)

[FY2018] Increase profit by 1 billion yen versus FY2014

Multiple deployment of brands recognized as world class

Future direction

Develop business scheme based on integrated management of brand information

Mammina

- **Wholesale business for department stores**
- **Store expansion as distributor**
- **Brand SPA**

Develop newly secured brand KEITA MARUYAMA

CLUB21 JAPAN

- **Provide information to fashion business**
- **Wholesale and distribution business for foreign brands in Japan**
- **Sales channel when expanding overseas**

FY2014 newly secured brand: **Proenza Schouler**

[FY2018] Increase profit by 500 million yen versus FY2014

Commercialize profitable businesses by maximizing use of resources held and participating in redevelopment plans

Future direction

Realize multipurpose commercial real estate business that leverages the exceptional organizational capabilities of the Group

[Development]
Commercial Real Estate Development Division
Examine store periphery redevelopment plans

[Renovation, Property Mgmt.] **Isetan Mitsukoshi Property Design Ltd.**
Completed merger with Mitsukoshi Kankyo Design Co., Ltd.
Strengthen external business for renovation and property management

[Residence] **Mitsukoshi Real Estate Co., Ltd.**
Alliance with Nomura Real Estate Development Co., Ltd.
Promote condominium business

Swiftly realize profitable businesses that provide high-quality solutions unique to Isetan Mitsukoshi

Future direction

Travel Business

■Expand high value-added, luxury travel for affluent customers in Japan, an area of advantage

■Promote Japan travel to affluent customers overseas by teaming up with airport-style duty-free stores and overseas stores

Human Resource Service Business

■Create and expand scheme for workforce supply business (sales representatives, etc.)

■Develop and commercialize unique content for knowledge provision business (education, etc.)

[FY2018] Travel business: Increase profit by 800 million yen versus FY2014

Personnel services: Increase profit by 300 million yen versus FY2014

Launch new businesses based on customers' life events

Future direction

Restructure content already developed independently in department stores based on customers' life events and needs

Feed back into stores with related products and new customers

⇒Possible to create synergies in department store business

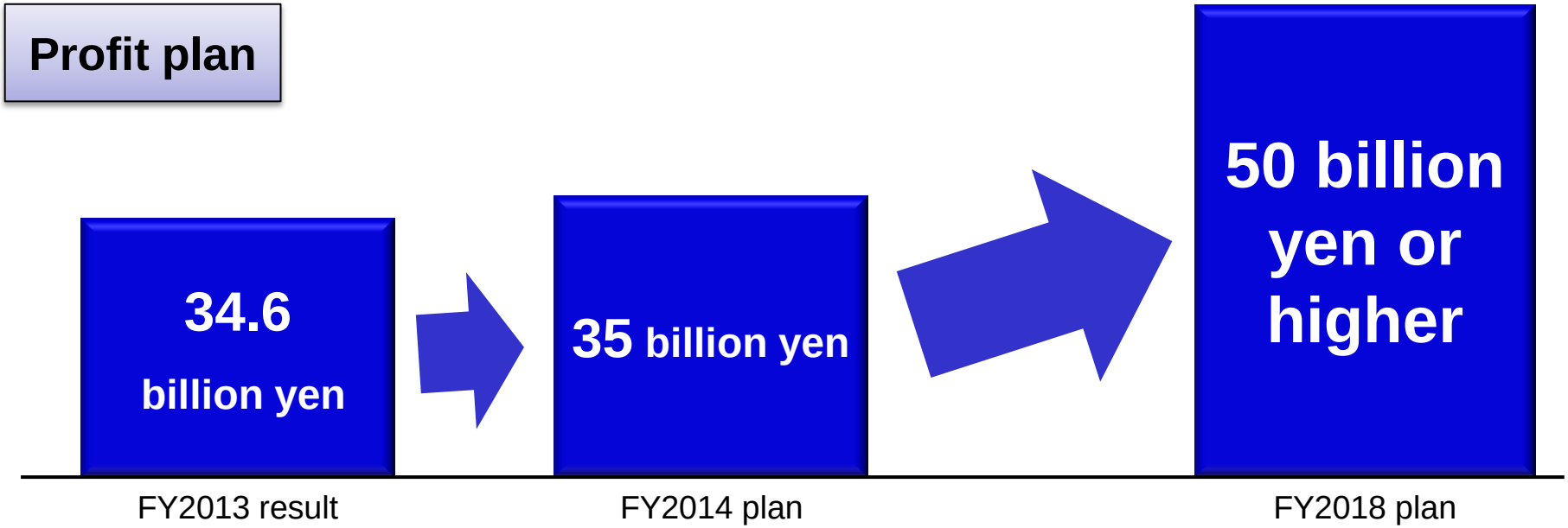
NEW

Check possibility of new businesses in "bridal" and "senior" domains

7 . Profit Plan, Investment Plan

◇ Profit Plan, Investment Plan

Profit plan



Investment plan

FY2014 ~ FY2016 Total 111 billion yen

FY2015 ~ FY2017 Total 140 billion yen

Expand profit by increasing investment

＋

Increase investment in highly promising ventures

(New businesses, M&A, commercial real estate, etc.)

8. Toward Further Growth

◇Toward Further Growth
◇Global Expansion through New Value Creation

Increase corporate value through sustainable growth

Enhance ROE over the long term

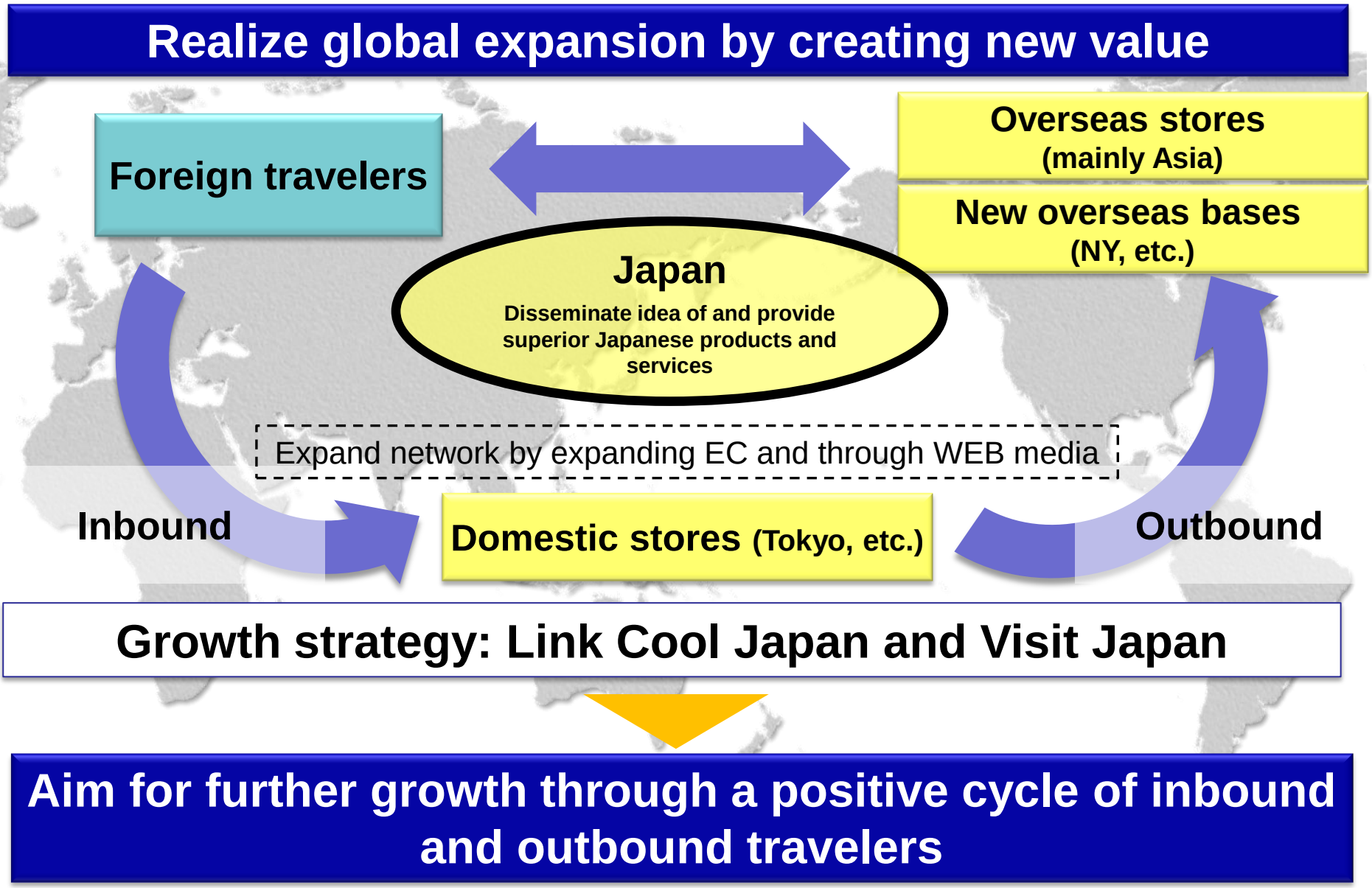
Profit Maximization
Achieve an operating income of over 50 billion yen in the short-term
Maximize utilization of portfolio assets

Shareholder return
Increase dividends
Consider strategies to make shareholder returns further reflect performance

Management resources supporting strategy promotion (invest in/develop human resources)

Rapid decision-making and highly transparent management foundation (strengthen governance system)

8. Toward Further Growth ~ Global Development through New Value Creation



*Disclaimer regarding Forward-looking Statements
This report contains forward-looking statements, which are based on the information currently available and certain assumptions the Company considers to be reasonable. 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.

For Inquiries:

Administration Headquarters, Isetan Mitsukoshi Holdings Ltd
E-mail address:support_sh@imhds.co.jp