Interfacing with Excellence

ISETAN MITSUKOSHI HOLDINGS

Isetan Mitsukoshi Holdings
Results for the Second Quarter of FY2013

November 8, 2013

I. Isetan Mitsukoshi Holdings
Financial Results for the Second Quarter of FY2013

Isetan Mitsukoshi Holdings Consolidated Results for the Second Quarter of FY2013

(100 million yen)	Results	YoY	YoY difference	Difference vs forecast in August 2013
Net sales	6,028	104.9	+ 279	+ 28
Gross profit	1,705	105.5	+ 88	+ 10
Selling, general and administrative expenses	1,579	102.9	+ 43	− 0
Operating income	126	154.7	+ 44	+ 11
Recurring income	134	201.4	+ 67	+ 14
Net income	74	426.7	+ 56	+ 4

(Figures are rounded down to the nearest 100 million yen)

◆Net sales increased 27.9 billion yen due to significant growth centering on domestic and overseas department stores.

◆Operating income recorded a record high since the merger.

◆Recurring income and net income posted dramatic year-on-year increases of 201.4% and 426.7%, respectively, for the second quarter.

Key Results of Selling, General and Administrative Expenses for the Second Quarter of FY2013

(100 million yen)	Results	YoY (%)	YoY difference
Advertising expenses	122	96.9	− 3
Personnel expenses	563	100.2	+ 1
Depreciation and amortization	108	103.7	+ 3
Lease payments	207	102.6	+ 5
Costs of outsourcing	169	104.9	+ 7
Others	408	107.8	+ 29
Total	1,579	102.9	+ 43

(Figures are rounded down to the nearest 100 million yen)

◆ The selling, general and administrative margin was held to 26.2% (down 0.5% year-on-year) as a result of taking measures to make effective use of expenses.

◆Other items recording major increases included an increase in utility expenses (up 400 million yen year-on-year) and repair and maintenance expenses (up 800 million yen year-on-year)

Isetan Mitsukoshi Holdings Results for the Second Quarter of FY2013 – Results by Group

＜ Simple sum of the results of the company and respective business segments ＞

(100 million yen)		Results	YoY (%)	YoY difference
Isetan Mitsukoshi Ltd.	Net sales	3,067	105.3	+ 153
	Operating income	90	165.0	+ 35
Domestic regional department stores business	Net sales	1,940	100.9	+ 18
	Operating income (loss)	− 2	(− 10)	+ 7
Overseas department stores business	Net sales	405	125.0	+ 80
	Operating income	5	98.5	− 0
Credit & finance business / Customer organization management business	Net sales	163	106.2	+ 9
	Operating income	21	95.3	− 1
Other retail & specialty stores business	Net sales	400	98.6	− 5
	Operating income (loss)	− 8	(− 8)	+ 0

Figures in parenthesis are previous year results

(Figures are rounded down to the nearest 100 million yen)

◆In the domestic regional department stores business, the deficit decreased compared with the previous fiscal year as a result of achieving an overall increase in operating income.

◆In the overseas department stores business, net sales increased significantly due to the impact of foreign currency exchange translation.

◆In the credit & finance business / customer organization management business, net sales increased due to the continued expansion of transaction amounts for MICARD.

Isetan Mitsukoshi Ltd. Results for the Second Quarter of FY2013

(100 million yen)	Results	YoY (%)	YoY difference
Net sales	3,067	105.3	+ 153
Operating gross profit	892	105.3	+ 44
Selling, general and administrative expenses	801	101.1	+ 9
Operating income	90	165.0	+ 35
Recurring income	97	163.2	+ 37
Net income	64	199.2	+ 32

(Figures are rounded down to the nearest 100 million yen)

◆Net sales increased 5.3% year-on-year as a result of significant growth achieved mainly at our three flagship stores.

◆Operating income recorded a record high since the merger.

◆Net income for the second quarter surged 99.2% compared with the previous fiscal year.

Isetan Mitsukoshi Ltd. Results for the Second Quarter of FY2013
– Status of Our Three Flagship Stores

Net sales at the three flagship stores*

Stores (100 million yen)	Results	YoY (%)	YoY difference
Isetan Shinjuku Main store	1,050	110.8	+102
Mitsukoshi Nihombashi Main store	621	102.5	+15
Mitsukoshi Ginza store	309	110.0	+28
Three flagship stores total	1,981	108.0	+146

(Figures are rounded down to the nearest 100 million yen)

* Net sales at the stores exclude sales from corporate customer, small-size stores and specialty stores.

Isetan Shinjuku Main store: Results for the first half of FY2013

Strengthening of originality has steadily contributed to customer expansion and an increase in sales.

Jewelry & Watches
（133.6%）
Excluding sales from foreign customers
(198.8%)

Net sales 107.6%

Women's clothing 109.4%
Accessories and sundry goods 119.3%
Jewelry & Watches 133.6%
Remodeled area 115.8%

A 7.6% increase in sales excluding the impact of Abenomics.

◆**Status of our three flagship stores**

・**Net sales at the three flagship stores increased 8.0% versus the previous fiscal year.**

・**Customers coming to stores, the number of purchases and sales per purchase exceeded the previous fiscal year by 3.7%, 4.3% and 3.5%, respectively.**

・**A 4.9% year-on-year increase in sales was recorded excluding a 24.2% increase in sales of high-end products (jewelry & watches) and 95.5% increase in sales from foreign customers.**

II. Isetan Mitsukoshi Holdings
FY2013 Financial Results Forecast

Forecast of Consolidated Results for FY2013

(100 million yen)	1st half results	YoY difference	2nd half forecast	YoY difference	Full-year forecast	YoY difference	Difference vs forecast in August 2012
Net sales	6,028	＋279	6,971	＋357	13,000	＋636	＋100
Operating gross profit	1,705	＋88	1,964	＋107	3,670	＋195	＋25
Selling, general and administrative expenses	1,579	＋43	1,765	＋93	3,345	＋137	＋25
Operating income	126	＋44	198	＋13	325	＋58	±0
Recurring income	134	＋67	205	−69	340	−2	−15
Net income	74	＋56	125	−109	200	−52	−35

(Figures are rounded down to the nearest 100 million yen)

◆Operating income of 32.5 billion yen is projected by absorbing an increase of selling, general and administrative expenses with revenue increases in domestic and overseas department stores and other businesses.

◆While an improvement is anticipated in equity in earning of affiliates, recurring income is expected to decline due to the elimination of amortization of negative goodwill.

◆Net income is expected to decrease since an increase in deferred tax assets posted in the previous fiscal year will not be recorded for the current fiscal term.

Forecast of Consolidated Results for FY2013 – Forecast of Results by Group

(100 million yen)		First half results	YoY difference	Second half forecast	YoY difference	Full-year forecast	YoY difference	Difference vs forecast in May 2013
Isetan Mitsukoshi Ltd.	Net sales	3,067	＋153	3,569	＋204	6,637	＋357	＋143
	Operating income	90	＋35	114	－9	205	＋26	＋5
Domestic regional department stores business	Net sales	1,940	＋18	2,316	＋122	4,256	＋140	＋26
	Operating income (loss)	－2	＋7	40	＋5	38	＋12	＋3
Overseas department stores business	Net sales	405	＋80	438	＋29	843	＋110	＋4
	Operating income	5	－0	9	＋4	15	＋4	－4
Credit & finance business / Customer organization management business	Net sales	163	＋9	173	＋10	336	＋19	＋2
	Operating income	21	－1	24	＋9	45	＋8	＋3
Other retail & specialty stores business	Net sales	400	－5	463	＋18	863	＋13	＋9
	Operating income (loss)	－8	＋0	9	＋5	1	＋6	±0

(Figures are rounded down to the nearest 100 million yen)

◆All domestic department stores are expected to operate in the black.

◆Net sales and operating income for overseas department stores are expected to increase in all areas of China, Southeast Asia, Europe and the United States.

◆Net sales and operating income for the credit & finance business / customer organization management business are expected to increase due to an increase in fee income accompanied by the expanded use of MICARD.

Isetan Mitsukoshi Ltd. Financial Results Forecast for FY2013

(100 million yen)	First half results	YoY difference	Second half forecast	YoY difference	Full-year forecast	YoY difference	Difference vs forecast in May 2013
Net sales	3,067	＋153	3,569	＋204	6,637	＋357	＋143
Operating gross profit	892	＋44	1,011	＋14	1,903	＋59	＋18
Selling, general and administrative expenses	801	＋9	897	＋23	1,698	＋32	＋13
Operating income	90	＋35	114	−9	205	＋26	＋5
Recurring income	97	＋37	101	−34	198	＋3	＋4
Net income	64	＋32	56	−114	120	−82	−14

(Figures are rounded down to the nearest 100 million yen)

◆An increase of 5.7% in net sales is projected by factoring in the impact of an approximately 1% increase arising from rush-to-buy demand prior to the consumption tax hike.

◆Operating income is expected to increase by absorbing an increase in expenses arising from such effects as remodeling of the Isetan Shinjuku Main store and supply chain structural reforms.

◆Net income is expected to decrease since an increase in deferred tax assets posted in the previous fiscal year will not be recorded for the current fiscal term.

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

1. Aspired Image in the Medium-Term toward Realizing the Group Vision

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Mitsukoshi Isetan Group Vision

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

Aspired image in the medium term

Creation of highly attractive content

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Expansion and reinforcement of customer contact points

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Productivity improvement

Infrastructures and functions

Achieve operating income of 50 billion yen or higher in FY2018

2. Domestic Store Strategies

◇Rationale of Store Strategy
◇Area Strategy
◇Realization of Aspired Image as a Department Store
◇Channel Strategy

2. Domestic Store Strategies – Rationale of Store Strategy

Expand market share by realizing an image of a department store suited to area characteristics and channel coordination

Area strategy	◇Urban areas	◇Regional metropolitan areas	◇Suburbs and regional areas
Our aspired image as a department store	◇Flagship stores	◇Stores in large cities	◇Branch stores and Group stores

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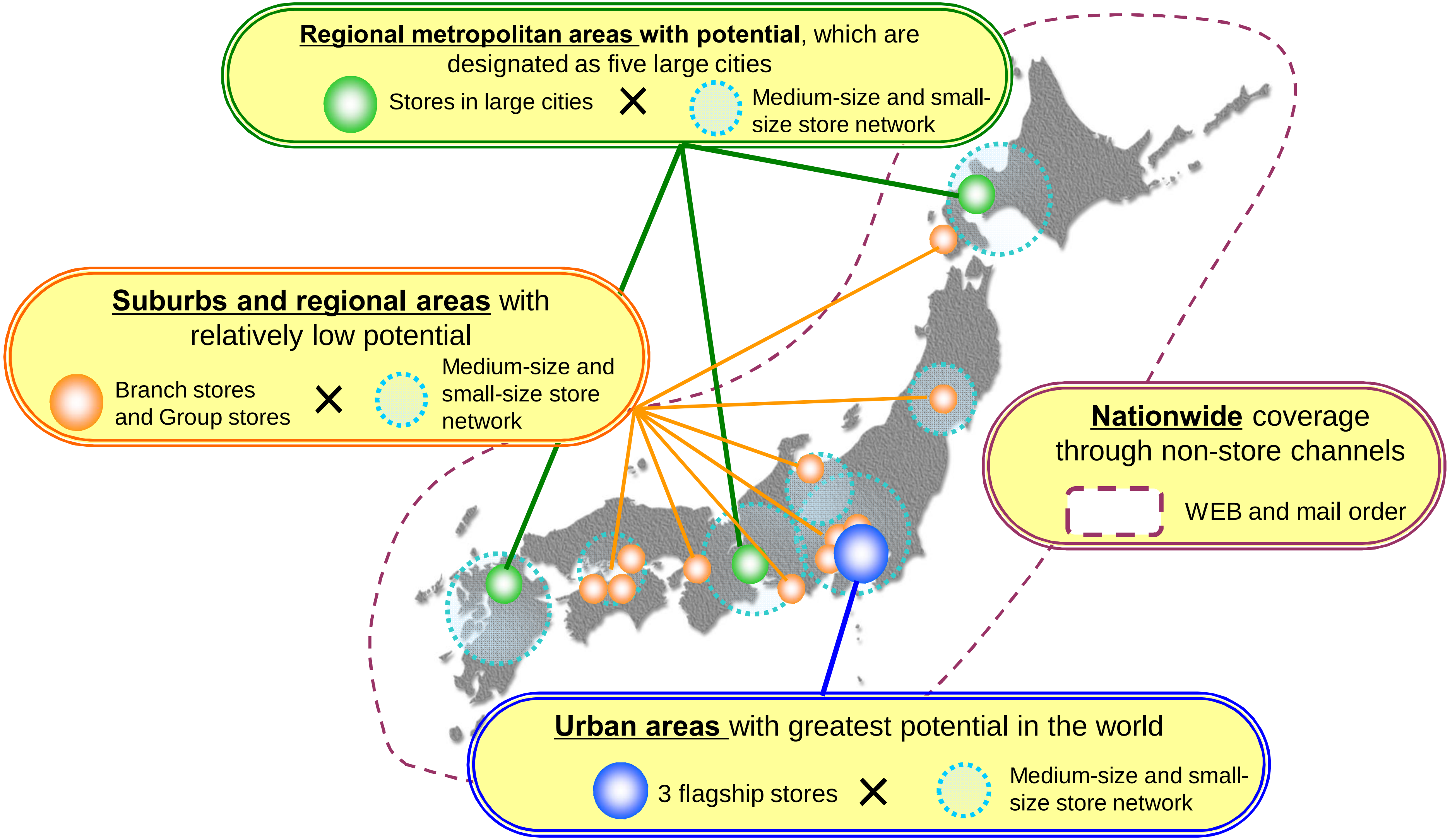
Channel strategy	◇Medium-size and small-size stores ◇WEB
New content	◇Select items taking advantage of originality

2. Domestic Store Strategies – Area Strategy

Store model and channel coordination that will fully leverage market potential



2. Domestic Store Strategies – Realization of Aspired Image as a Department Store (Changes in Customer Sentiment and Direction of Department Stores)

Positive factors in consumption	Negative factors in consumption
■**Ongoing effects of "Abenomics"** • Increase in number of foreigners visiting Japan due to the weaker yen • Improvements in business performance • Sense of favorable business conditions in line with the corporate tax reduction • Continued rise in stock prices • 2020 Tokyo Olympic Games decision	■**Income and expenditure gap among consumers** • Rising prices while income remains unchanged ■**Consumption tax hike** • 8% from April 2014 and 10% from October 2015 ■**Stagnant global economy** • EU, China, U.S., etc.

Customer sentiment

Apprehensive about the sustainability of ñactive consumption (purchase what you want)ò

Issue

Necessary to offer absolute value that will not be influenced by economic conditions and sentiment

Measure that should be carried out as a department store

Establish unparalleled ñoriginalityò unique to Isetan Mitsukoshi that makes a sharp distinction from other companies

2. Domestic Store Strategies – Realization of Aspired Image as a Department Store (Three Flagship Stores)

Our three flagship stores boasting the world's highest level for providing absolute value

Isetan Shinjuku Main store	Mitsukoshi Nihombashi Main store	Mitsukoshi Ginza store
The ñworldõs greatest fashion storeò	The worldõs highest level of hospitality	A landmark of the global Ginza district
<u>Remodeling</u> to make a further leap forward ■Living, baby and childrenõs floor ■Propose lifestyle with originality	**<u>Remodeling of all buildings</u>** ■The worldõs highest level of hospitality from all perspectives of products, customer service and environment ■Base of disseminating Japanese culture	**<u>Remodeling</u> toward taking the next step** ■ Pursue ñthe Ginza styleò ■Become the first store visited by people coming to the Ginza district and foreign customers

【FY2018 Target】Profit increase of 5 billion yen or higher versus FY2013 at the three flagship stores

2. Domestic Store Strategies – Realization of Aspired Image as a Department Store (Examples of Pursuing Originality)

Remodeling of the Isetan Shinjuku Main store aimed at realizing our aspired image as a department store

Sales after remodeling (April-September)

■ **Sales at the Shinjuku store (storefront): 11% increase year-on-year**

■ **Women's: 9% sales increase year-on-year**
■ **Women's sundry goods: 99% sales increase year-on-year**

Original self-coordinated sales area

2F Urban Closet

【New concept shop】
Propose enriched lifestyles for sophisticated women who are brilliantly living their lives as a woman, wife and mother

■ **Year-on year increase of 15% in sales**

■ **Profit margin ratio of 2.0% increase versus total women's apparel**

3F Re-Style

【Coordination of the world's most seasonal fashion】
Original coordination of high fashion from mode originating from collection to luxury

■ **45% sales increase year-on-year**

■ **38% profit margin ratio increase versus total women's apparel**

Coordinated sales area pursuing originality will drive sales and profit margins

Flagship stores in regional metropolitan areas play central roles in area strategy

Issue → **Maximize store potential**

【Future direction】

Sapporo	Nagoya	Fukuoka
From FY2014 onwards **Major remodeling** ◆Marui Imai ◆Sapporo Mitsukoshi	Remodeling and opening in September 2013 **Toward the next step** ■Adjustments and verification after remodeling ■Collaboration with Lachic	**Autumn 2014** **Major remodeling** ◆Iwataya ◆Fukuoka Mitsukoshi

Enhance competitiveness of areas by opening medium- and small-size stores in peripheral markets

【FY2018 Target】Profit increase of 2.5 billion yen or higher versus FY2013 for a total of three cities

2. Domestic Store Strategies – Realization of Aspired Image as a Department Store (Branch Stores and Group Stores)

New commercial facilities that maximize regional customer satisfaction

Issue → **Innovation toward a newly combined store model**

【Future direction】

Comprehensive area marketing

Department stores × **Tenants**

Remodeling of Matsudo store **Opened on October 2**	**Successfully newly captured neighborhood family segment**

Spread successful examples of Matsudo remodeling initiatives

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Tenant introduction solely for the purpose of "low cost operation"

【FY2018 Target】 Profit increase of 2.0 billion yen or higher versus FY2013 for total branch stores and group stores

Acquire new customers and expand markets by rapidly developing multiple stores

Issue → Expansion of store openings through strengths (originality and coordination capability) and high profit model

【Future direction】

Medium-size and small-size stores

Areas without department stores
- Creation of new markets

Tokyo Metropolitan region and market areas of stores in large cities
- Enhance competitiveness of areas

Supply chain structural reforms

Establish chain operation

【FY2018 Target】 Profit increase of 2.0 billion yen or higher versus FY2013

2. Domestic Store Strategies – Channel Strategy (WEB)

Acquire customers throughout Japan leveraging the brand power of Isetan Mitsukoshi

Issue → **Exert competitive strengths (originality, fashion and high quality) that are not possessed by specialty stores**

【Future direction】

Business expansion based on breakthrough of e-commerce (EC) of new department stores

Quickly achieve 30 billion yen in EC sales of department stores

Expand customers (page view)

Goodwill and develop media of stores (Community sites, news delivery, etc.)

New business models

- **EC mall**
- **Media business**
- **Infrastructure business**

【FY2018 Target】 Profit increase of 2.5 billion yen or higher versus FY2013

2. Domestic Store Strategies – Channel Strategy (WEB)

Challenge the potential of WEB / IT in addition to e-commerce

Strengthening of online shopping

- Enhancing existing online shops
- Introduction and sales of products overseas
- Collaboration with external platforms

Expansion of information dissemination

- Strengthening company media
- Collaboration with and expansion of outside media

Japan/Global

Bold pursuit of new business

Å Consider business that combines online and offline elements for providing information and services

- Increase customer loyalty
- Acquire new customers

Å Enhance such aspects as two-way communication by actively employing new technologies and services of WEB

3. Efforts to Increase Profitability

◇ Supply Chain Structural Reforms and Enhancement of Sales Capability

◇ Future Initiatives

Supply chain reforms for realizing originality and higher profitability

Supply chain structural reforms

- Develop high profit margin products
- Revise business terms
- Units
- Sales promotion and events reforms

Products, sales, development and services

Customer needs

Enhancement of sales capability

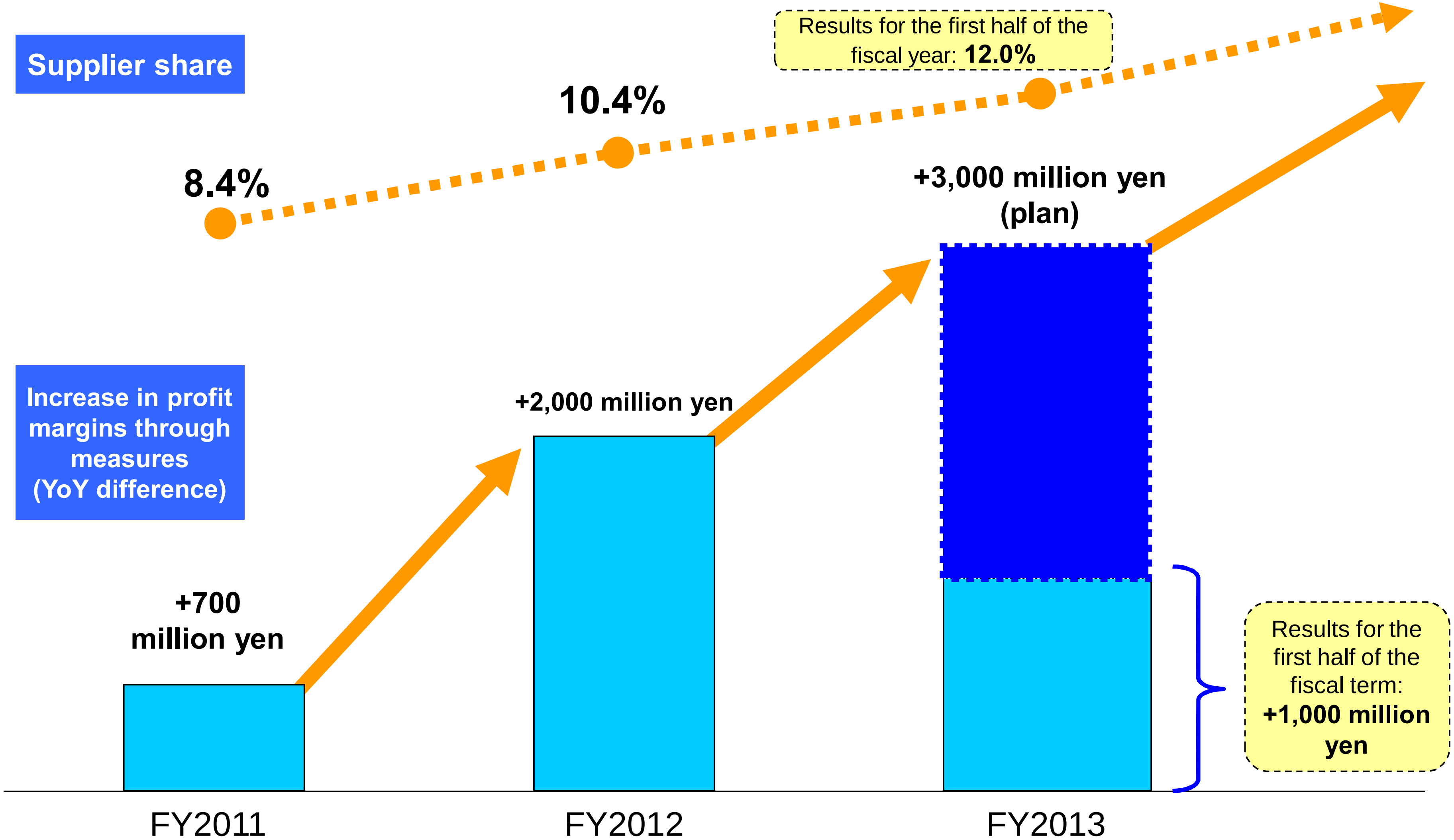
- Build store workflow

Strengthen sales manager management capability

- Stylists
  - Personnel development through visualizing sales skills
  - Reduce sales opportunity loss and expand quality time shared with customers

3. Efforts to Increase Profitability
– Supply Chain Structural Reforms and Enhancement of Sales Capability

Increase in profit margins and supplier share through supply chain structural reform measures



Supply chain structural reforms ⇄ **Enhancement of sales capability**

Utilize accumulated know-how through measures

Improve infrastructure (logistics and human resources)

Production and distribution structural reforms

Apparel, develop SPA (specialty store retailers) business

Expansion of development channel (existing stores + WEB, medium-size and small-size stores, etc.)

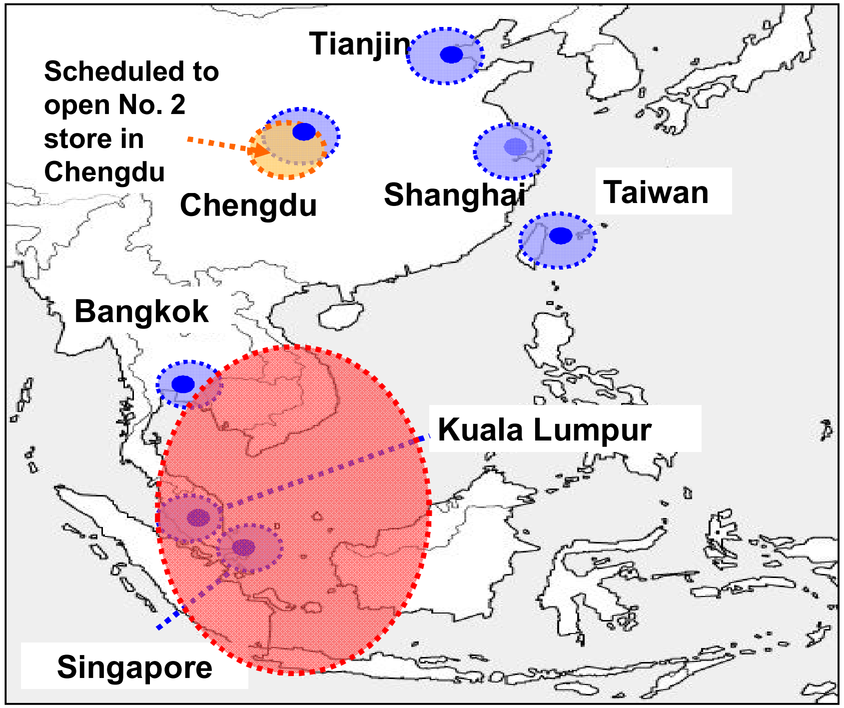
4. Overseas Store Strategy

4. Overseas Store Strategy

Expand loyal Isetan Mitsukoshi customers in China and Southeast Asia

Issue → **Rebuild strategies responding to environmental changes (intensifying competition and cost increases)**

【Future direction】



China	■**Independent operation of large commercial facilities** Shopping center operation on a commission basis at No. 2 store in Chengdu
Southeast Asia	■**Flagship store strategy for countries in which stores are operating** ■**New store openings in growth areas**

Areas in which stores are operating

Areas in which stores are scheduled for opening

Areas in which new store openings are under consideration

【FY2018 Target】 Profit increase of 1.5 billion yen or higher versus FY2013 (including new store openings)

5. Other Business Strategies

◇New Businesses
◇Existing Businesses

5. Other Business Strategies – New Businesses

Commercial real estate	■Fully utilize assets owned by the company ■Participate in regional redevelopment plan * Profit contribution from FY2018 onwards
Development of new businesses	■Quickly develop profit-generating businesses Travel Inbound Personnel services etc.

【FY2018 Target】Operating income of 500 million yen or higher for new businesses in total

Food and Supermarket	■Establish chain operation ■Pursue originality Establish Queen's style
Mail Order	■Launch of a joint venture with a subsidiary of Japan Post Co., Ltd. (Japan Post Trading Service Co., Ltd.)

【FY2018 Target】 Profit increase of 2.0 billion yen or higher versus FY2013

5. Other Business Strategies – Existing Business (Card and Other Businesses)

Card	
	■Acquire new customers and promote shopping within the Group ■Establish Group customer relationship management (CRM) ■Expand external revenues ■Strengthen commission business **【FY2018 Target】 Profit increase of 3.0 billion yen or higher versus FY2013**

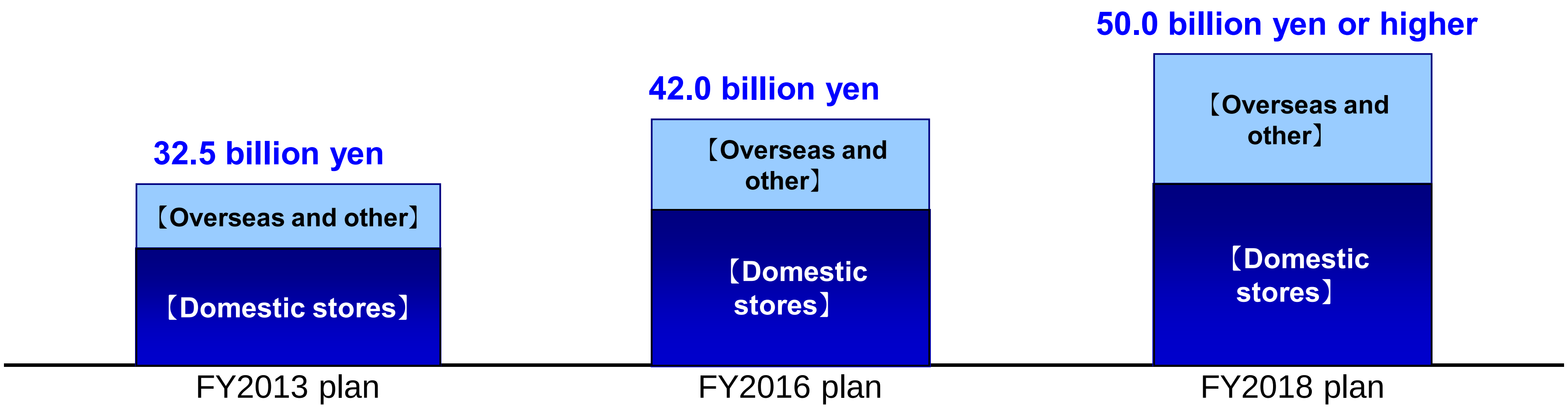
Other	
	• Specialty Stores Business • Corporate Customer Business • Fashion Brand Business • Gift Business, etc. **【FY2018 Target】 Profit increase of 1.0 billion yen or higher versus FY2013**

6. Management Indicators

◇ Indicator Targets in the Medium Term
◇ Return on Equity (ROE)

6. Management Indicators – Indicator Targets in the Medium Term

Achieve consolidated operating income of 50 billion yen or higher by fiscal 2018



Rationale of making investments toward achieving our operating income target

Make the maximum of growth investments within the scope of operating cash flow

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Make further growth investments in projects with high growth potential (M&A, commercial real estate, etc.)

6. Management Indicators – Return on Equity (ROE)

Aim to enhance ROE over the long term

Measures to enhance ROE

Profit maximization	**Shareholder return**
Quickly achieve operating income of 50 billion yen Implement measures to make full use of asset portfolio	Implement dividend increase for FY2013 Consider shareholder return measures reflecting business results

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