Interfacing with Excellence



ISETAN MITSUKOSHI HOLDINGS

# Isetan Mitsukoshi Holdings
# Fiscal 2011 Financial Results

May 10, 2012

# I. Isetan Mitsukoshi Holdings
# FY2011 Financial Results

# Isetan Mitsukoshi Holdings Consolidated Results for FY2011

| (100 million yen) | Results | YoY (%) | YoY difference | Difference vs forecast in February 2012 |
|---|---|---|---|---|
| Net sales | 12,399 | 101.6 | +191 | +49 |
| Gross profit | 3,477 | 101.7 | +57 | — |
| Selling, general and administrative expenses | 3,239 | 97.9 | −70 | — |
| Operating income | 238 | 216.8 | +128 | +18 |
| Recurring income | 384 | 141.9 | +113 | +34 |
| Net income | 588 | (26) | +562 | +38 |

Figures in parenthesis are previous year results.

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

- ◆ **Net sales have continuously recorded a decrease year on year, but shifted to an increase for the first time since integration.**
- ◆ **Operating income, recurring income and net income recorded the highest amounts subsequent to integration.**
- ◆ **Net income for the current fiscal term rose significantly due to an increase in deferred tax assets.**

# Key Results of Selling, General and Administrative Expenses for FY2011

| (100 million yen) | Results | YoY (%) | YoY difference |
|---|---|---|---|
| Personnel expenses | 1,201 | 100.1 | +1 |
| Advertising expenses | 269 | 84.7 | −48 |
| Leases | 398 | 96.5 | −14 |
| Depreciation and amortization | 224 | 97.7 | −5 |
| Costs of external sales commissions | 348 | 99.5 | −1 |
| Others | 797 | 99.7 | −2 |
| Total | 3,239 | 97.9 | −70 |

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

◆ Selling, general and administrative expenses were reduced by 7 billion yen in total by promoting ongoing initiatives to reduce expenses.

◆ With regard to personnel expenses, the percentage of net sales versus personnel expenses was 9.7% ( down 0.1% versus the previous fiscal year).

◆ A decrease in advertising expenses was due to increased efficiency resulting from the merger of Mitsukoshi, Ltd. and Isetan Co., Ltd., and a temporary decline immediately after the earthquake disaster.

# Isetan Mitsukoshi Holdings Results for FY2011 – Results by Group

＜Simple sum of the results of domestic department stores＞

| (100 million yen) | | Results | YoY (%) | YoY difference |
|---|---|---|---|---|
| Isetan Mitsukoshi Ltd. | Net sales | 6,378 | ※98.6 | ※−88 |
| | Operating income | 165 | 149.8 | +55 |
| Domestic regional department stores | Net sales | 4,134 | 99.0 | −43 |
| | Operating income | 6 | 301.5 | +4 |
| Overseas department stores business | Net sales | 651 | 103.3 | +20 |
| | Operating income | 16 | 81.8 | −3 |
| Credit & finance business / Customer organization management business | Net sales | 288 | 128.6 | +63 |
| | Operating income | 26 | (−48) | +74 |
| Other retail & specialty stores business | Net sales | 865 | 145.8 | +271 |
| | Operating income | 3 | 1,330.2 | +3 |

Figures in parenthesis are previous year results.

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

Note: Year-on-year results and year-on-year differences for Mitsukoshi, Ltd. and Isetan Co., Ltd. on a non-consolidated basis are a comparison made using aggregated figures of business results of Mitsukoshi and Isetan for the fiscal year ended March 2011.

◆ **MICARD (Credit & finance business / Customer organization management business)**

**In addition to increases in fee income from card use externally and annual fees, integration expenses associated with issuing a Group Card in the previous fiscal year have declined. As a result, operating income was up 6.4 billion yen year-on-year to 3.3 billion yen.**

# Isetan Mitsukoshi, Ltd. Results for FY2011

| (100 million yen) | Results | YoY (%) | YoY difference |
|---|---|---|---|
| Net sales | 6,378 | ※98.6 | ※−88 |
| Operating gross profit | 1,856 | 94.5 | −108 |
| Selling, general and administrative expenses | 1,691 | 91.2 | −163 |
| Operating income | 165 | 149.8 | +55 |
| Recurring income | 143 | 167.2 | +57 |
| Net income | 261 | (−116) | +377 |

Figures in parenthesis are previous year results.

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

Note: Year-on-year results and year-on-year differences are a comparison made using the aggregated figures of business results of Mitsukoshi, Ltd. and Isetan Co., Ltd. for the fiscal year ended March 2011.

◆ **Net sales based on existing stores excluding mail order increased 3.2% (up 19.7 billion yen) year-on-year.**

◆ **Net sales of the Mitsukoshi Ginza store, which was renovated and reopened in September 2010, increased 28.8% year-on-year.**

◆ **Nearly all branch stores have achieved year-on-year increases in net sales, including a 5.2% increase at the Isetan Tachikawa store.**

# II. Isetan Mitsukoshi Holdings
# FY2012 Financial Results Forecast

# Forecast of Consolidated Results for FY2012

| (100 million yen) | Full-year forecast | YoY (%) | YoY difference |
|---|---|---|---|
| Net sales | 12,400 | 100.0 | +1 |
| Gross profit | 3,500 | 100.6 | +22 |
| Selling, general and administrative expenses | 3,250 | 100.3 | +10 |
| Operating income | 250 | 104.9 | +11 |
| Recurring income | 380 | 98.8 | −4 |
| Net income | 310 | 52.6 | −278 |

◆Despite the negative factor of closing the Shinjuku Mitsukoshi Alcott store, net sales are expected to be roughly on par with the previous term accompanied by higher profits at overseas department stores.

◆Operating income is expected to rise due to improved profits of Iwataya Mitsukoshi and expanded profits of MICARD.

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

# Forecast of Consolidated Results for FY2012 – Forecast of Results by Group

| (100 million yen) | | Full-year forecast | YoY(%) | YoY difference |
|---|---|---|---|---|
| Isetan Mitsukoshi Ltd. | Net sales | 6,267 | ※ 98.3 | ※ −110 |
| | Operating income | 170 | 102.5 | +4 |
| Domestic regional department stores | Net sales | 4,100 | 99.2 | −33 |
| | Operating income | 17 | 273.8 | +11 |
| Overseas department stores business | Net sales | 761 | 116.9 | +110 |
| | Operating income | 18 | 114.7 | +2 |
| Credit & finance business / Customer organization management business | Net sales | 321 | 111.7 | +33 |
| | Operating income | 32 | 123.7 | +6 |
| Other retail & specialty stores business | Net sales | 896 | 103.6 | +30 |
| | Operating income | 0 | 20.5 | −3 |

※ Note: The forecast for net sales of **Isetan** Mitsukoshi Ltd. (non-consolidated basis) for FY2012 based on existing stores, excluding results for the Shinjuku Mitsukoshi Alcott store in the previous term, is on par versus the previous term (up 200 million yen)

**◆Operating income for domestic regional department stores is expected to increase 1.1 billion yen due to profit improvement of Iwataya Mitsukoshi.**

**◆While sales for overseas department stores are expected increase due to various factors such as opening the Tianjin No. 2 store, operating income will be roughly on par with the previous fiscal year as a result of higher expenses.**

**◆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 expanded use of MICARD.**

# Isetan Mitsukoshi Ltd. Financial Results Forecast for FY2012

| (100 million yen) | Full-year forecast | YoY(%) | YoY difference |
|---|---|---|---|
| Net sales | 6,267 | ※ 98.3 | ※ −110 |
| Operating gross profit | 1,856 | 100.0 | −0 |
| Selling, general and administrative expenses | 1,686 | 99.7 | −4 |
| Operating income | 170 | 102.5 | +4 |
| Recurring income | 144 | 100.4 | +0 |
| Net income | 121 | 46.4 | −140 |

※ Note: The forecast for net sales of **Isetan Mitsukoshi Ltd.** (non-consolidated basis) for FY2012 based on existing stores, excluding results for the Shinjuku Mitsukoshi Alcott store in the previous term, is on par versus the previous term (up 200 million yen)

**◆Net sales are expected to decline due to closing the Shinjuku Mitsukoshi Alcott store. Selling, general and administrative expenses are projected to decrease from the previous term amid higher expenses arising from redevelopment of the Isetan Shinjuku Main store. As a result, operating income is expected to increase.**

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

# III. Isetan Mitsukoshi Group Three-Year Plan
## (FY2012 – FY2014)

# Isetan Mitsukoshi Group Three-Year Plan (FY2012 - FY2014)

**Basic policies of Group strategies**

**Organically collaborate and mutually utilize an abundance of resources (customer assets, bases and channels, functions and know-how) possessed by the Group in order to realize the Group vision. In doing so, quickly and fully draw out the potential of the entire Group and each business.**

**Additionally, create a competitive advantage by developing unique customer value that cannot be imitated by other companies to expand and stabilize profits.**

**Five key businesses**

Department Store and Specialty Store Business /

Overseas Business / Supermarket Business /

Direct Sales Business (mail order, Web, home delivery) / Card Business

**Key Strategy 1 : Expand and enhance customer contact**

■Advancement of our three flagship stores, which are the Group's greatest strength

■Business expansion for providing daily products and services

■Expand business development in potential markets that are not yet cultivated (overseas and daily living activity areas)

■Business expansion by combination of optimal businesses that will collaborate and utilize Group resources

**Key Strategy 2 : Rebuild high productivity customer contact points**

■Realize the provision of "merchandise and solutions" with high customer value and profitability

■Increase personnel productivity

**Key Strategy 3 : Strengthen our foundation to utilize Group resources**

■Establish Group customer relationship management (CRM) through strengthening Group marketing functions

■Fully leverage shared service center (SSC) function and expand throughout the Group

## Changes in distribution environment

**Market size: ¥134 trillion (roughly unchanged in past 5 years)**

Sales increase ↗ Sales decline ↘

**Convenience stores: ¥8.7 trillion**
**(Past 5 yrs 117.6%)**

**Food total: ¥25.6 trillion**
**(Past 5 yrs 97.3%)**

**GMS: ¥7.0 trillion**
**(Past 5 yrs 86.0%)**

**Electronics retail stores: ¥5.7 trillion**
**(Past 5 yrs 126.7%)**

100 yen shops

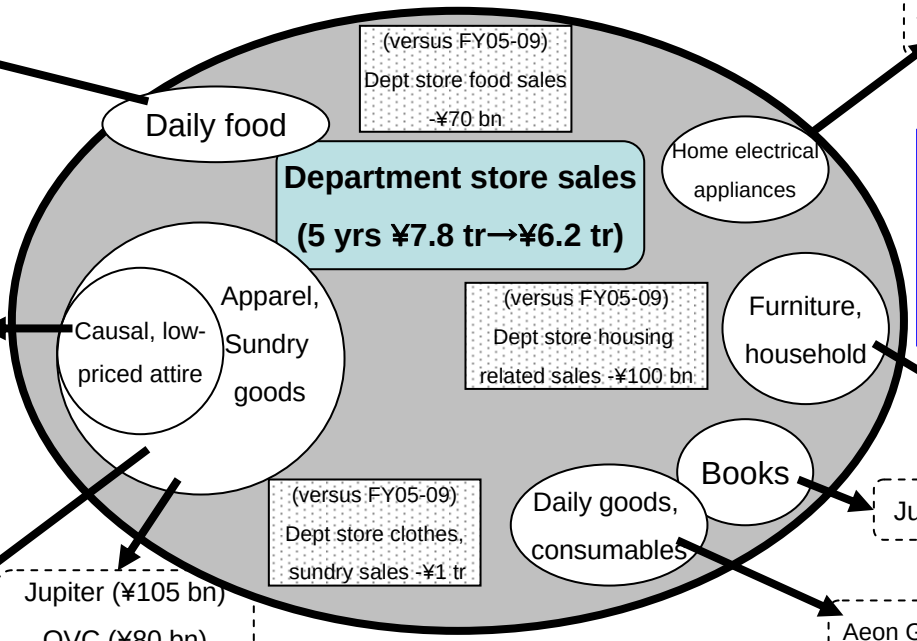
**Clothing total: ¥14.2 tr**
**(Past 5 yrs 96.0%)**

Uniqlo (¥540 bn) Shimamura (¥400 bn)

**SC: ¥26.9 tr**
**(Past 5 yrs 100.6%)**

Outlet (¥560 bn) Lumine (¥400 bn)

Jupiter (¥105 bn)
QVC (¥80 bn)




Yamada (¥1.9 tr) Yodobashi (¥0.7 tr)

**Housing related total: ¥63.4 tr**
**(Past 5 yrs 104.4%)**
Home centers: ¥3 tr 97.4%

Nitori (¥290 bn) Cainz (¥360 bn)

Junkudo (¥45 bn) Amazon (¥140 bn)

Aeon Group (¥920 bn) Matsumoto Kiyoshi (¥400 bn)

**E-commerce: ¥6.7 tr**
**(Past 5 yrs 193.7%)**

**Department stores: ¥6.2 tr**
**(Past 5 yrs 79.5%)**

**Drugstores: ¥5.4 tr**
**(Past 5 yrs 122.2%)**

**Mitsukoshi Isetan Group Vision**

**Become "my indispensable department store" for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in the many different aspects of their lives. By doing so, we aim to become the world's foremost retail services group with high profitability and sustained growth.**

Rejuvenation of department stores

～Redevelopment of our three flagship stores～

**(Ginza store ⇒ Shinjuku Main store ⇒ Nihombashi Main store)**

Development, strengthening and expansion of Group business

Become the leading company in the retail industry

Quickly achieve consolidated operating income of 50 billion yen

**Provide high customer value that other competitors are unable to imitate through the redevelopment of Isetan Shinjuku Main store, an industry leader realizing high profits. In doing so, further make progress in enhancing overall Group profitability.**

Redevelopment of Isetan Shinjuku Main store

**Aspired image as a department store**

- Lifestyle creation
- Continuously provide new value
- Development of “my department store” for customers



## FY2012
## Redevelopment of Isetan Shinjuku Main store

Phase 1 open in autumn 2012, phase 2 open in spring 2013

All buildings of Isetan Shinjuku Main store

<Net sales targets>

Initial year: 105%  Second year: 103%  Third year: 103%

<Operating income target>

Aim to achieve an increase of approximately 5 billion yen over 3 years.

<Investment amount>

9 billion yen (Investment return: 3 years)

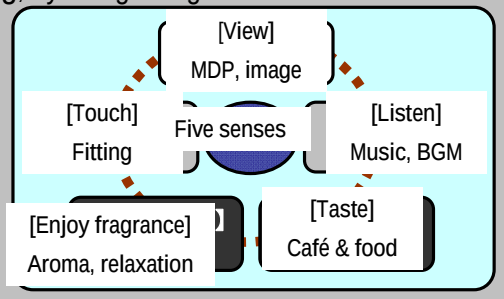
As a department store representing the industry, provide high customer value at a level that other competitors are unable to imitate.

# Realize the “world’s greatest fashion museum”

# Create the "world's greatest fashion museum" that other competitors are unable to imitate by advancing and fusing five provided values

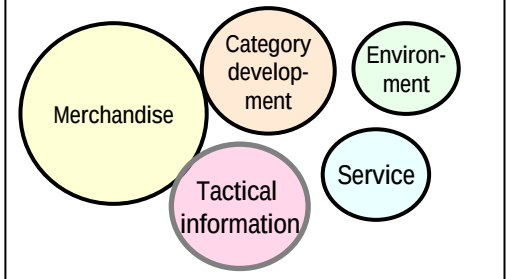
## What is a fashion museum?

In addition to **viewing and feeling** like a person does in a gallery and museum, build a space with an environment that appeals to the five senses, including **touching** and **tasting**, by designating "fashion = art."




**Conventional Isetan Shinjuku Main store**

Merchandise > Development > Tactical information > Service > Environment




Advancement & Fusion

**Aspired image**

Merchandise x Development x Tactical information x Environment x Service

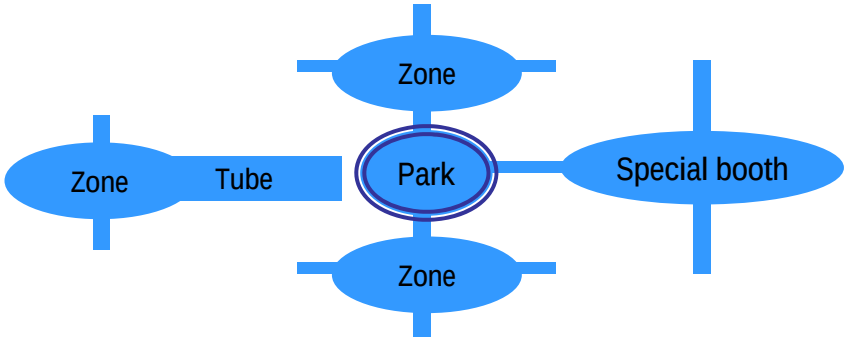


# Develop all floor areas into prime locations by establishing floor areas that are very easy to get around centering on the "park" (= eliminate dead space)

## Layout plan

| | |
|---|---|
| 4F | "Genuine and top quality" floor to realize the ultimate luxury |
| 3F | The world's most advanced and cutting-edge "styles [fashion]" |
| 2F | "Seasonal" floor in which various art genres are mixed |
| 1F | Floor featuring a "vision" that expresses the future of Isetan |
| B2F | Floor in which beauty and health intersect |

## Floor composition that is centered on park




| | |
|---|---|
| Park | Disseminate information that is symbolic of floor characteristics<br>Starting point of getting around floors = Core |
| Zone | Divide floor areas centering on the park (≒ Respective exhibition rooms of museum) |
| Tube | Prologue-like space for independent zones |
| Special booth | Create a space with visual effects in conjunction with merchandise<br>⇒ Special ambiance |
| Art frame | Tactics to appeal the latest information and culture |

◎ Easy to find individual's own place in which he/she belongs and target locations
◎ Simple guides that make it easy to walk around and easy to find
◎ Various tactics to uplift and meet the expectations of customers

# Key Strategy 1: Expand and Enhance Customer Contact

## Expansion of business development in daily consumption area and daily living activity areas

In order to expand opportunities to come in contact with customers, develop customer points of contact suited to customers' consumption styles for various purposes from daily to special occasions by utilizing the Group's various merchandise and services.



* Image

Foods home delivery service Isetan Mitsukoshi MI Deli
(Acquired 5,000 new members in 5-month period)

Strengthen department store e-commerce (EC)
(Remodeling in spring 2013)




Food supermarket
Queens Isetan
(Fujimino store to open at the end of June)



* Image

Regional

Suburb

City center～Suburban terminal

Department stores and flagship stores





Mitsukoshi Usui

Satellite (Renewal of 5 stores from February to March.
Relocation and opening of Mitsukoshi Ishinomaki store on March 8)

ISETAN MIRROR
(No. 1 store opened on March 6)







Isetan Haneda Store
(Opened on April 20)

Expand business development in potential markets that are not yet cultivated (overseas)

**Accelerate dominant expansion that enables utilization of various resources such as visibility, know-how, personnel and capital of existing stores in China and Southeast Asia with growth potential.**



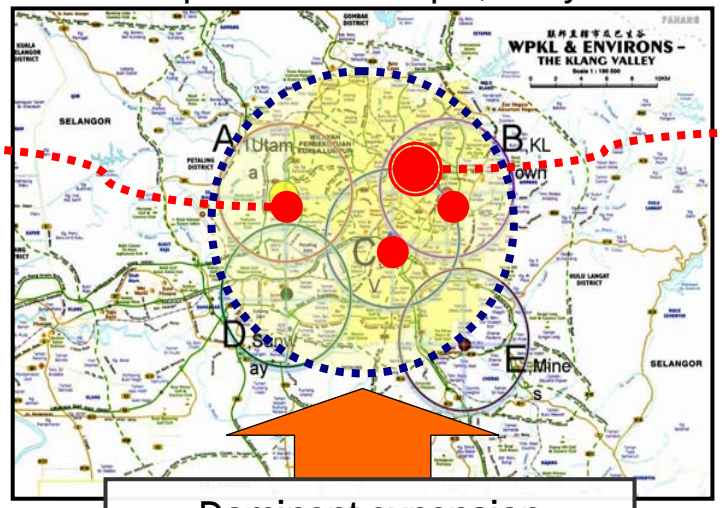
Kuala Lumper Isetan No. 4 store
(One Utama)

One Utama store

Grand opening on May 5, 2012

- Store floor area: Approx. 9,000m$^2$
- Investment amount: 550 million yen

Example of Kuala Lumper, Malaysia




Dominant expansion centering on KLCC store



Kuala Lumper Isetan
KLCC store

Flagship store

Renewal in September 2011

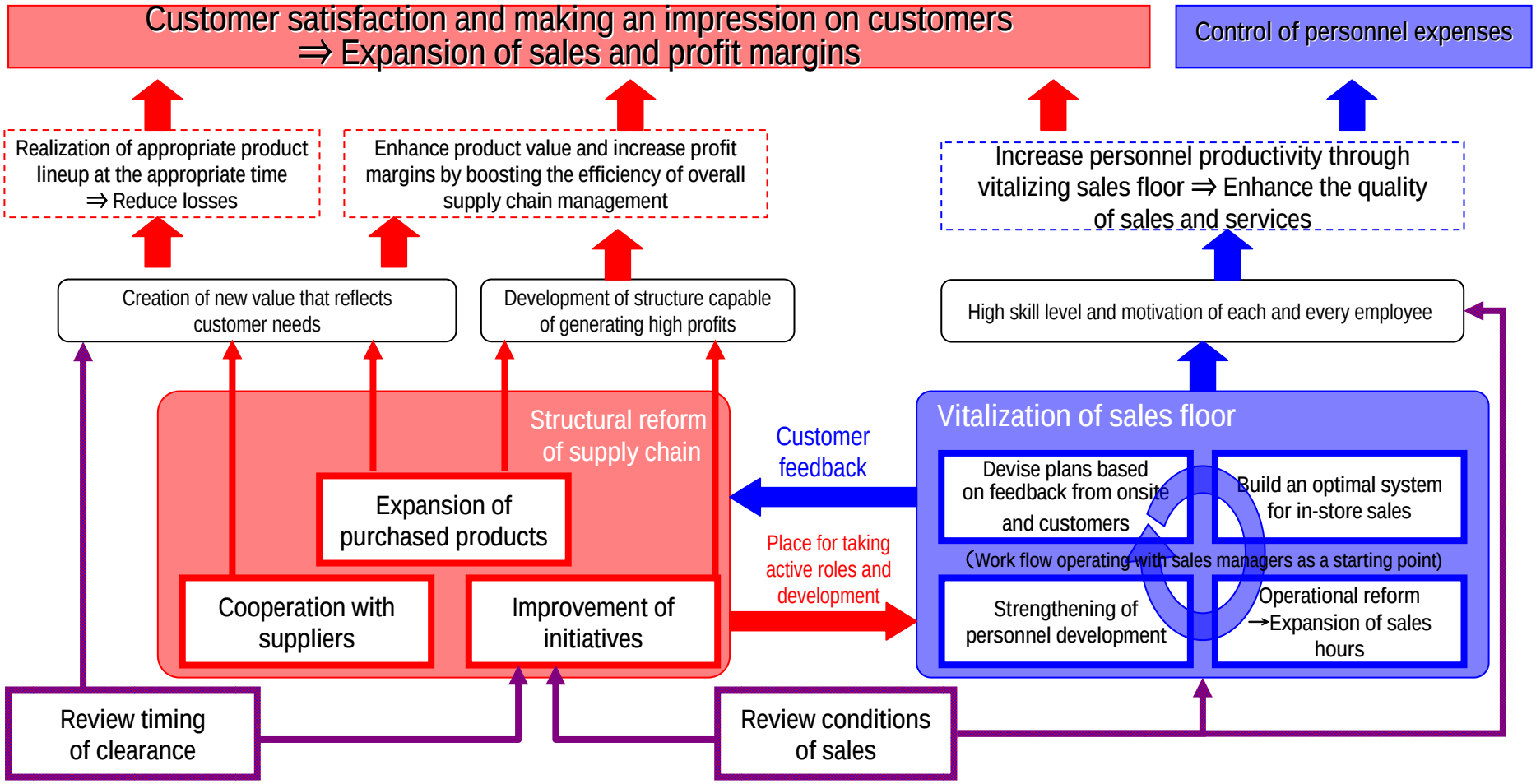
Singapore: System in which 5 stores are established centering on Scotts store

Malaysia: System in which 4 stores are established centering on KLCC store

Tianjin, China: Plan to open No. 2 store in autumn 2012

Strengthen dominant strategy within area

## Aim and overall image of structural reform of supply chain and vitalization of sales floor




Concurrently promote initiatives pertaining to “structural reform of supply chain” and “vitalization of sales floor,” including the review of sales conditions and timing of clearance, and enhance the precision of these initiatives. In doing so, realize the aspired image of a department store. ⇒ Increase sales and profits.

# Key Strategy 2: Rebuild High Productivity Customer Contact Points

## Progress of structural reform of supply chain (Three flagship stores)

Second half of FY2010
Initiatives at Isetan Shinjuku Main store

→ First half of FY2011
Preparation of expansion at three flagship stores

→ Second half of FY2011～
Promotion of initiatives shared by three flagship stores

### Creation of new value

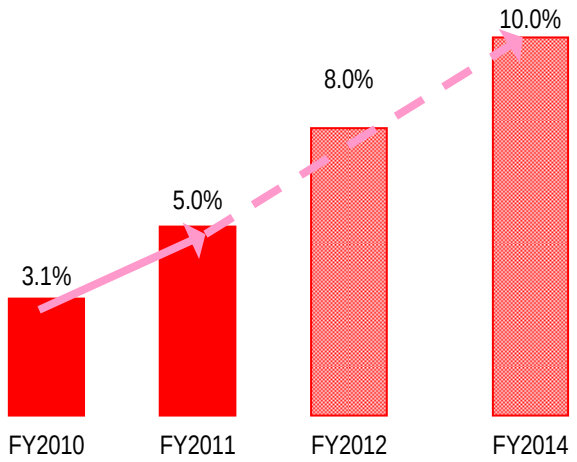
●Expansion of purchased products
e.g.) Women's black formal wear, women's shoes NUMBER TWENTY-ONE, men's clothing DIBASE

●Cooperation with suppliers
e.g., Women's clothing THE PARLOR, KAIMIN SALON home living products

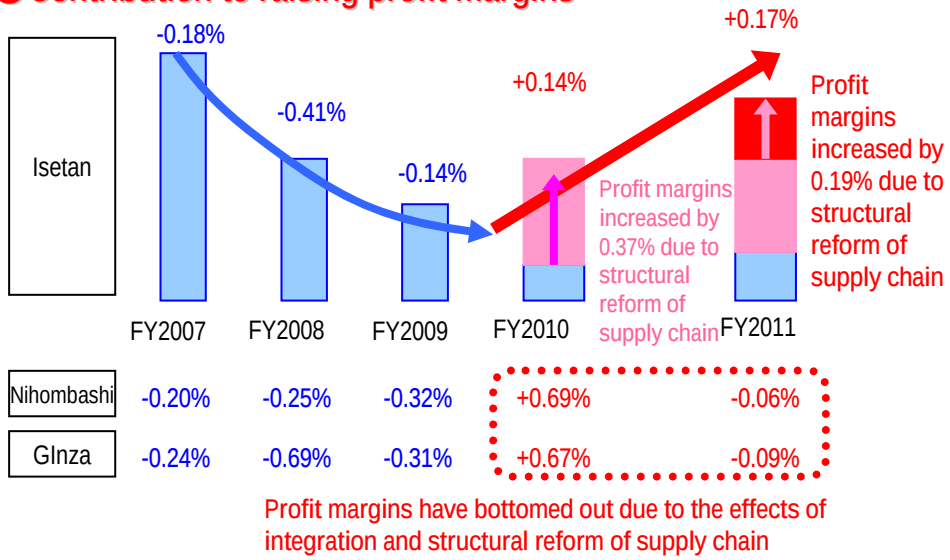
### Building a structure capable of generating profits

●Improvement of initiatives
e.g., Expansion of scale of initiatives, reduction of logistics expenses throughout supply chain management

●Sales share (Three flagship stores)




●Contribution to raising profit margins




Profit margins have bottomed out due to the effects of integration and structural reform of supply chain

**Precision and speed have also increased since the second half of fiscal 2011. Initiatives will be continuously carried out in fiscal 2012 as well.**

# Key Strategy 2: Rebuild High Productivity Customer Contact Points

## Reforms at branch stores and domestic regional department stores

Provide products and services with high customer value, and expand and strengthen CPCC* support for branch stores and domestic regional department stores in order to realize sales floor operations that will generate profits

CPCC: Central Planning Central Control

### ●Refinement of existing units and introduction of new units

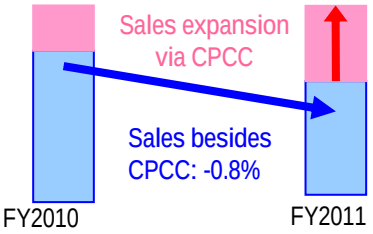
| | |
|---|---|
| Number of units introduced | 28 units (42 shops) |
| Net sales vs. previous year | 107.7% |
| Profit margin vs. previous year | 108.0% |

Among new units:
12 units (20 shops)

### Contributed to boosting business results of branch stores and domestic regional department stores

Effects on sales

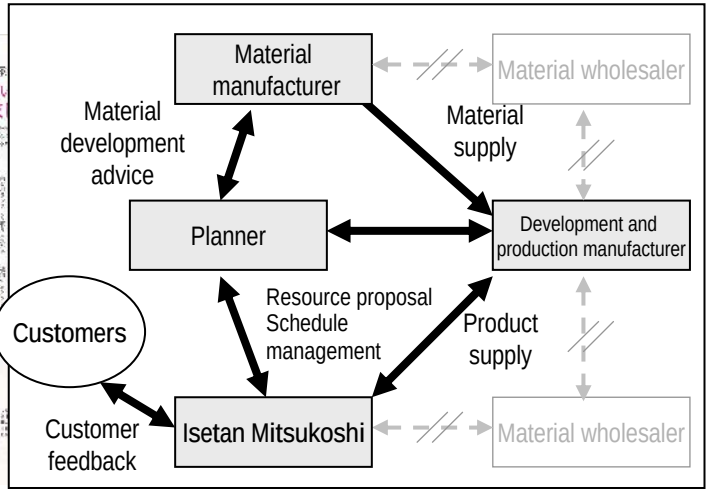
Total number of stores developing CPCC
Net sales vs. previous year
100.0%




### ●Example of initiatives promoted via units

■Women's shoes　ONLY MI Moccasin Shoes (Summer/Spring 2012)






Ensure lot production via shared initiatives

Alliance with upstream

Reflect customer opinion

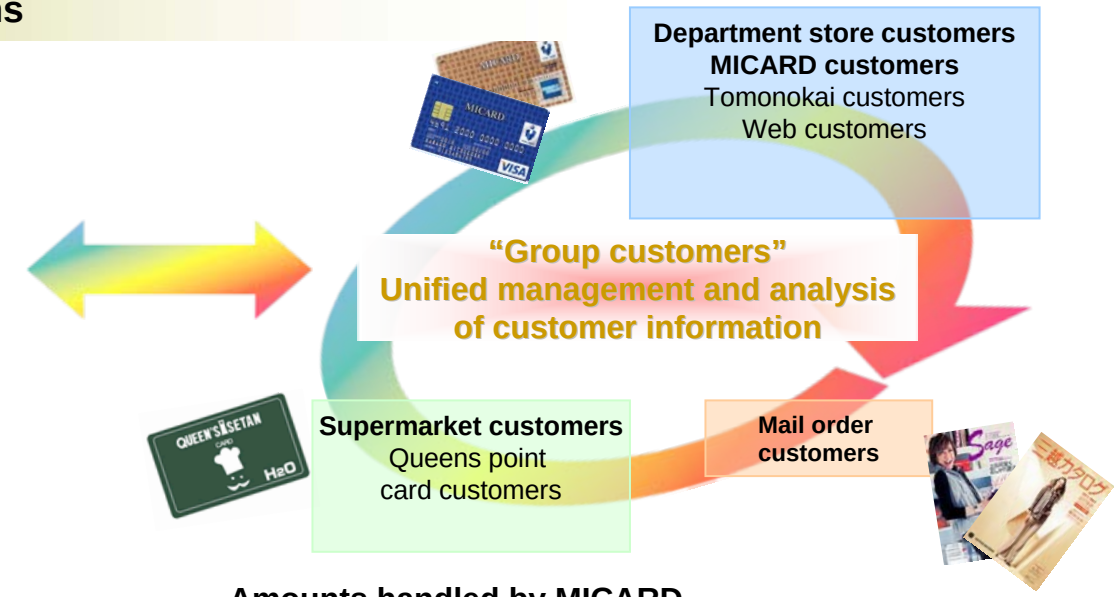
Approximately 1,400 pairs of shoes were sold in less than 2 weeks after commencing sales (75% higher versus target)

Products are currently being sold upon taking orders

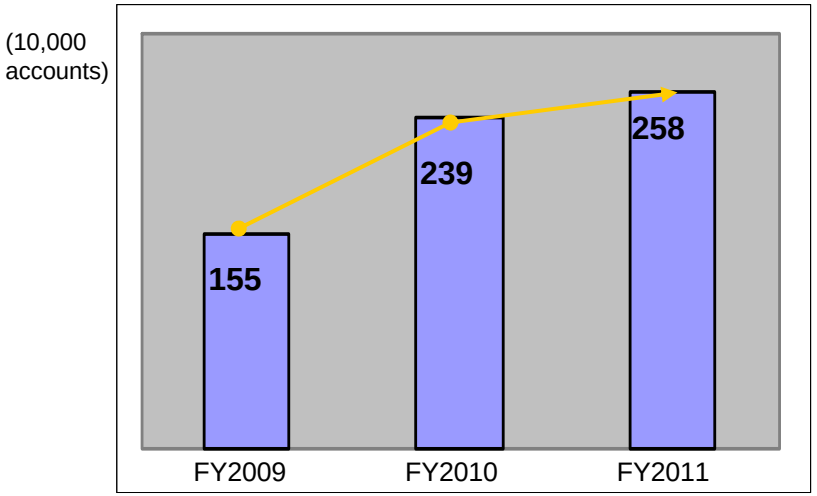
Became a hit product!

## Establish Group customer relationship management (CRM) through strengthening Group marketing functions

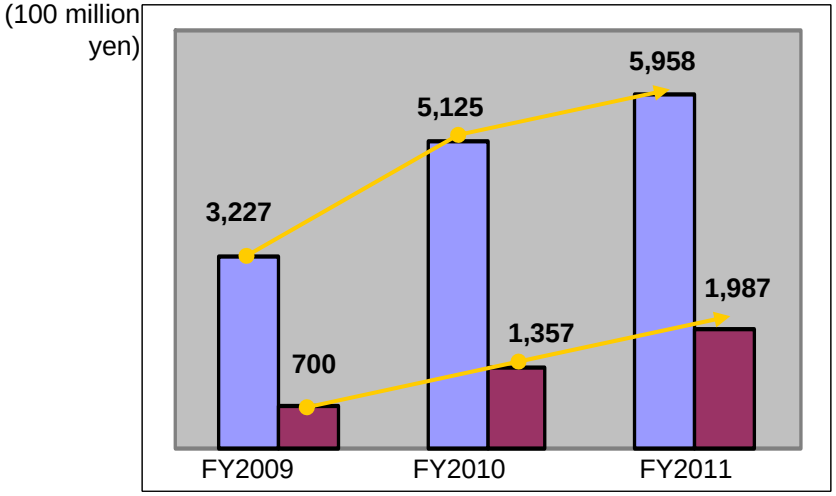
- **Improvement and expansion of card business**
- **Promotion and strengthening of Group CRM**




### Number of MICARD accounts




### Amounts handled by MICARD (Inside and outside department stores)



Investment plan

## Investment amount of 90 billion yen from FY2012 to FY2014

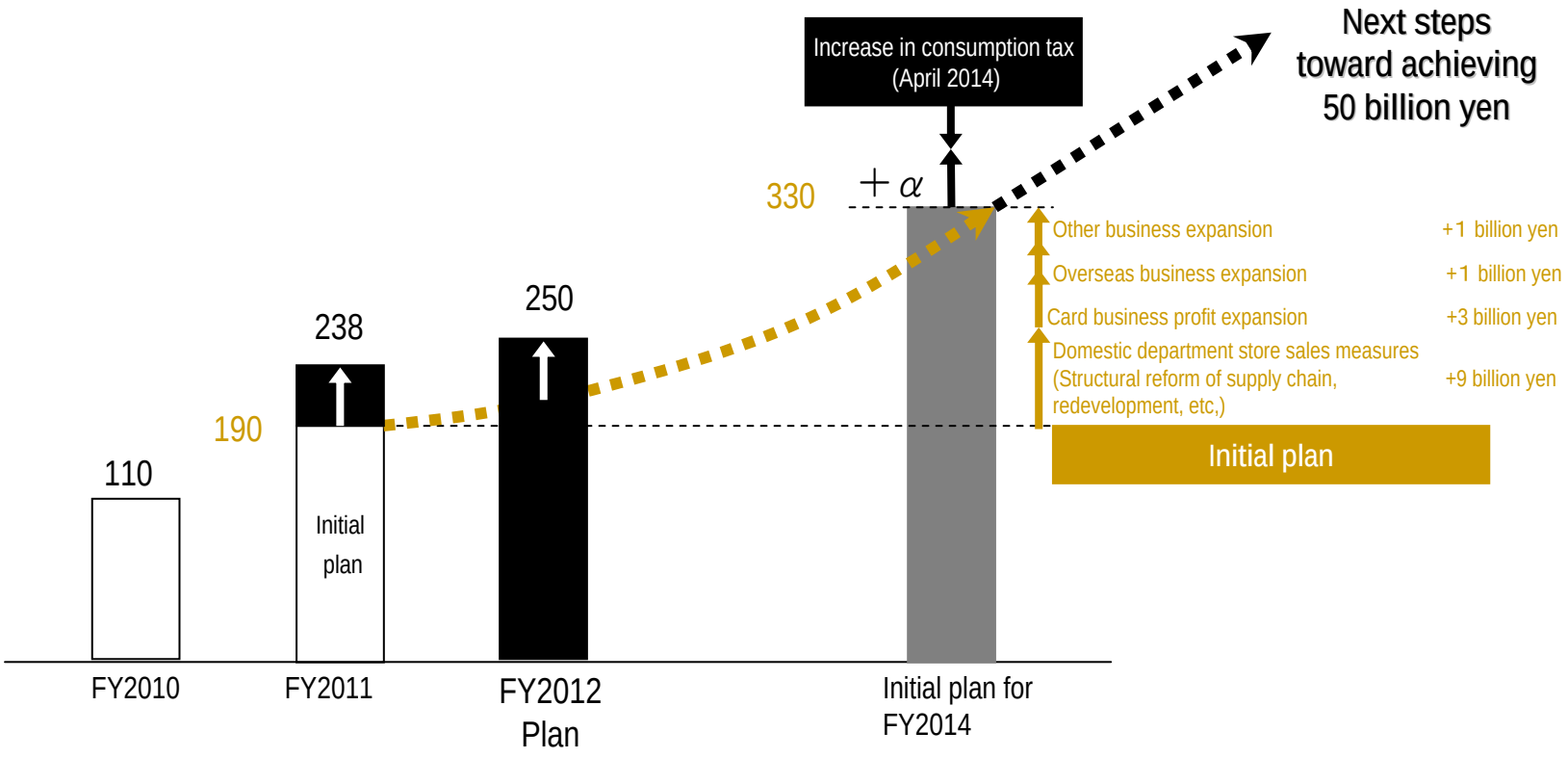
Investment of 37 billion yen will be made for FY2012 in accordance with the Three-Year Plan

* Based on cash flows

Profit plan

## Operating income of 33 billion yen in FY2014

Note: The profit plan for FY2012 calls for amounts exceeding the Three-Year Plan based on FY2011 results.
Also, we aim to achieve 50 billion yen as the next step following the current Three-Year Plan from FY2013 onwards by setting our sights on profit levels surpassing the Three-Year Plan. At the same time, investment and profit plans will be reviewed in autumn 2012 by taking into account various factors, including the impact of raising the consumption tax rate, which will become a negative factor.



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