Interfacing with Excellence

ISETAN MITSUKOSHI HOLDINGS

Isetan Mitsukoshi Holdings
Results for the Second Quarter of FY2012

November 9, 2012

Isetan Mitsukoshi Holdings
Financial Results for the Second Quarter of FY2012

Isetan Mitsukoshi Holdings Consolidated Results for the Second Quarter of FY2012

(100 million yen)	Results	YoY	YoY difference	Difference vs forecast in August 2012
Net sales	5,749	98.5	−87	−80
Gross profit	1,617	98.6	−23	−32
Selling, general and administrative expenses	1,535	99.1	−14	−39
Operating income	81	90.2	−8	+6
Recurring income	66	42.5	−90	−73
Net income	17	8.5	−188	−72

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

◆While net sales decreased, a decrease in operating income was minimized due to efforts to reduce costs.

◆Recurring income decreased as a result of a deterioration in equity in loss of affiliates due to an impairment loss recorded by the Osaka store.

◆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.

Isetan Mitsukoshi Holdings Results for the Second Quarter of FY2012 – 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	2,914	98.6	−40
	Operating income	54	90.8	−5
Domestic regional department stores business	Net sales	1,921	98.9	−20
	Operating income (loss)	−10	(−11)	+1
Overseas department stores business	Net sales	324	94.3	−19
	Operating income	5	58.4	−3
Credit & finance business / Customer organization management business	Net sales	153	111.3	+15
	Operating income	22	137.1	+6
Other retail & specialty stores business	Net sales	406	98.1	−7
	Operating income (loss)	−8	(0)	−9

Figures in parenthesis are previous year results.

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

◆The deficit narrowed in the domestic regional department stores business due to structural reforms of Iwataya Mitsukoshi.

◆Sales and profits increased in the credit & finance business / customer organization management business owing to an increase in MICARD transactions externally.

◆The other retail & specialty stores business operated in the red mainly due to such factors as a decline in sales and an increase in costs.

Isetan Mitsukoshi Ltd. Results for the Second Quarter of FY2012

(100 million yen)	Results	YoY (%)	YoY difference
Net sales	2,914	98.6	−40
Operating gross profit	847	98.1	−16
Selling, general and administrative expenses	792	98.7	−10
Operating income	54	90.8	−5
Recurring income	59	96.5	−2
Net income	32	20.1	−128

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

◆Net sales were up 0.4% year on year, excluding the Shinjuku Mitsukoshi ALCOTT store that closed in March 2012.

◆Net sales of the Isetan Shinjuku Main store exceeded the previous term year on year amid a reduction in sales floor area.

◆A decrease in operating income was minimized as a result of improving the gross profit margin and reducing costs.

II. Isetan Mitsukoshi Holdings
FY2012 Financial Results Forecast

Forecast of Consolidated Results for FY2012

(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	5,749	−87	6,590	＋27	12,340	−59	−60
Gross profit	1,617	−23	1,862	＋25	3,480	＋2	−20
Selling, general and administrative expenses	1,535	−14	1,694	＋5	3,230	−9	−20
Operating income	81	−8	168	＋20	250	＋11	±0
Recurring income	66	−90	233	＋5	300	−84	−80
Net income	17	−188	192	−190	210	−378	−80

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

◆Recurring income decreased as a result of a deterioration in equity in loss of affiliates due to an impairment loss recorded by the Osaka store.

◆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.

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

Forecast of Consolidated Results for FY2012 – 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 2012
Isetan Mitsukoshi Ltd.	Net sales	2,914	−40	3,363	−60	6,277	※−100	+9
	Operating income	54	−5	115	+10	170	+4	±0
Domestic regional department stores business	Net sales	1,921	−20	2,218	+26	4,139	+5	+39
	Operating income (loss)	−10	+1	35	+17	25	+19	+7
Overseas department stores business	Net sales	324	−19	373	+66	698	+46	−63
	Operating income	5	−3	8	+1	14	−2	−4
Credit & finance business / Customer organization management business	Net sales	153	+15	162	+13	316	+28	−4
	Operating income	22	+6	12	+1	34	+7	+1
Other retail & specialty stores business	Net sales	406	−7	458	+6	864	±0	−31
	Operating income (loss)	−8	−9	3	±0	−5	−9	−6

※ 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: +0.2% increase (up 1.2 billion yen)

◆Operating income for domestic regional department stores is expected to increase 1.9 billion yen due to improved profits of Iwataya Mitsukoshi.

◆While sales for overseas department stores are expected increase due to various factors such as opening new stores, 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.

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

Isetan Mitsukoshi Ltd. Financial Results Forecast for FY2012

(100 million yen)	First half results	YoY difference	Second half forecast	YoY difference	Full-year forecast	YoY difference	Difference vs forecast in May 2012
Net sales	2,914	−40	3,363	−60	6,277	※−100	+9
Operating gross profit	847	−16	999	+6	1,847	−9	−8
Selling, general and administrative expenses	792	−10	884	−3	1,677	−13	−9
Operating income	54	−5	115	+10	170	+4	±0
Recurring income	59	−2	92	+10	152	+8	+7
Net income	32	−128	75	−24	108	−153	−13

※ 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 : +0.2% increase (+ 1.2 billion yen)

◆Net sales decreased due to closing Shinjuku ALCOTT store. Selling, general and administrative expenses decreased year on year despite an increase factor due to the redevelopment project for the 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 in the previous year will not be recorded for the current fiscal term.

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

III. Aspired Image as the Group in the Medium Term

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

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.

Realization of aspired image as a department store

～Building a new department store model～

Development, nurturing and strengthening of growth businesses

～Development of new profit-generating businesses～

Become the leading company in the retail industry

Quickly achieve consolidated operating income of 50 billion yen

Aspired image as a department store

Lifestyle creation

Continuously provide new value

Development of “my department store” for customers

Advancement of our three flagship stores
（Isetan Shinjuku Main store・Mitsukoshi Nihonbashi Main store・ Mitsukoshi Ginza store）

Vitalization of branch stores and domestic regional department stores

Enhancement of sales service

Structural reform of supply chain

Promotion of merchandising work flow

Aspired Image as a Department Store ～ Advancement of Our Three Flagship Stores

Advancement of our three flagship stores

Ginza store (September 2010) → **Shinjuku Main store** (March 2013) → **Nihonbashi Main store**

Status of Isetan Shinjuku Main store redevelopment



Opening on October 10, 2012

“Contemporary Style and Authentic Style” zone on the 4th floor

■Hypothesis

Relocate zone from 3rd to 4th floor
◇Sales floor area～Approx. 50%
↓
◇Sales target～Set at 85% versus the previous year



▲ Authentic Style

Results (Oct. 10～End of Oct.)

Sales on par with the previous year, which will exceed assumptions

◇**Net sales: 117%** (vs. target)

◇**Number of customers purchasing products: 105%** (vs. previous year)
⇒Of which, customers in their 30s (**108%**) and 40s (**114%**) are growing



▲ Prime Garden

【Sales targets】
Initial year: **105%** (vs. FY2011)
2nd～3rd year: **103%** (vs. previous year)

【Operating income target】
An increase of approximately 5 billion yen over the three-year period

●Each floor will open consecutively up to the grand opening in March 2013

【Open at the end of November】
- ●1F～ Women’s General Merchandise, Handbags
- ●4F～ Jewelry

【Open in December】
- ●3F～ Re-Style, International Designers, International Creators

【Open February～March 2013】
- ●1F～ Accessories
- ●2F～ Urban Closet, TOKYO Closet, Global Closet, Strawberry Shop
- ●3F～ Career Style, Clover Shop
- ●4F～ International Luxury

Aspired Image as a Department Store ～ Vitalization of Branch Stores and Domestic Regional Department Stores

Aspired image of branch stores and domestic regional department stores

Become "my department store" for customers through providing value that other competitor stores are unable to realize

Strengths of Isetan Mitsukoshi = Originality x Utilization of abundance of content

Supply original merchandise at all stores through units

Unit — Individually-operated sales floor in which product procurement, expansion, sales service, appeal and operations are centrally conducted.

Provision of high value that other competitor stores are unable to realize → Operation of sales floors that will generate profits

【FY2012 Unit Performance (6 months base)】

	Amount	YoY
Sales	23.2 bil. yen	103.2%

	Overall stores	Units
Profit margin	24.2%	33.0%

■**Number of units developed**

Introduced 39 shops (newly developed 10 units)

244 in total ⇒ Expand to 283 shops

■**Refinement and strengthening of existing units + Expansion of units with customized general merchandise items** (incl. "handkerchief & gift" and "hats & caps")

・Newly introduced more that 60 shops during the second half of FY2012

■**New development targeting next-generation customers (30s ～40s)**

・Strengthening of lifestyle proposals (women's wear, general merchandise), western casual style (food)

Customization suited to area characteristics

Build new model of branch stores and domestic regional department stores that utilizes the coordination capabilities unique to Isetan Mitsukoshi

(Hybridization, area optimization)

■**Utilization of Group content**

■**Customization of competitive storefront merchandise**

■**Propose service solutions**

【Medium-term target】Achieve operating margin of 1～2%

Aspired Image as a Department Store ～ Structural Reform of Supply Chain

Aim of structural reform of supply chain in the department store business

Structural reform of supply chain

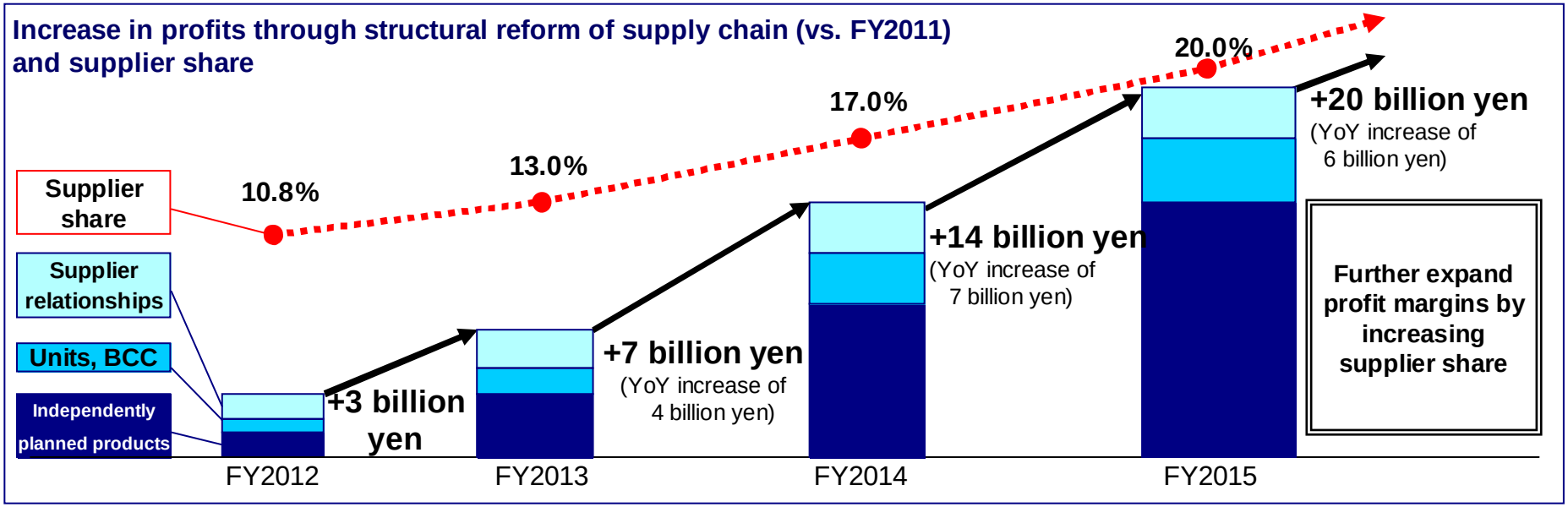
Vitalization of sales floor
(Realize high quality sales service)

Independently planned products (purchased products)	Independently planned products that reflect customer voices Direct business with material manufacturers, factories, etc.
Units and BCC	Centralized and independently operated sales floors in terms of product procurement, development, etc. Centralization of brand shop operations
Supplier relationships	Product and brand development through collaboration with suppliers Improvement of supply chain

Enhancement of product value, realization of appropriate products at appropriate times and increased profitability

Touching customers' hearts and raising satisfaction ⇒ Expansion of sales and profit margins

Increase in profits through structural reform of supply chain (vs. FY2011) and supplier share



【Medium-term targets】 Achieve an increase of 20 billion yen (vs. FY2011) in profit margins through structural reform of supply chain and achieve supplier share of 20% versus sales

Development, Nurturing and Strengthening of Growth Businesses ～ Small-Size Store Business

Future direction of small-size store business

*CPCC: Central Planning Central Control

Accelerate expansion of many stores befitting customer needs in daily living activity areas in urban areas and regional areas where there are no department stores

Store opening strategy

Original merchandise unique to Isetan Mitsukoshi × **Efficient store operation Strengthen expansion of CPCC***

Image model of store opening: ◇Sales: 200～500 million yen ◇Store floor area: 165m^2～650m^2 ◇Operating income ratio: 3～5% (from second year onward)

Customized merchandise, small-size stores

Business category with customized merchandise that is competitive and original as the Group. Targeted at customers of competitors and non-department store customers

ex.) Isetan Mirror

※ New opening of Isetan Mirror stores (2013～)

◇Celeo Hachioji ◇Lumine Kitasenju
◇Lumine Yokohama ◇Parco Kichijoji

Merchandise coordination, small-size stores

Business category that simply coordinates department stores' merchandise and cultivates the needs of department stores

ex.) Satellite, Haneda

- Regional areas (areas where there are no department stores)
  ⇒Expand opening of satellite stores and refine existing stores based on new store model
- **Urban areas** ⇒ Opening of new stores by employing a style in which customized items are coordinated

【Medium-term targets】 New store openings: 150-200 stores; sales: 50 billion yen scale; operating income: 2.5 billion yen or higher

Aspired image of overseas business

Expansion of store network in China and Southeast Asia where consumption is expanding

Increase profitability as business and further acquire loyal customers of Isetan Mitsukoshi in Asia

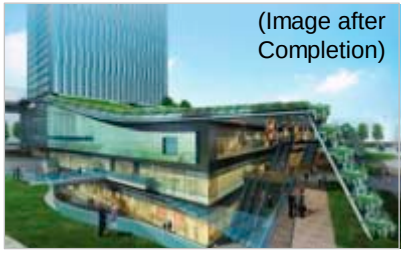
Expand store openings while ensuring certain scale of store size able to compete locally and content

Share expansion within areas through dominant deployment (medium- and small-size stores)

New store openings

No. 2 store in Tianjin, China

- Store floor area: Approx. 25,000㎡
- Opening schedule: Winter 2012



No. 6 store in Singapore

- Store floor area: Approx. 5,500㎡
- Opening schedule: Around the end of 2013
- Commercial facility in which the store will open: Jurong West Shopping Center

Direction in Southeast Asia

- Opening of large- and medium-size stores
- Enter property management business (intend to introduce large-size shopping center operation)

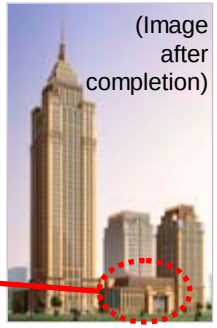
Making inroads into new countries

Opening of new stores and entry into PM business

No. 2 store in Chengdu, China

- Store floor area: Approx. 21,000 ㎡ (Co. store area)
  ※Commercial facility area: Approx. 63,000㎡
- Opening schedule: Roughly end of 2014
- Commercial facility in which the store will open: 環球時代中心 (tentative name)



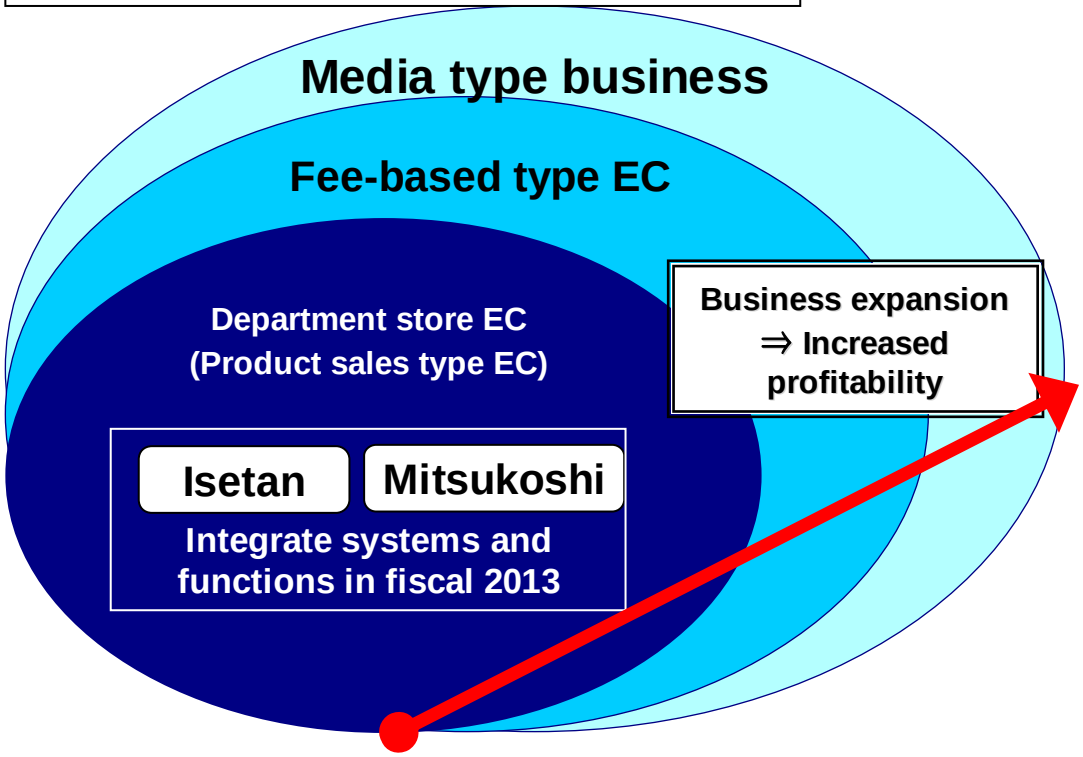


【Medium-term targets】 Sales: 100 billion yen scale; operating income: 3～4 billion yen

Aspired image of WEB business

Expansion of e-commerce (EC) as a channel for providing originality that is unique to Isetan Mitsukoshi regardless of time and accessibility constraints and creation of a new business model that will generate revenues such as commissions as a profit source.

Overall image of WEB business



Direction of department store EC (Product sales type EC)

Quickly achieve 20 billion yen in net sales of department store EC

■**Highly original product lineup**

■**Enhancement of EC functions** (card payment, wrapping service, reservations for fitting, store delivery and other services that are similar to processes conducted at sales counters via cooperation with WEB and stores)

Direction of media type business

■Aim to build a new profit model, including commissions and advertising revenues, based on various customer information accumulated via EC or community

Direction of fee-based type EC

■Develop new EC that will realize sales through selling products and get commissions from outside the Group through providing content of inside and outside the Group, as well as sending customers to stores and EC sites of the Group and those of external stores and websites.

【Medium-term target】 WEB business volume: 40～50 billion yen (Group sales + Content volume of outside companies)

■Direction of card business

Profit expansion from outside the Group

Promotion of shopping within Group
(Adding new payment function)

Expansion of operating income and strengthening of Group CRM

【Medium-term targets】
■Operating income: 8～10 billion yen (FY2012 forecast: 4.1 billion yen)
■Quickly achieve operating income share of over 60% from outside the Group (FY2012 forecast: 58%)
■Card membership: Exceeding 3 million people (FY2012 forecast: 2.7 million people)

■Direction of supermarket business



Strengths of Queens Isetan

Daily reassurance + enjoyment of individual preferences
(Safe and reassuring, genuine and authentic and hard-to-find items)

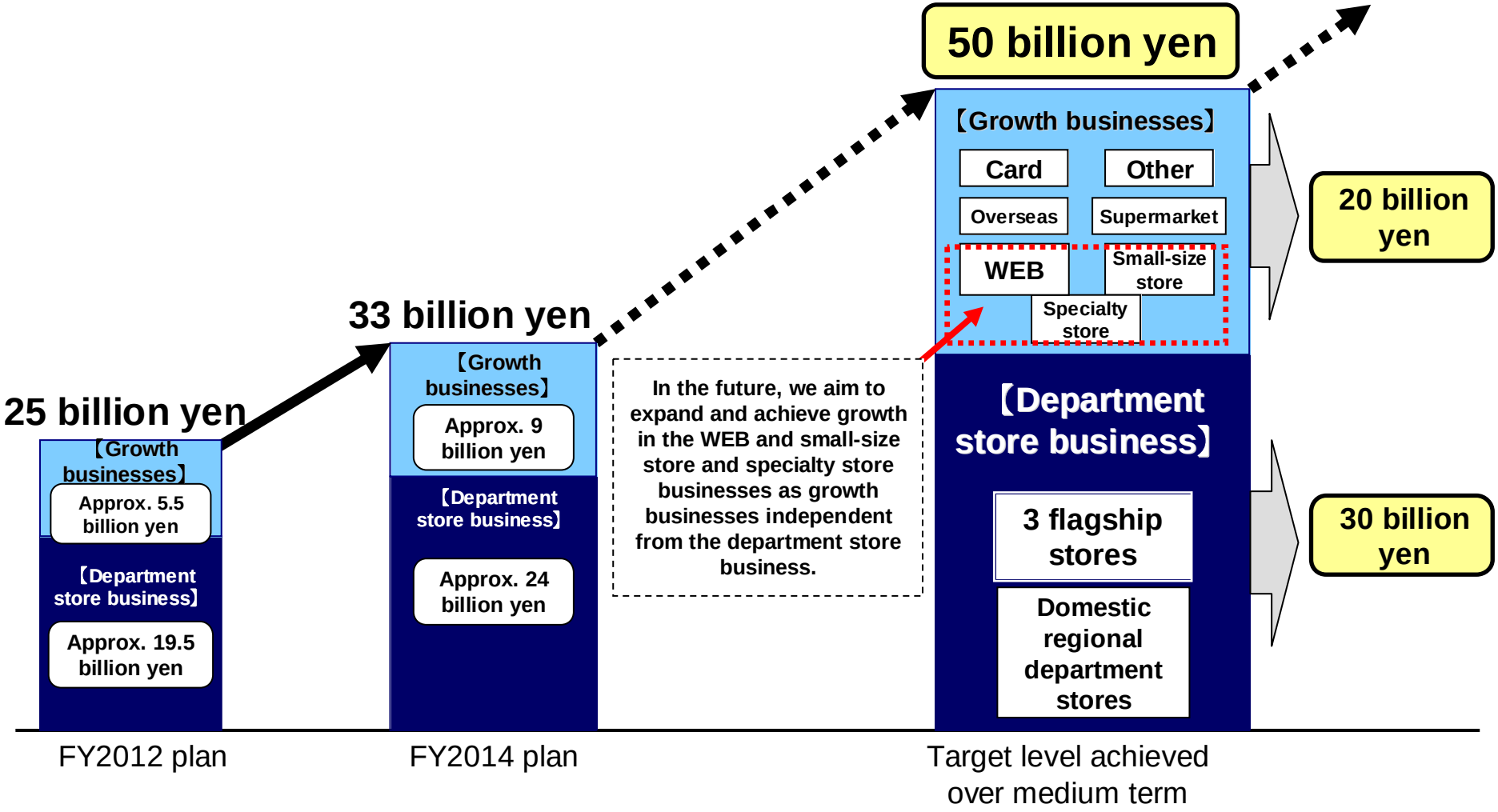
■Product development that utilizes in-house manufacturing functions
■Store operation reforms

Expand store openings centering on urban areas and terminals with high levels of Isetan Mitsukoshi brand recognition while utilizing strengths (Medium- and small-size supermarkets and Queens I small-size specialty store)

【Medium-term target】Operating income: 1.5～2 billion yen

Targeted Operating Income Level over the Medium Term

Quickly achieve consolidated operating income of 50 billion yen by expanding profits of department store business and expanding scale and profits of growth businesses



For Inquiries:

Investor Relations, Corporate Administration Division,
Administration Headquarters, Isetan Mitsukoshi Holdings Ltd.