Interfacing with Excellence

ISETAN MITSUKOSHI HOLDINGS

Isetan Mitsukoshi Holdings
Fiscal 2012 Financial Result

May 10, 2013

I. Isetan Mitsukoshi Holdings FY2012 Financial Results

Isetan Mitsukoshi Holdings Consolidated Results for FY2012

(100 million yen)	Results	YoY (%)	YoY difference	Difference vs forecast in November 2012
Net sales	12,363	99.7	-35	+23
Gross profit	3,474	99.9	-3	-5
Selling, general and administrative expenses	3,207	99.0	-31	-22
Operating income	266	111.8	+28	+16
Recurring income	342	89.0	-42	+42
Net income	252	42.9	-335	+42

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

◆Net sales were down slightly due to such factors as the closure of the Shinjuku Mitsukoshi ALCOTT store.

◆Operating income reached a record high for the three consecutive terms since the integration as a result of a reduction in selling, general and administrative expenses.

◆Recurring income decreased as a result of recording equity in loss of affiliated companies for West Japan Railway Isetan Ltd.

◆Net income for the current fiscal term decreased due to a decline in the income taxes-deferred on the profit side.

Key Results of Selling, General and Administrative Expenses for FY2012

(100 million yen)	Results	YoY (%)	YoY difference
Personnel expenses	1,183	98.5	−17
Advertising expenses	276	102.7	+ 7
Lease payments	410	102.9	+11
Depreciation and amortization	215	96.2	−8
Costs of external sales commissions	340	97.8	−7
Others	781	97.9	−16
Total	3,207	99.0	−31

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

◆Selling, general and administrative expenses were reduced by 3.1 billion by promoting initiatives to reduce expenses focused on personnel expenses.

◆The main factor of an increase in leases is attributable to an increase in lease payments for overseas department stores associated with the weakening of the yen.

Isetan Mitsukoshi Holdings Results for 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	6,279	98.5	−98
	Operating income	178	107.5	＋12
Domestic regional department stores business	Net sales	4,116	99.6	−17
	Operating income	25	389.0	＋18
Overseas department stores business	Net sales	732	112.6	81
	Operating income	10	63.8	−5
Credit & finance business / Customer organization management business	Net sales	317	110.1	＋29
	Operating income	37	139.3	＋10
Other retail & specialty stores business	Net sales	850	98.3	−14
	Operating income (loss)	−5	(3)	−9

Figures in parenthesis are previous year results. (Figures are rounded down to the nearest 100 million yen)

◆Operating income for domestic regional department stores increased 1.8 billion yen due to such factors as Iwataya Mitsukoshi making a shift toward operating in the black.

◆Despite an increase of net sales due to the weakening of the yen, operating income for overseas department stores decreased due to such factors as a rise in personnel expenses.

◆Net sales and operating income for the credit & finance business / customer organization management business increased due to such factors as an expansion of fee income for MICARD.

Isetan Mitsukoshi, Ltd. Results for FY2012

(100 million yen)	Results	YoY (%)	YoY difference
Net sales	6,279	98.5	−98
Operating gross profit	1,844	99.3	−12
Selling, general and administrative expenses	1,665	98.5	−25
Operating income	178	107.5	＋12
Recurring income	195	135.9	＋51
Net income	203	77.7	−58

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

◆Net sales edged up 0.2% based on existing stores, excluding results for the Shinjuku Mitsukoshi ALCOTT store closed in March 2012.

◆Operating income increased approximately 1.2 billion yen due to a reduction in selling, general and administrative expenses such as personnel expenses.

◆Net income for the current fiscal term decreased due to a decline in the income taxes-deferred on the profit side.

II. Isetan Mitsukoshi Holdings FY2013 Financial Results Forecast

Forecast of Consolidated Results for FY2013

(100 million yen)	Full-year forecast	YoY (%)	YoY difference
Net sales	12,800	103.5	＋436
Gross profit	3,620	104.2	＋145
Selling, general and administrative expenses	3,320	103.5	＋112
Operating income	300	112.6	＋33
Recurring income	330	96.4	−2
Net income	220	87.0	−32

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

◆Operating income of 30 billion yen is projected by absorbing an increase of selling, general and administrative expenses with revenue increases in domestic department stores and other businesses.

◆While an improvement is anticipated in equity in earnings 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 year will not be recorded for the current fiscal term.

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

(100 million yen)		Full-year forecast	YoY (%)	YoY difference
Isetan Mitsukoshi Ltd.	Net sales	6,494	103.4	＋214
	Operating income	200	112.1	＋21
Domestic regional department stores business	Net sales	4,230	102.8	＋114
	Operating income	35	138.9	＋9
Overseas department stores business	Net sales	838	114.5	＋106
	Operating income	19	184.1	＋8
Credit & finance business / Customer organization management business	Net sales	334	105.5	＋17
	Operating income	42	114.6	＋5
Other retail & specialty stores business	Net sales	853	100.4	＋3
	Operating income	1	(−5)	＋6

(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)	Full-year forecast	YoY (%)	YoY difference
Net sales	6,494	103.4	＋214
Operating gross profit	1,885	102.2	＋41
Selling, general and administrative expenses	1,685	101.2	＋19
Operating income	200	112.1	＋21
Recurring income	193	99.2	−1
Net income	135	66.6	−67

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

◆Net sales are expected to increase to more than 20 billion yen in line with an anticipated sales increase of more than 4% at the three flagship stores.

◆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 structural reform of the supply chain.

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

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

Desired Shape in the Medium Term toward Realizing the Group Vision

Isetan Mitsukoshi 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

◇Thoroughly pursue originality of the three flagship stores

◇Vitalization of branch stores and domestic regional department stores

Build a new department store image

Development, nurturing and strengthening of growth businesses

◇Small-size store

◇Specialty store

◇Overseas

◇Web and mail order

◇Supermarket

◇Card

Development of new profit-generating businesses

Become the leading company in the retail industry

Quickly achieve consolidated operating income of 50 billion yen

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

Three key strategies

【Key Strategy 1】 Expand and enhance customer contact

【Key Strategy 2】 Rebuild high productivity customer contact points

【Key Strategy 3】 Strengthen our foundation to utilize Group resources

Points to strengthen in the promotion system during the plan's second year in FY2013

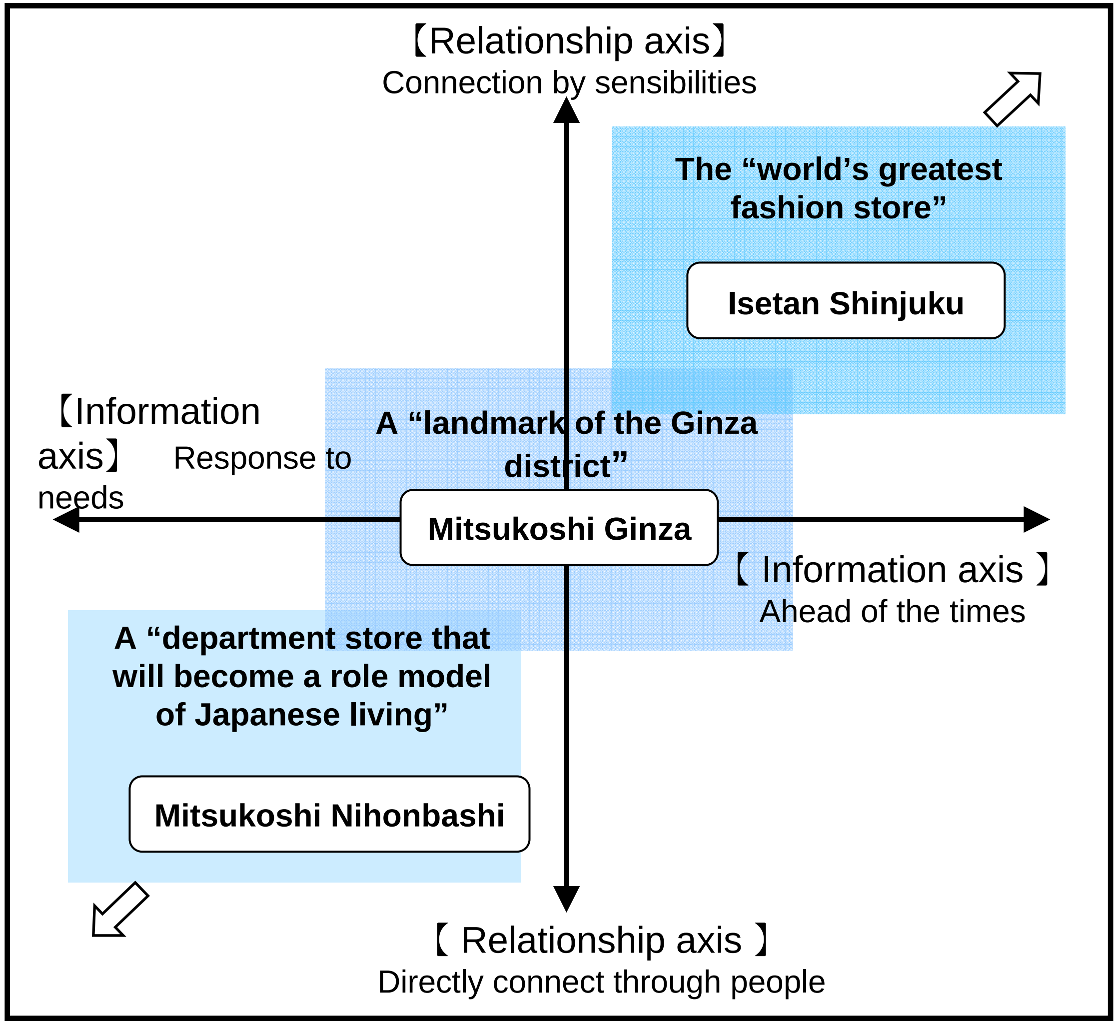
Continuously provide new value

- Human resources development and strengthening of sales
- Strengthening of organizational structure
- Recruitment of outside human resources
- Utilization of alliances

Enhance depth and precision of strategies and quickly promote initiatives.

Realization of Aspired Image as a Department Store
– Direction Aimed by the Three Flagship Stores

3 Flagship stores will maximize respective characteristics and strengthen originality



Isetan Shinjuku

The "world's greatest fashion store"

・A store that enables customers to feel the "world's greatest fashion" through the five senses

Mitsukoshi Nihonbashi

A "store that will become a role model of Japanese living"

・A store in which a wide array of products, solutions and services are sold out and "people connect with people."

Mitsukoshi Ginza

A "landmark of the Ginza District"

・The first store to visit for people who come to the Ginza district that provides products and services ahead of the times through the filter of Mitsukoshi quality.

September 2010
Ginza store floor expansion

March 2013
Redevelopment of Shinjuku Main store

FY2015～
Redevelopment of Nihonbashi Main store

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

Aim and achievements of redevelopment of Shinjuku Main store

Realization of the "world's greatest fashion museum."

Disseminate the world's number one fashion for highly aesthetic customers worldwide

◆By designating fashion as art, provide "new value" that fuses tradition and modern.

◆An space with an environment that appeals to the five senses and goes hand in hand with merchandise and tactical information

◆Attractive place where people will naturally gather rather than simply purchase products

Redevelopment

Beginning with the second-generation baby boomers, who are the target customers (TA-A),

number of customers and net sales are expanding for all three generations

Number of customers purchasing products and sales by life stage (March～April 2013)

YoY

Generation	(Ages 19-34)	(Ages 35-54)	(Ages 55 ～)
Number of customers purchasing products	108%	106%	103%
Net sales	120%	113%	107%

YoY

All stores	Redevelopment Department in total	Women's apparel	Women's general merchandise	Jewelry/watches
113%	122%	114%	127%	144%

Credit card customers (112%) and Cash customers (121%) both recorded double digit increases YoY

September 2010 Ginza store floor expansion → **March 2013 Redevelopment of Shinjuku Main store** → FY2015～ Redevelopment of Nihonbashi Main store

Build a new business model for new regional department stores that responds to regional customers

New store strategy for branch stores and regional department stores

【Issue】

Unable to respond to consumption preferences and lifestyles of regional customers

1. Develop regional stores into a landmark
◇Strengthen originality of stores ╳ Open small-size stores ⇒ Expand markets

2. Strengthen domain suited to region
◇Clothing ⇒ Shift toward domains of food, lifestyle, entertainment, information and learning

3. Develop hybrid stores
◇Existing model ＋ New method of attracting customers ⇒ Enhance ability to attract customers

Comprehensively strengthen sales and services | **Effective store operation**

【Future promotion】

■Advance development at branch stores ⇒ Expansion to regional department stores

Strengths of Isetan Mitsukoshi Originality X Abundance of content

1. Supply original content

- Units
- Independently planned products
- Shared events
- Newly developed content
- Shared supplier measures
- Integrated support from advertising to development and sales

2. Sales, services and human resources development

- Sales training menu
- Service menu
- Method of allocating storefront staff
- Interaction of Group personnel

Realization of Aspired Image as a Department Store – Increase Competitiveness and Profitability of Regional Department Stores

Issues of Regional Department Stores

- ◇Homogeneous w/ other stores — Originality ↓
- ◇Difficulty securing products — Competitiveness ↓
- ◇Cost reduction limits — Profitability ↓

Support that utilizes the strengths of Isetan Mitsukoshi Group

- Units and shared events — Originality ↑
- Develop shared merchandise — Profitability ↑

Structural reform of supply chain — Originality ↑ Competitiveness ↑ Profitability ↑

Operating income of regional department stores (FY2010-FY2012)

Steady increase in operating income through highly original and profitable content support

	FY2010	FY2011	FY2012	FY2013 plan	FY2015 plan
Operating income	200 million yen	600 million yen	2,500 million yen	3,500 million yen	5,000 million yen

Development status	FY2010	FY2011	FY2012
Units	42 shops	82 shops	106 shops
Shared events	22 events	39 events	72 events

For further expansion of profitability in the future

New establishment of Regional Stores Business Department ⇒ New development and expansion of content × Expand development to all stores ⇒ Increase profitability

Efforts to Increase Profitability – Structural Reform of Supply Chain and Enhancement of Sales Capability

Clarification of vertical sales line

Enhance sales capability and profitability by strengthening the promotion systems of both "products" and "sales"

Centralization of product procurement function

Enhance sales capability (sales)

Building of store workflow originating from sales

Strengthen management of sales managers, which is a resource of store sales capability

Building of sales system through scientific approach

Optimal allocation of personnel based on sales business analysis

Building of new training and development models with new concepts

Formalize and develop knowledge of sales behavior and skills of outstanding sales staff (stylists)

Training and CDP according to individual sales staff (stylists)

Appropriately communicate needs

Provide products, sales, development and services

Structural reform of supply chain (products)

Structural reform of distribution structure

- **Strengthening of import and inventory management functions**
- **Strengthening of internal apparel function**

Revision of supply terms	■Revision of rational business terms ■Standardization of supply conditions
Product development that realizes high profit margins	■Product development with authorization to decide prices ■Private brand strategy ■Exclusive development
Outlets	■Increase consumption ratio of purchased products

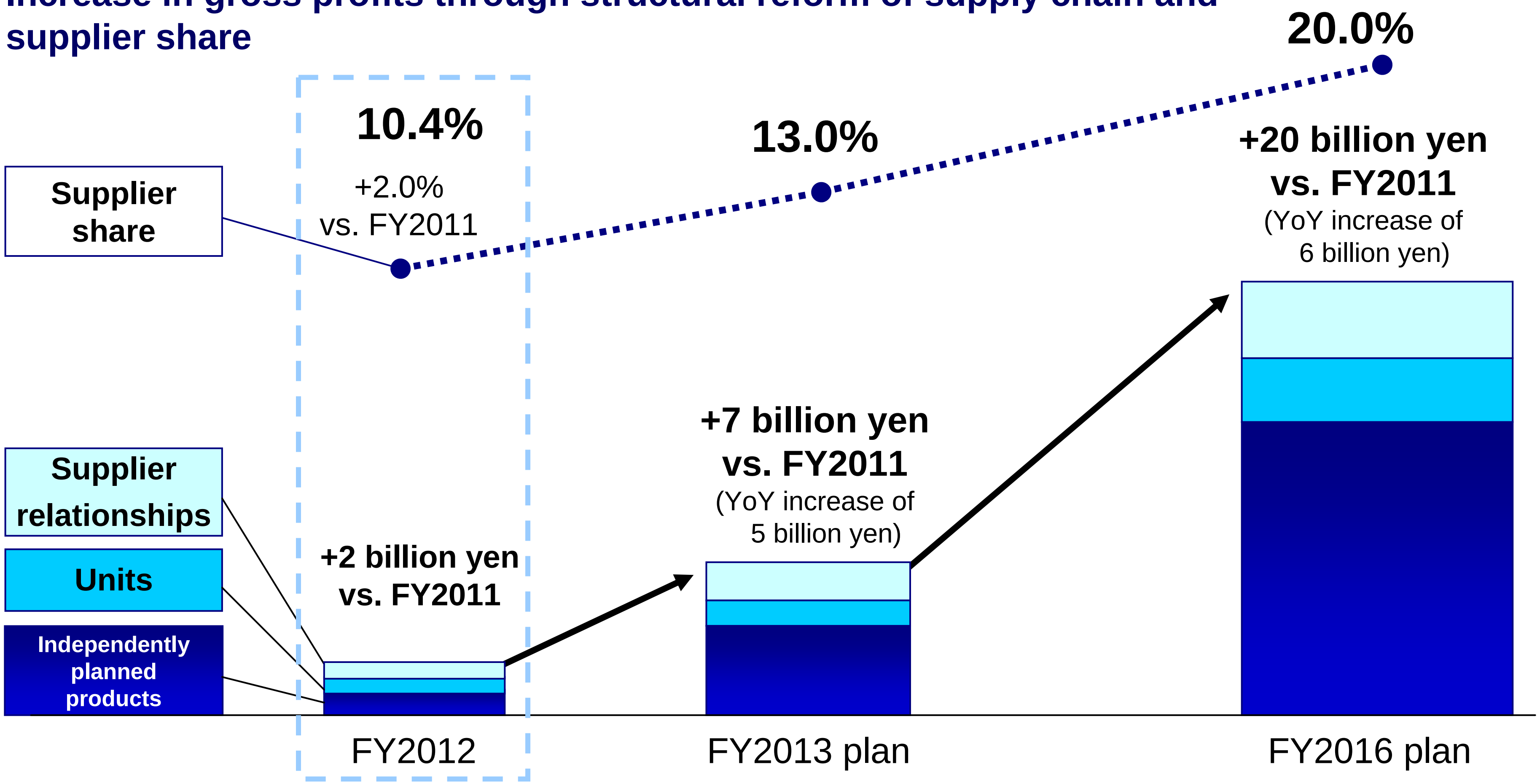
Expansion to SPA (specialty store retailers)

Achieve greater customer satisfaction and further touch their hearts
⇒ Profit expansion

Efforts to Increase Profitability – Structural Reform of Supply Chain

Expand and promote structural reform of supply chain extending beyond department stores

Increase in gross profits through structural reform of supply chain and supplier share



Expand structural reform of supply chain to WEB and small-size store businesses and strengthen promotion system linked to achieving results across the Group.

Expand customer contact points by accelerating opening of small-size and medium-size stores

Net sales

FY2013 plan: 25 billion yen
⇒ FY2015 plan: 35 billion yen

Number of stores

FY2013 plan: 85 store structure
⇒ FY2015 plan: 150 store structure

＜Expand customer contact points that will utilize strengths＞

Strengths of Isetan Mitsukoshi

Various store formats — **New sales channels**

Currently developing format

- Mirror
- Haneda store
- Satellite
- Outlet

"Locations" and "formats" for considering expansion in the future

Locations

・Transportation hubs (expressways, airports, station buildings)
・Within other business categories (commercial complexes, shopping centers, outlets)

New formats

・3000m^2～5000m^2 medium-size stores
・Women's, men's, foods and living

Points to strengthen in FY2013

- "Establish a profit model" via Small-Size Stores Business Department
- "Product support" via Regional Stores Business Department
- New business category development via Market and Development Department

【Medium-term target】Achieve scale of 50 billion yen in net sales and operating income of 2.5 billion yen for small-size stores nationwide.

Aiming to expand sales of goods of e-commerce (EC) business and quickly realize platform business development

EC net sales of department stores

FY2013 plan: 9 billion yen ⇒ FY2015 plan: 20 billion yen

Department Store EC

- ■Integration of Isetan and Mitsukoshi EC website (FY2014)
- ■Strengthening of product lineup: Currently 50,000 SKU ⇒ 150,000 SKU
- ■Strengthen functions: Response to smartphones, other
- ■Easy-to-view and easy-to-buy website

Fee-based model (Virtual mall & portal EC)

Isetan Mitsukoshi taste X Collective power of strengths X Extensive internal and external networks

Sales through selling products + commission revenue (send customers, store openings)

Media type business

Soft content, which is Isetan Mitsukoshi's strength (know-how, knowledge) X WEB platform

Content revenue + New customers + Marketing

Points to strengthen in FY2013

- Start operation of exclusive warehouse for EC
- Newly establish WEB Business Division
- Recruit outside human resources

【Medium-term target】Achieve 40-50 billion yen in WEB business volume

Aiming to further expand business scale through the opening of large- and medium-size stores, property management business and dominant stores.

Net sales

FY2013 plan: 84 billion yen
⇒ FY2015 plan: 88 billion yen

Operating income

FY2013 plan: 1.9 billion yen
⇒ FY2015 plan: 2.6 billion yen

Future Direction

Tap into and deeply cultivate markets in China and Southeast Asia where consumption is expanding

Expand store openings while ensuring the scale of store size and content that are able to compete locally

Store opening strategy to be strengthened going forward

■Opening of large- and medium-size stores that are comparable to flagship store scale

- New store openings in existing areas
- Examine new store openings in emerging countries

■Development of property management business

FY2014: No. 2 store in Chengdu (Approx. 21,000m²)

⇒ Intend to introduce large-size shopping center operation

Ongoing store opening strategy

■ Opening of dominant stores

FY2013: No. 6 store in Singapore (Approx. 5,500 m²)

【Medium-term target】Achieve scale of 100 billion yen in net sales and 3-4 billion yen in operating income

Expand profits by establishing Queens Style with originality and promoting operational reform

Net sales

FY2013 plan: 51.6 billion yen

⇒ FY2015 plan: 56.0 billion yen

Operating income

FY2013 plan: 0.2 billion yen

⇒ FY2015 plan: 0.8 billion yen

Previous issues ～ Weak in terms of originality, low productivity in store operation

Future Direction

Utilize own factory, recruit outside human resources and develop a highly profitable store format

■Expand products produced in-house

■Expand private brand products

Establish Queens style with originality

■Highly profitable store operation

(Launch of processing center)

Enhance precision of chain operation

■Accelerate opening of medium- and small-size supermarkets

FY2013: Musashisakai store (medium-size supermarket)

FY2014: Mejiro store (medium-size supermarket)

Expand store network in urban centers

【Medium-term target】Achieve 1.5-2.0 billion yen in operating income

Aiming to expand profits by acquiring new customers and synergistic effects of expanding card use externally

Card membership

FY2013: 2.8 million people

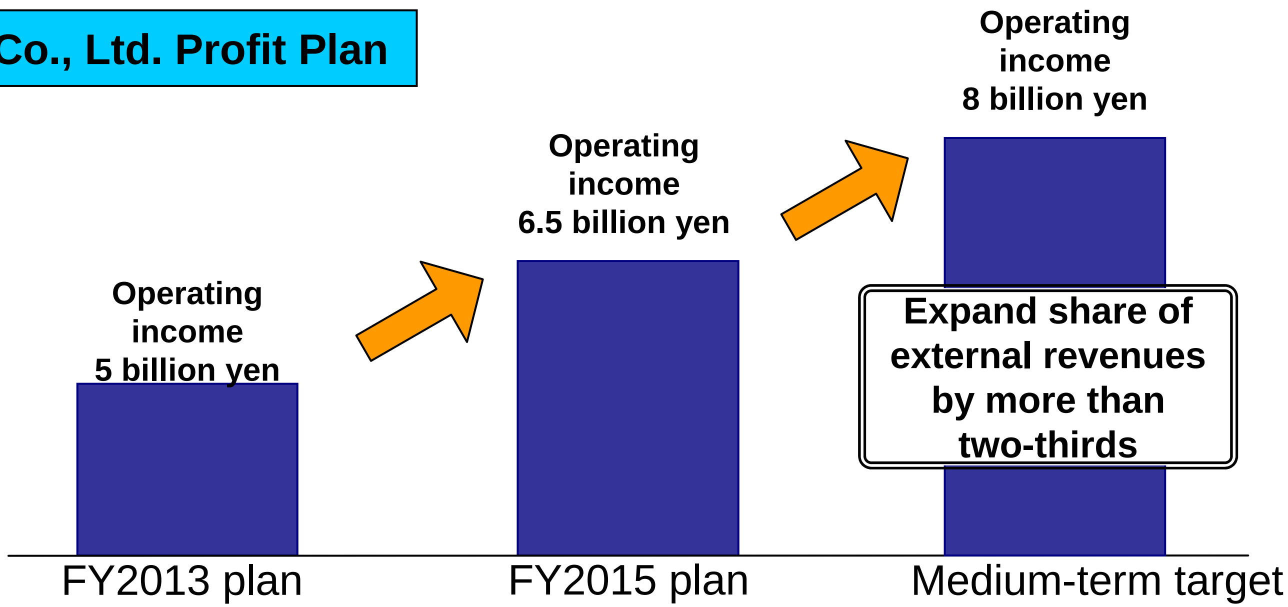
⇒ FY2015 plan: 3 million people

Operating income (MICARD Co., Ltd.)

FY2013 plan: 5 billion yen

⇒ FY2015 plan: 6.5 billion yen

MICARD Co., Ltd. Profit Plan



Points to strengthen in the future

- Acquire new memberships
- Promote business for members not using cards
- Promote development of franchise member stores

【Medium-term target】MICARD Co., Ltd. to achieve 8 billion yen in operating income

Promotion System for FY2013

Accelerate implementation and realization of strategies through organizational restructuring

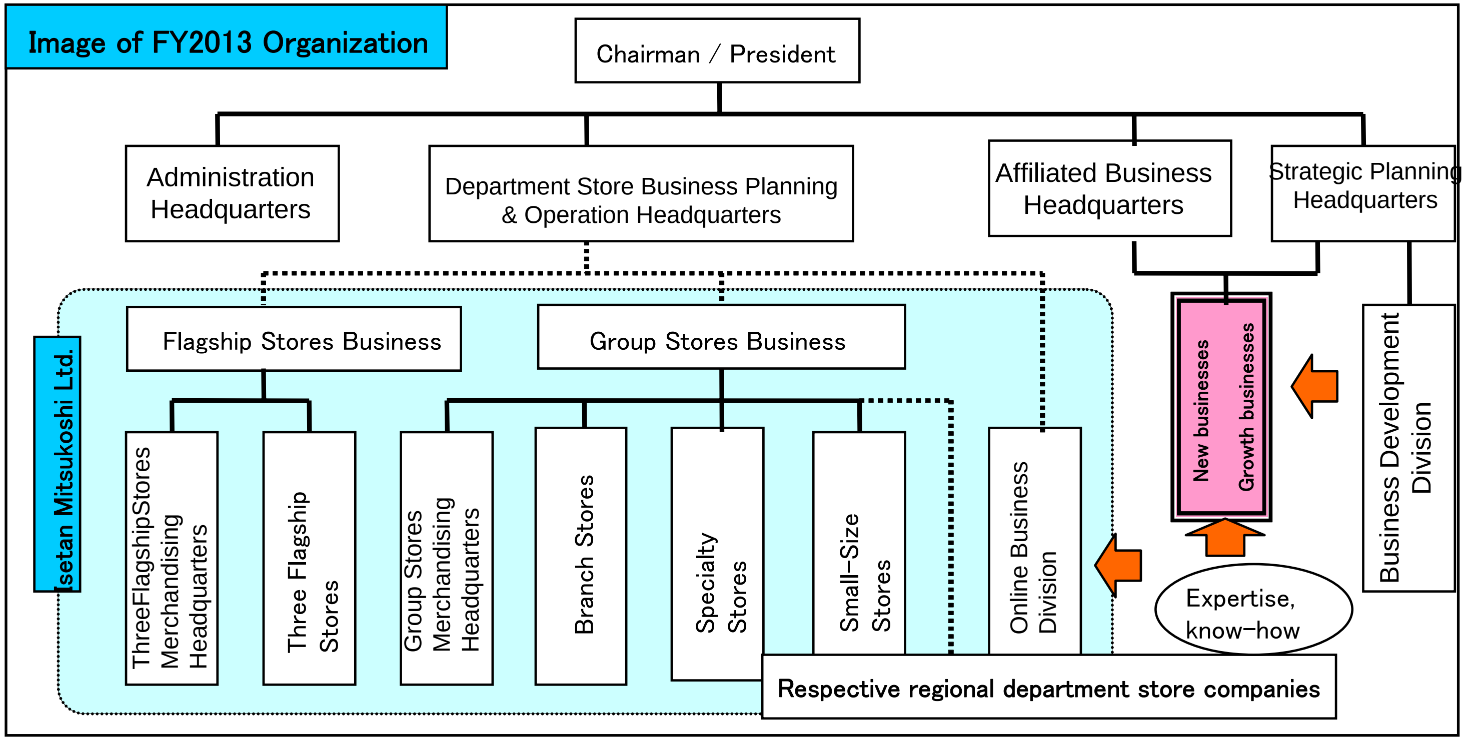
Aim of Organizational Restructuring

◇Accelerate initiatives from deciding strategies up through to implementation ･･･Consolidated management of HDS and Isetan Mitsukoshi, a system comprised of 4 divisions

◇Structural reform of supply chain and enhance sales capability･･･Separate merchandise and sales

◇Strengthen new business development･･･Newly establish Business Development Division

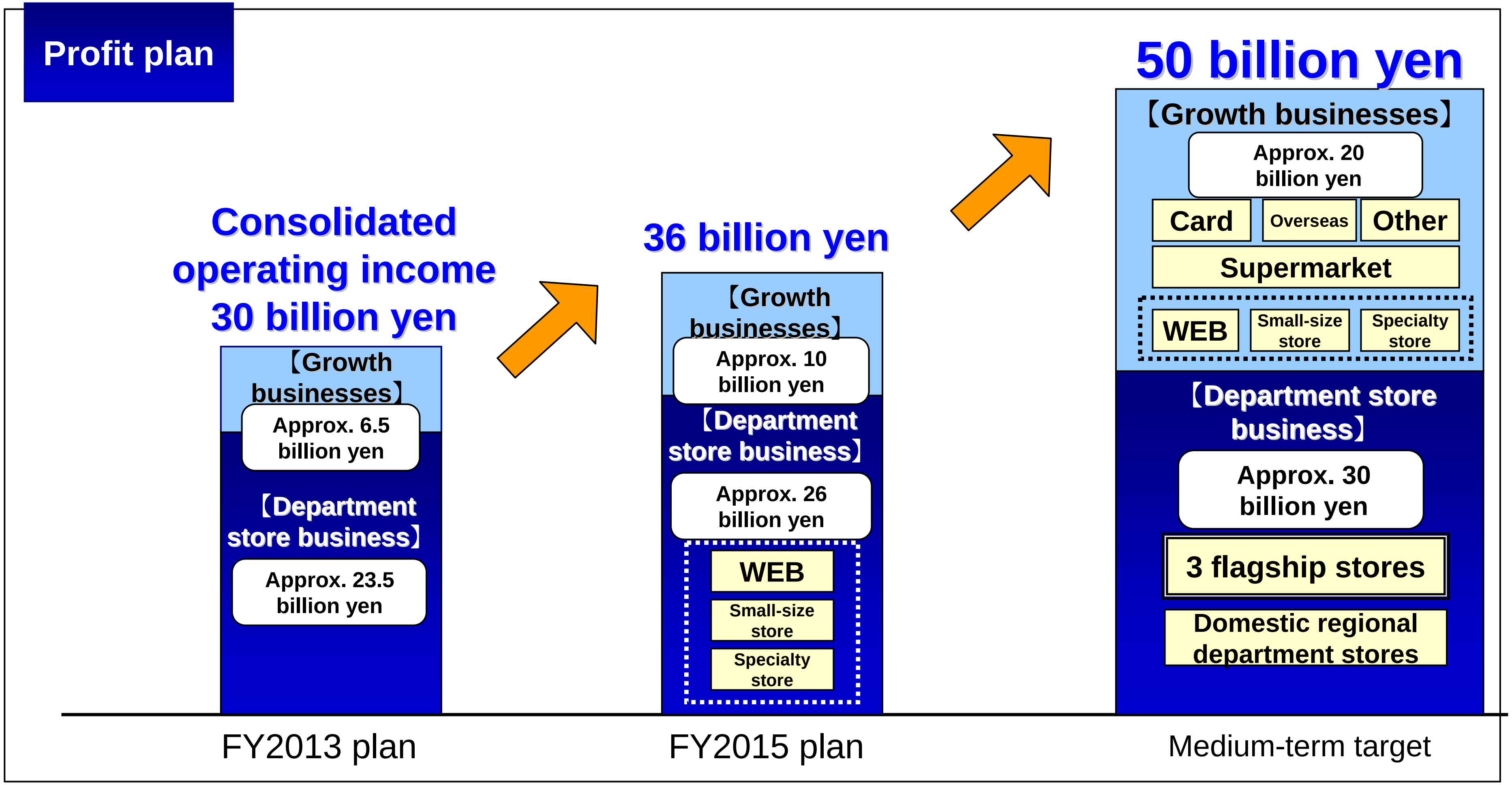
◇Strengthen expertise and know-how･･･Online Business Division, Small-Size Store Business Department, outside human resources and alliances



Investment and Profit Plans

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

Investment plan	<u>**Investment amount of 110 billion yen for FY2013～FY2015**</u> (plus 20 billion yen vs. previous three years)



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