Interfacing with Excellence



ISETAN MITSUKOSHI HOLDINGS

# Isetan Mitsukoshi Holdings
# Results for the Second Quarter of FY2010

November 9, 2010

# Isetan Mitsukoshi Holdings Consolidated Results for the Second Quarter of FY2010

| (100 million yen) | Results | YoY | YoY difference | Difference vs forecast in August 2010 |
|---|---|---|---|---|
| Net sales | 5,799 | 94.0 | (371) | (0) |
| Gross profit | 1,640 | 94.0 | (104) | 0 |
| Selling, general and administrative expenses | 1,631 | 93.3 | (117) | (29) |
| Operating income | 9 | (4) | 13 | 29 |
| Recurring income | 85 | 125.1 | 17 | 30 |
| Net income | 4 | 9.9 | (37) | (0) |

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

# Isetan Mitsukoshi Holdings Results for the Second Quarter of FY2009 – Results by Group ①

＜Simple sum of the results of each company＞

| (100 million yen) | | Results | YoY | YoY difference |
|---|---|---|---|---|
| Domestic department stores business | Net sales | 5,040 | 94.5 | (294) |
| | Operating Income | 7 | (10) | 18 |
| Overseas department stores business | Net sales | 311 | 99.0 | (3) |
| | Operating income | 9 | 91.3 | (0) |
| Credit & finance business / Customer organization management business | Net sales | 106 | 115.8 | 14 |
| | Operating income (loss) | (22) | (12) | (9) |
| Other retail & specialty stores business | Net sales | 249 | 86.7 | (38) |
| | Operating income (loss) | (2) | (2) | 0 |

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

# Isetan Mitsukoshi Holdings Results for the Second Quarter of FY2010 – Results by Group ②

＜Simple sum of the results of domestic department stores＞

| (100 million yen) | | Results | YoY | YoY difference |
|---|---|---|---|---|
| Isetan, Ltd. | Net sales | 1,744 | 93.9 | (112) |
| | Operating income | 40 | 131.3 | 9 |
| Mitsukoshi Co., Ltd. (Tokyo metropolitan area) | Net sales | 1,310 | – | – |
| | Operating income (loss) | (21) | – | – |
| Regional department stores | Net sales | 1,986 | – | – |
| | Operating income (loss) | (11) | – | – |
| Total domestic department stores | Net sales | 5,040 | 94.5 | (294) |
| | Operating income | 7 | (10) | 18 |

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

## Isetan Co., Ltd. Results for the Second Quarter of FY2010

| (100 million yen) | Results | YoY | YoY difference |
|---|---|---|---|
| Net sales | 1,744 | 93.9 | (112) |
| Gross profit | 477 | 94.1 | (29) |
| Other operating revenue | 12 | 155.0 | 4 |
| Operating gross profit | 490 | 95.1 | (25) |
| Selling, general and administrative expenses | 449 | 92.8 | (35) |
| Operating income | 40 | 131.3 | 9 |
| Recurring income | 43 | 99.3 | (0) |
| Net income | 18 | 66.2 | (9) |

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

## Mitsukoshi, Ltd. Results for the Second Quarter of FY2010 (Mitsukoshi Stores in Tokyo Metropolitan Area)

| (100 million yen) | Results |
|---|---|
| Net sales | 1,310 |
| Gross profit | 365 |
| Other operating revenue | 79 |
| Operating gross profit | 444 |
| Selling, general and administrative expenses | 465 |
| Operating income (loss) | (21) |
| Recurring income (loss) | (25) |
| Net income (loss) | (56) |

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

## Key Results of Consolidated Extraordinary Gain/Loss for the Second Quarter of FY2010

(100 million yen)

| | |
|---|---|
| **Extraordinary gain** | |
| Gain on sales of investment securities | 4 |
| Gain on liquidation of affiliates | 0.3 |
| **Extraordinary loss** | |
| Loss on disposal of property and equipment | 0.6 |
| Loss on valuation of investment securities | 2 |
| Loss on liquidation of affiliates | 2 |
| Amount from application of accounting standard for asset retirement obligations | 55 |

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

## Forecast of Consolidated Results for FY2010

| (100 million yen) | 1st half results | Difference vs forecast in August 2010 | 2nd half forecast | Difference vs forecast in August 2010 | Full-year forecast | Difference vs forecast in August 2010 | YoY difference |
|---|---|---|---|---|---|---|---|
| Net sales | 5,799 | 0 | 6,601 | 0 | 12,400 | 0 | (516) |
| Gross profit | 1,640 | 0 | 1,835 | 0 | 3,475 | 0 | (131) |
| Selling, general and administrative expenses | 1,631 | (29) | 1,799 | 29 | 3,430 | 0 | (135) |
| Operating income | 9 | 29 | 36 | (29) | 45 | 0 | 3 |
| Recurring income | 85 | 30 | 115 | (30) | 200 | 0 | 2 |
| Net income | 4 | 0 | 116 | 0 | 120 | 0 | 755 |

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

# Forecast of Consolidated Results for FY2010 - 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 2010 |
|---|---|---|---|---|---|---|---|---|
| Domestic department stores business | Net sales | 5,040 | (294) | 5,710 | (208) | 10,750 | (502) | (73) |
| | Operating income | 7 | 18 | 74 | 28 | 81 | 46 | 10 |
| Overseas department stores business | Net sales | 311 | (3) | 340 | 26 | 651 | 23 | (32) |
| | Operating income | 9 | 0 | 11 | 3 | 20 | 3 | (1) |
| Credit & finance business / Customer organization management business | Net sales | 106 | 14 | 120 | 45 | 226 | 59 | (5) |
| | Operating income (loss) | (22) | (9) | (45) | (22) | (67) | (31) | 0 |
| Other retail & specialty stores business | Net sales | 249 | (38) | 301 | 16 | 550 | (22) | (7) |
| | Operating income (loss) | (2) | 0 | 2 | 2 | 0 | 2 | (2) |

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

Note: From this fiscal period, the customer organization management business is included in the credit & finance business.

## Forecast of Consolidated Results for FY2010 - Forecast of Results by Domestic department store

| (100 million yen) | | First half results | YoY difference | Second half forecast | YoY difference | Full-year forecast | YoY difference | Difference vs forecast in May 2010 |
|---|---|---|---|---|---|---|---|---|
| Isetan, Ltd. | Net sales | 1,744 | (112) | 1,951 | (147) | 3,695 | (259) | 77 |
| | Operating income | 40 | 9 | 49 | (19) | 89 | (10) | 7 |
| Mitsukoshi Co., Ltd. (Tokyo metropolitan area) | Net sales | 1,310 | — | 1,573 | — | 2,883 | — | (75) |
| | Operating income (loss) | (21) | — | 21 | — | 0 | — | 2 |
| Regional department stores | Net sales | 1,986 | — | 2,186 | — | 4,172 | — | (75) |
| | Operating income (loss) | (11) | — | 4 | — | (7) | — | 0 |
| Total domestic department stores | Net sales | 5,040 | (294) | 5,710 | (208) | 10,750 | (502) | (73) |
| | Operating income | 7 | 18 | 74 | (28) | 81 | 46 | 10 |

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

## Isetan Co., Ltd. Forecast of Results for FY2010

| (100 million yen) | First half results | YoY difference | Second half forecast | YoY difference | Full-year forecast | YoY difference | Difference vs forecast in May 2010 |
|---|---|---|---|---|---|---|---|
| Net sales | 1,744 | (112) | 1,951 | (147) | 3,695 | (259) | 77 |
| Gross profit | 490 | (25) | 549 | (31) | 1,039 | (56) | 21 |
| Selling, general and administrative expenses | 449 | (35) | 501 | (10) | 950 | (45) | 13 |
| Operating income | 40 | 9 | 49 | (19) | 89 | (10) | 7 |
| Recurring income | 43 | 0 | 50 | (23) | 93 | (23) | 12 |
| Net income | 18 | (9) | 29 | 16 | 47 | 7 | 16 |

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

## Mitsukoshi, Ltd. (Mitsukoshi Stores in Tokyo Metropolitan Area)
## Forecast of Results for FY2010

| (100 million yen) | First half results | Second half forecast | Full-year forecast | Difference vs forecast in May 2010 |
|---|---|---|---|---|
| Net sales | 1,310 | 1,573 | 2,883 | (75) |
| Gross profit | 444 | 517 | 961 | (22) |
| Selling, general and administrative expenses | 465 | 496 | 961 | (25) |
| Operating income (loss) | (21) | 21 | 0 | 2 |
| Recurring income (loss) | (25) | 0 | (25) | 1 |
| Net income (loss) | (56) | (1) | (57) | 21 |

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

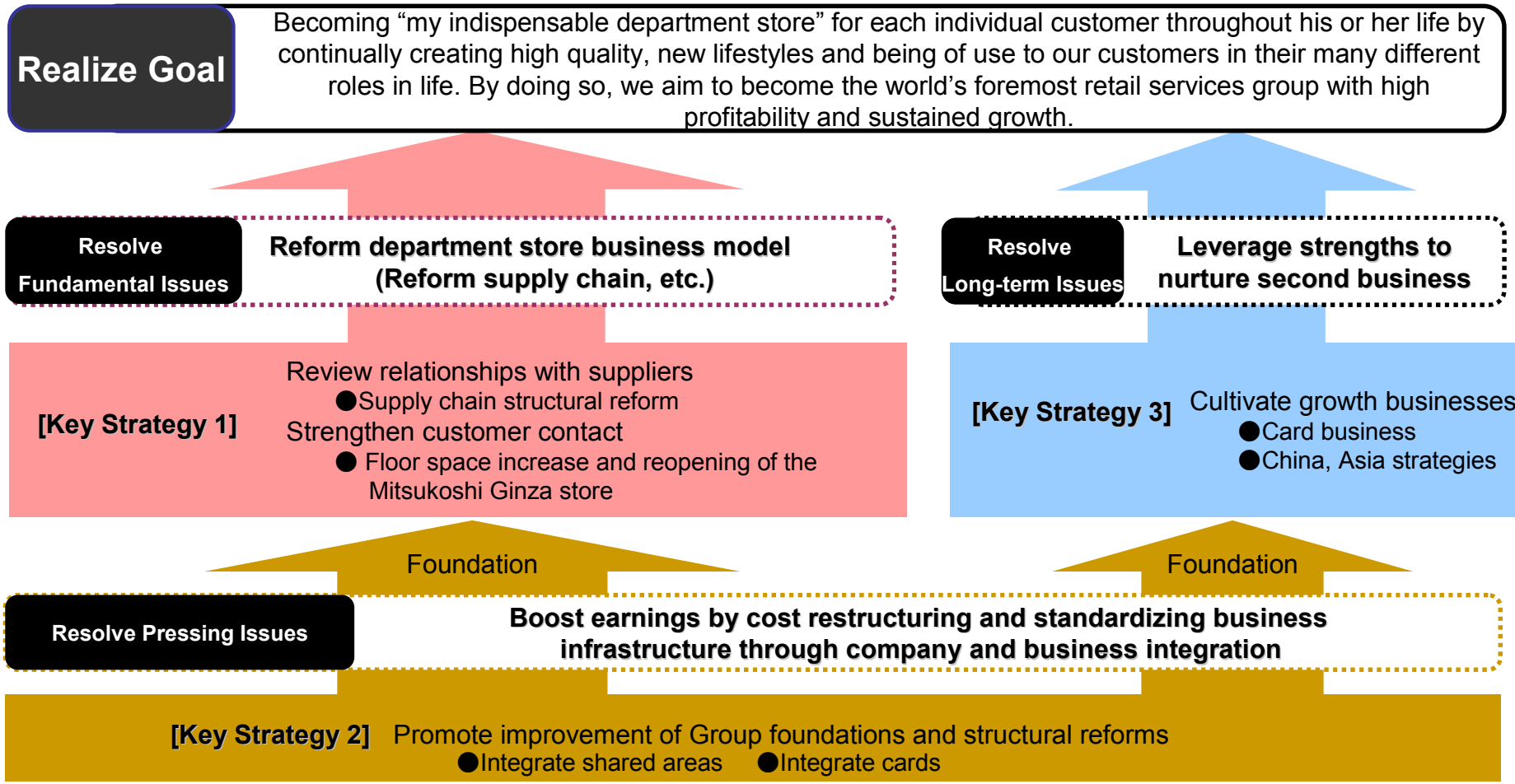
# Breakdown of Differences of SG&A Expenses for FY2010 versus the Same Period in the Previous Fiscal Year

| (100 million yen) | YoY difference | Difference vs forecast in May 2010 |
|---|---|---|
| **Total domestic department store** | **(146)** | **(31)** |
| ① Personnel expenses | **(151)** | **(16)** |
| ② Leases, logistics expenses, costs of external sales commissions, utilities, etc. | **(35)** | **(12)** |
| ③ Mitsukoshi Ginza store related (repair expense, depreciation and amortization, other) | **38** | **(3)** |
| ④ Termination of operations of Isetan Kichijoji store (excluding personnel expenses) | **(29)** | **0** |
| ⑤ Sapporo Marui Imai Ltd. and Hakodate Marui Imai Ltd. (Commenced operations on August 1, 2010) | **31** | **0** |
| **Others** | **11** | **1** |
| ⑥ MICARD Co. Ltd and IMS | **78** | **0** |
| ⑦ Other | **(67)** | **1** |
| **Total on a consolidated basis** | **(135)** | **(30)** |

| | | |
|---|---|---|
| Actual expense reduction amounts excluding special factors (①+②+portion of ⑦) | **Approximately (200)** | **—** |

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

# Strategic Overview of New Three-Year Plan




**Respective initiatives under the current Three-Year Plan are steadily in progress. The new rolling Three-Year Plan has been formulated by positioning it as a plan geared toward strengthening and intensively promoting key measures through maximizing the use of Group resources developed to date.**

## Status of Mitsukoshi Ginza store

### Ginza Style

Ginza style: Self-coordinated sales floor is established on each floor that most symbolically expresses the characteristics and uniqueness of Ginza.

Appeal originality by setting the goal of achieving store sales of 10%, 30% of which are accounted for by purchased products.
(Current sales share: 9.4%)

Business results: Achieved goals set for October for overall Ginza Style



Mon Miroir (4th floor)

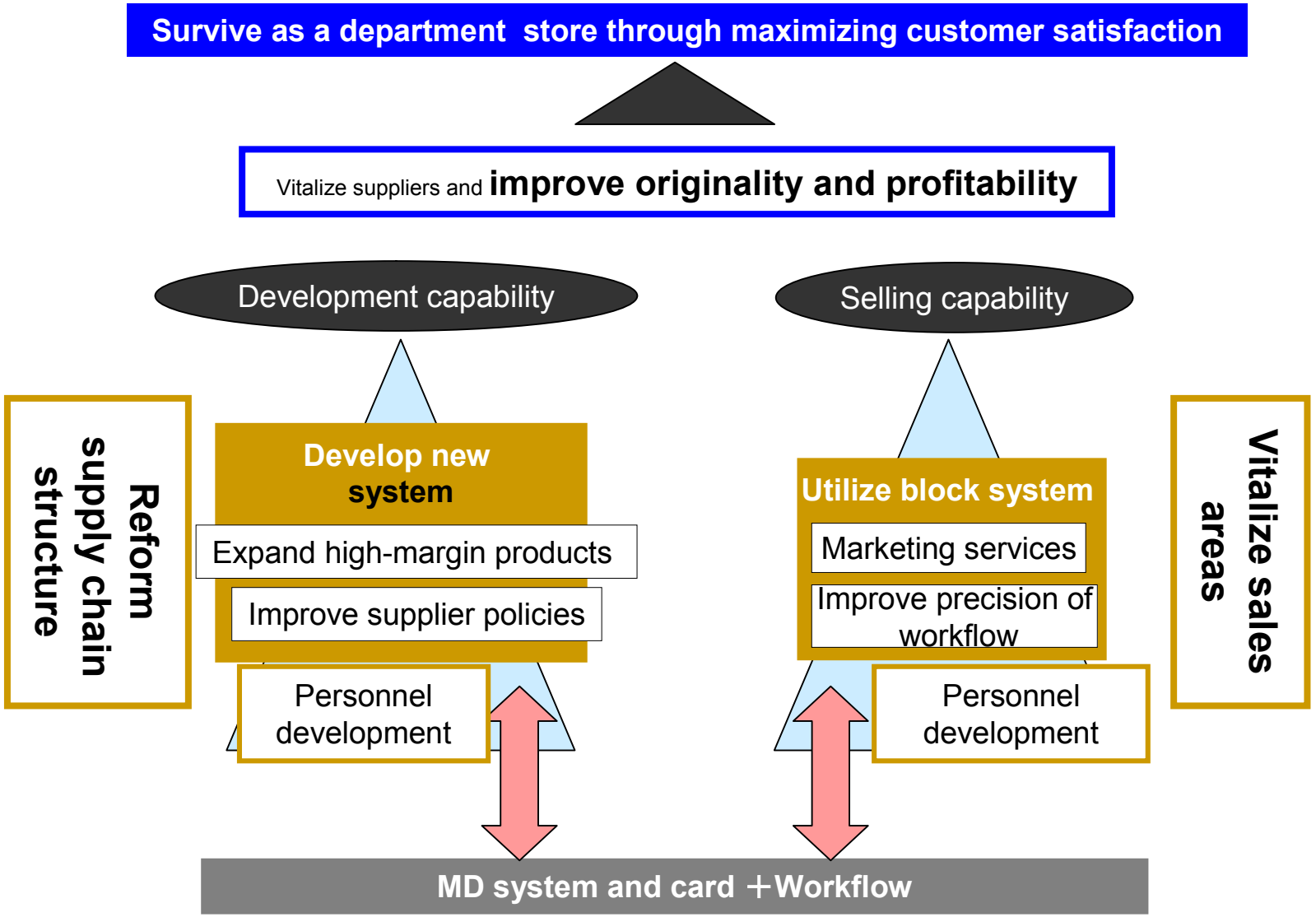


Ginza Terrace (9th floor)

### Customer trends

Customers in their 30s-40s and above, who are the target customers, account for approximately 34% (+7%), thus realizing objectives according to plan. These customers have their own taste preferences for products or they are looking for specific products or certain items rather than brands.

## Review Relationships with Suppliers ～ Reform of Supply Chain Structure



# Key Strategy 2 Promote Improvement of Group Foundations and Structural Reforms (Regional Operating Company System and Shared Areas)

## Progress of Main Initiatives

| | FY2008 | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 |
|---|---|---|---|---|---|---|
| Integrate cards | Issued new I Card with VISA | Enabled use of I Card and Mitsukoshi Card at both Isetan and Mitsukoshi stores<br>Changed the company name to MI Card Co., Ltd. | Integrate cards<br>Issue Mitsukoshi M Card<br>Integrate Mitsukoshi Tomonokai Co., Ltd. and Isetan Clover Circle Co., Ltd. | Moved up / Initial plan | | |
| Integrate systems | Integrated systems companies<br>Introduction and establishment of Isetan's workflow to Mitsukoshi | | Integrate systems | | | |
| Integrate gifts | | | Commence joint deliveries from summer gifts | | | |
| Shared services | Commencement of accounting shared services | Established personnel services company<br>Established logistics company | Commence building management | | | |
| Integrate the Tokyo Metropolitan area and the head office functions | Established holding company | Integrated accounting functions | Integrate personnel affairs functions<br>integrate administration functions | Integration<br>Moved up / Initial plan | | |
| Niigata area | Introduced Isetan's scheme | Commenced unified operations | Integrate companies | | | |
| Fukuoka area | | Iwataya Co., Ltd. became a wholly owned subsidiary | Integrate and establish Iwataya Mitsukoshi, Ltd.<br>Iwataya to issue MICARD | Moved up significantly vs. plan at the time of management integration | | |
| Sapporo area | | Established and commenced operations of Sapporo Marui Imai Ltd. and Hakodate Marui Imai Ltd. | Marui Imai to issue MICARD with VISA<br>Introduce customer organization management business at Marui Imai<br>Introduce Marui Imai system | Integrate company and establish Sapporo Marui Mitsukoshi Co., Ltd. (tentative) | | |
| Regional operating company system | | | Establish regional operating companies | | | |
| Increase floor space at the Mitsukoshi Ginza store | | | Open increased floor space | | | |
| Open Mitsukoshi Osaka store | Preparation of store opening jointly with the JR West Japan Group<br>Preparation of making the store into a wholly owned subsidiary of holding company | | | Store opening as JR Osaka Mitsukoshi Isetan | | |

Completed initiatives

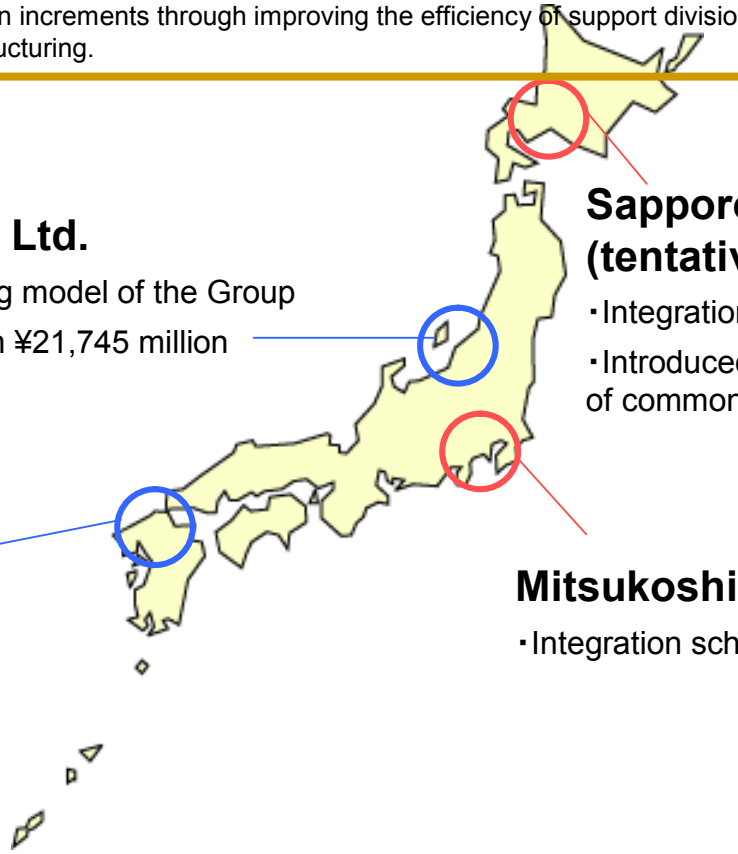
Completion in FY2011

※Details and schedule are subject to change.

## Status of Shared Areas

### Expected effects of integrating shared areas

- Improvement of negotiation and product procurement capabilities by becoming number one in local areas in terms of sales
- Enhancement of value for customers through collaboration of mutual services and sales plans
- Improvement of convenience by enabling customers to shop using a single card and customer organization management
- Realization of intensive cultivation of customers and area expansion by integrating outside sales divisions
- Cost reductions in 100 million yen increments through improving the efficiency of support divisions via various measures such as logistics and office restructuring.



### Niigata Isetan Mitsukoshi Ltd.

- Integrated in April 2010 as a leading model of the Group
- Net sales in the first half of the term ¥21,745 million (103.5% vs target)

### Sapporo Marui Mitsukoshi Co., Ltd. (tentative)

- Integration scheduled in April 2011
- Introduced shared system and commenced usage of common MICARD from October 2010

### Iwataya Mitsukoshi Ltd.

- Integrated in October 2010

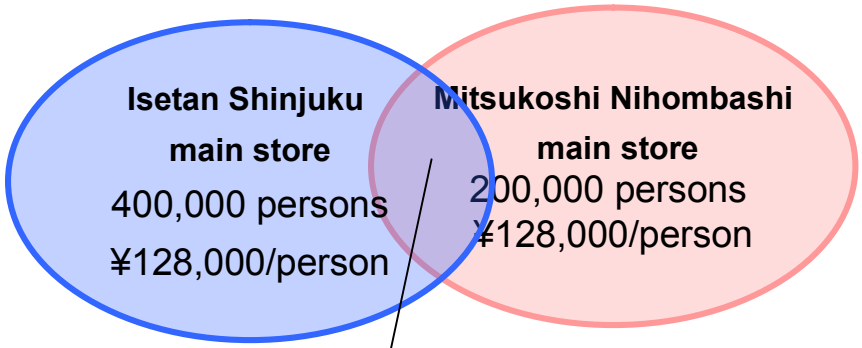
### Mitsukoshi Isetan Co., Ltd. (tentative)

- Integration scheduled in April 2011

## Effects of Card Integration

**Mutual use of card spread widely, with card being used 3-4 times more than previous year.**

Shopping status at both main stores in the first half of FY2010




Data extraction target

・Cardholders of cards issued at Mitsukoshi and Isetan stores in Tokyo metropolitan area

**Shopped at both stores: 50,000 persons, ¥307,000/person**

・Main customer age: 40s～50s (approx. 50%)

・Residential areas:

Setagaya-ku, Suginami-ku, Shinjuku-ku (Shinjuku store sales area)

Koto-ku, Setagaya-ku, Minato-ku, Edogawa-ku (Nihombashi and Ginza sales area)

Additionally, many customers are visiting stores from Chiyoda-ku, Bunkyo-ku and Shibuya-ku areas.

・Customers are using the Shinjuku store to buy general merchandise and clothing for young women. At the Nihombashi store, customers are utilizing the store for mid-life clothing for women, specially selected goods, kimonos and accessories, thereby balancing usage according to their needs. Customers in their 60s in particular are using the Nihombashi store.

Develop attractive stores that will realize customer satisfaction to further improve customer usage value.

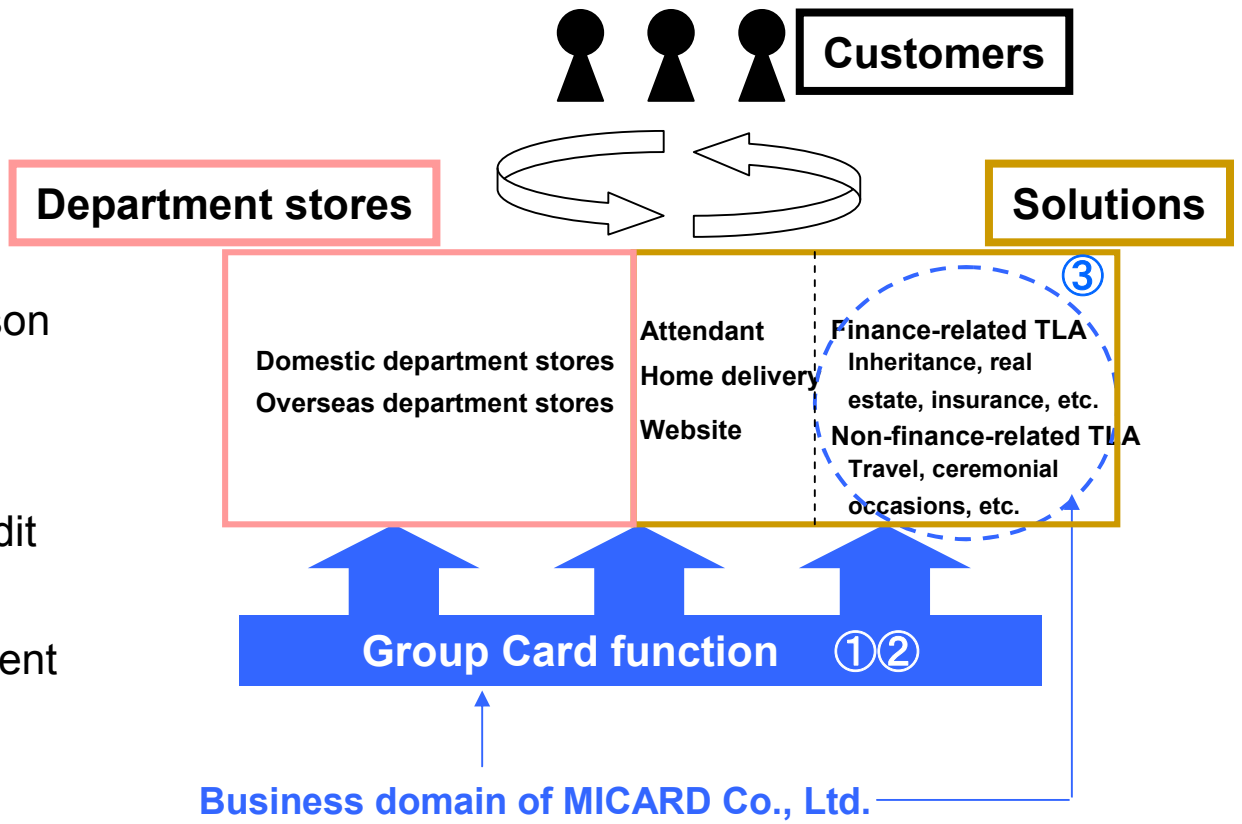
## MICARD Business

### Characteristics of MICARD

**High**
- Operation ratio
- Spending per person
- Shopping ratio

**Low**
- Percentage of credit losses
- Long-term delinquent receivables

### Desired image

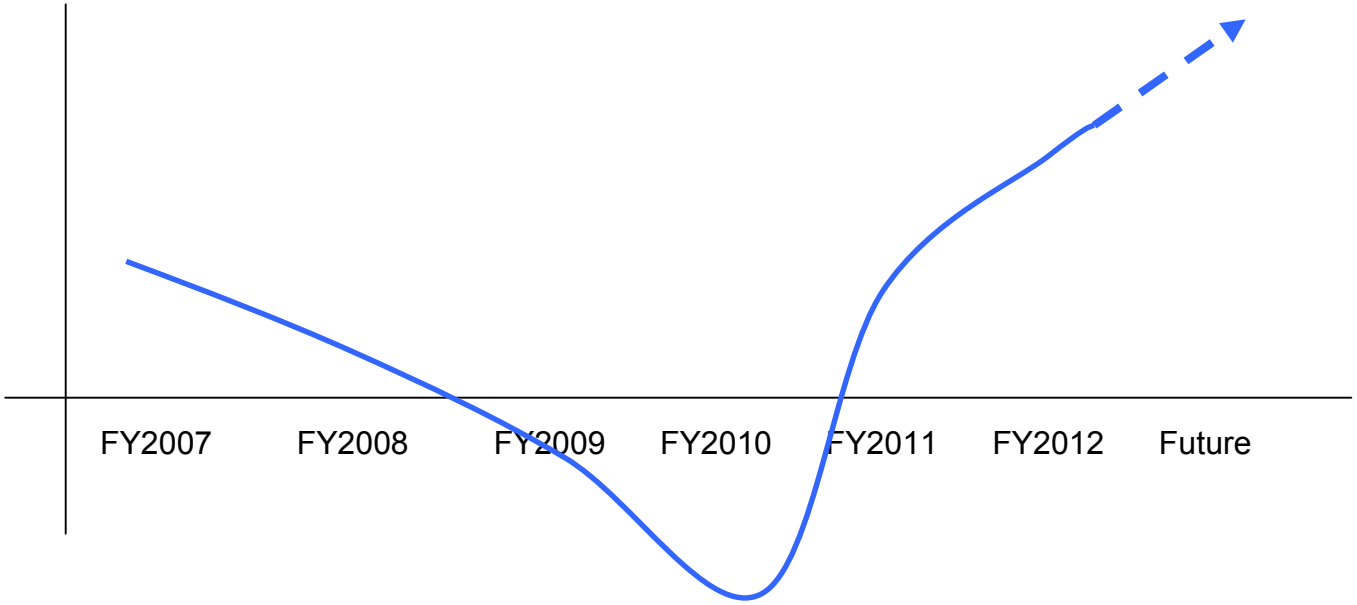



①Card business: value-added card and strengthen earnings foundation
②CRM (Customer Relationship Management):
Strengthen customer base and Group circulating function of various aspects including information by using card as medium
③Services business (TLA): Progress in total life attendant business originating from distribution

## MICARD Revenue and Expenditure Plan

| | FY2007 | FY2008 | FY2009 | FY2010 | Future image |
|---|---|---|---|---|---|
| Number of accounts (unit: 10,000 accounts) | 159 | 159 | 155 | 244 | 300 |
| Shopping sales (100 million yen) | 3,810 | 3,750 | 3,928 | 6,341 | 10,000 |
| Operating income (loss) (100 million yen) | 39 | 8 | (13) | (44) | 100 |

Operating income (loss) trend (image)



## China and Asia Strategies

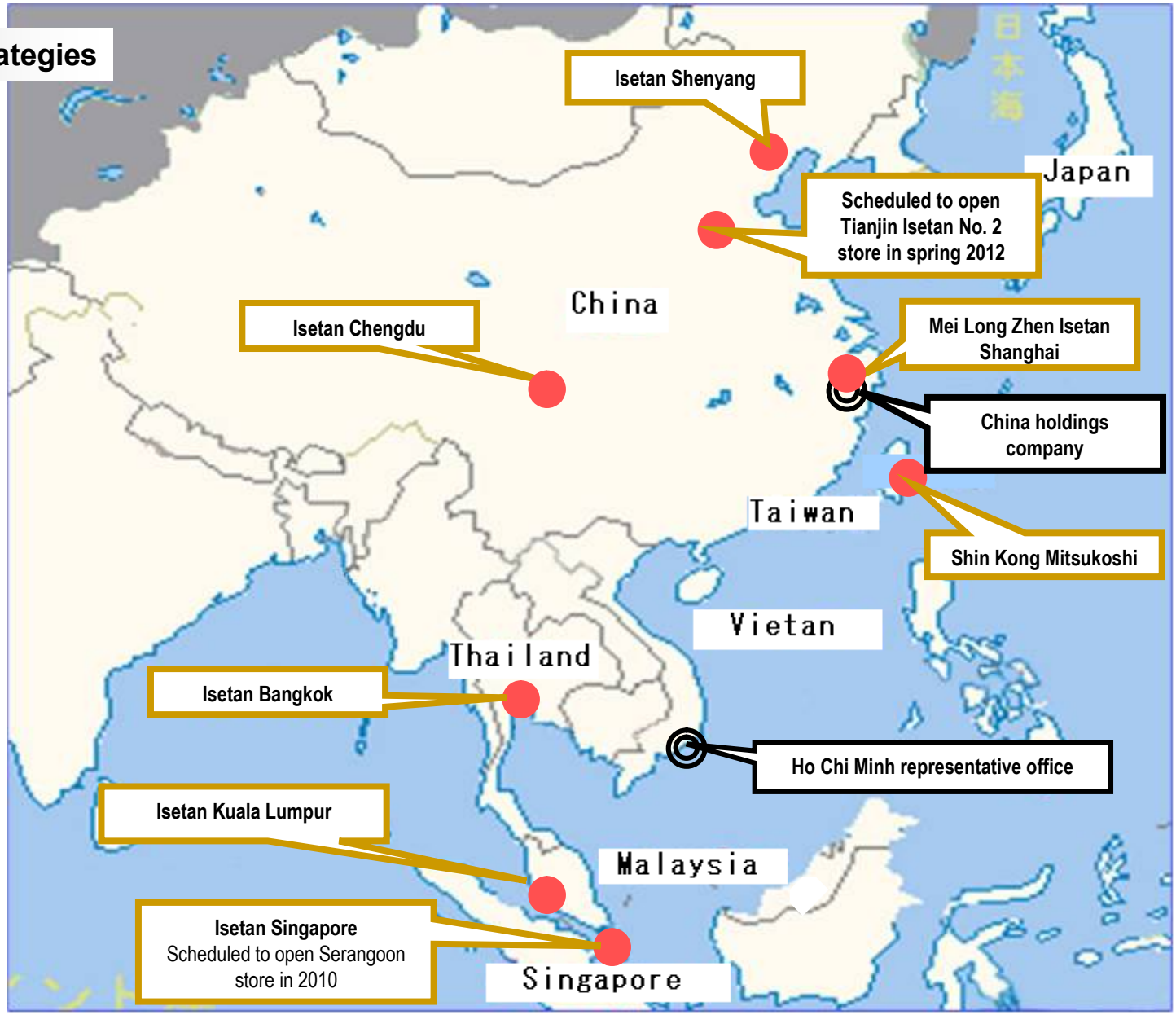
●Promptly establish the functions of China holdings company (established in March 2010) and effectively utilize know-how of existing stores and personnel, products and services, and capital.

●In the foreseeable future, aim to develop a number of stores in areas where operating stores are profitable.

～Scheduled to open Serangoon store in 2010 as the 6th store in Singapore.

～Scheduled to open Tianjin No.2 store in China in spring 2012.

●A representative office has been established in Vietnam and information is currently being gathered as a new market.



## Tianjin No.2 Store

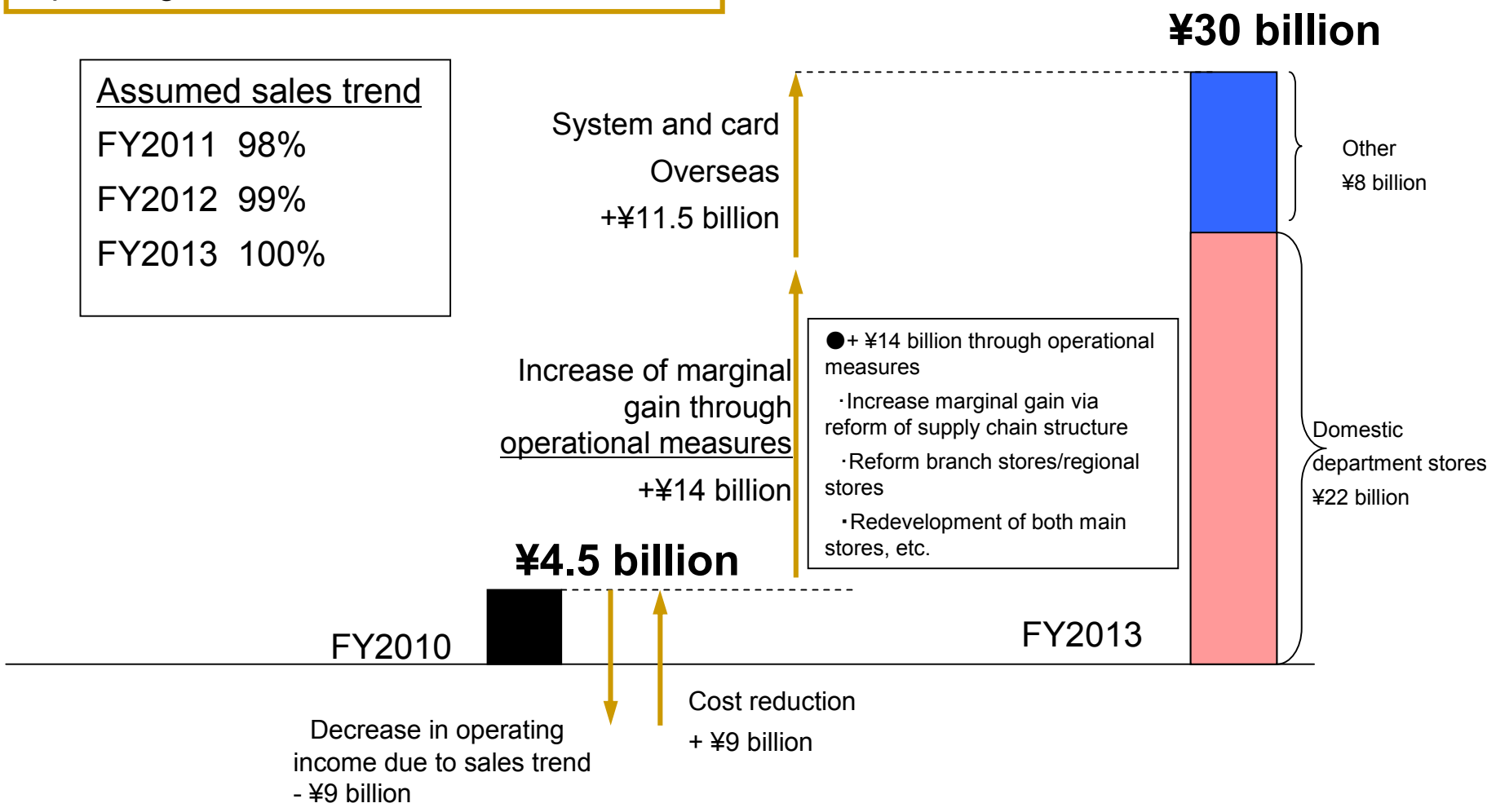
### Binhai New Area




New Store Location



Operating income for FY2013: ¥30 billion




Investment amount from FY 2011 to FY2013: ¥80 billion

## Integration of Companies in Tokyo Metropolitan Area

Establishment of Mitsukoshi Isetan Co., Ltd. (tentative) in April 2011

Enhance value of both stores while maintaining the store names of Mitsukoshi/Isetan.

Unify support divisions and supply functions, thereby maximizing effects of integration.





## Concept of Supply Chain Reform Structure

### SCM reform

Utilize good quality and economical lots to realize originality and profitability of products as well as firmly secure Group products.

- Purchased products
- Direct
- Collaboration

### Supplier measures

Expand self-coordinated sales, thereby improving system to directly obtain customer feedback.

Enhance originality by focusing on Japanese manufacturing.

Examples:

Japan Creation Week at the Nihombashi main store



Designtide Tokyo at the Shinjuku main store



## Schedule of Key Initiatives

| | | | Spring/Summer 2010 | Autumn/Winter 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| Three flagship stores | Supply chain management reform<br>Self-coordinated sales<br>New development categories | Shinjuku | Trial operation | Full-scale deployment | Expansion | | |
| | | Nihombashi | | Trial operation | Begin deployment | Expansion | |
| | | Ginza | | Start Ginza Style | Establishment and expansion | | |
| Initiative share of reform of supply chain structure (Initiatives at Shinjuku main store) | | | 10% | | | 15% | |

## Specific Examples of Initiatives



### Product procurement (securing material lots and supply lots)

Mitsukoshi and Isetan will jointly plan original products by using new materials of Nikko Textile Corporation. Develop customized products by offering materials to apparel manufacturers.

In women's shoes, Isetan will coordinate outstanding factories in Japan and overseas with highly sensitive designers and plan original products. Promote alliance with manufacturers in terms of material procurement, wood mold and logistics, thereby pursuing cost reductions.

### Self-coordinated sales

Implement self-coordinated sales in seven shops in Men's Building.

### Creation of new development categories

Denium Salon, 2F, main building of Shinjuku main store

<New development x women's perceptions x coordinated items>

The Parlour, 1F, 2F and rooftop area (limited period only) at Shinjuku main store

Concept brand that proposes various items spanning clothing, food and living based on the key phrase of "Daily Rich." Developed for a limited period prior to full-scale debut next spring.



The Parlour

## Schedule of Key Initiatives

| | | Spring/Summer 2010 | Autumn/Winter 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Branch and regional stores | Existing units | | Introduce for Mitsukoshi<br>Full-scale deployment of reform of supply chain structure at Isetan | Expansion | | |
| | Branch events | Trial operation at Chiba store | Introduce for Mitsukoshi | Expansion | | |
| | New units | | | Trial operation and introduction | Expansion | |
| Initiative share at branch group headquarters | | 5% | | | 20% | |

## Branch and Regional Store Measures

### Basic concept

Enhance competitiveness and realize stable growth capability in local areas or respective stores by establishing new CPCC (expansion of existing units, development of new units, BCC expansion and event innovation) and reforming supply chain structure.

Promote product development that is different from flagship stores by responding to customer needs in respective regions.

### Specific initiatives

・Reform of supply chain structure: Isetan has taken the lead in promoting initiatives and contributing to improved marginal gain.

・Existing units: Favorable start at 21 shops in 9 Mitsukoshi regional stores from autumn/winter 2010.

・Revamp and support events: Scheduled to implement 19 events at 7 stores from autumn/winter 2010.

・Published standard catalogue PLASIR

Unit shop for men's underwear at Sapporo Mitsukoshi



Introduction page of Sato Seni Co. Ltd., which is garnering global attention

PLASIR



For Inquiries:

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