



**Isetan Mitsukoshi Holdings Ltd.
Business Results Explanation Meeting
Fiscal Year Ended March 2016**

May 11, 2016 (Wednesday)

AGENDA



- 1. Results for the Fiscal Year Ended March 2016**
- 2. Plan for the Fiscal Year Ending March 2017**
- 3. Three-Year Plan (FY2016-2018)**
- 4. Strengthening of Information Strategies**
- 5. Strengthening of Management Infrastructure**



1. Results for the Fiscal Year Ended March 2016

(1) Consolidated Results



(Billions of yen)	FY2015	YoY Change	YoY Difference	Nov. 2015 Target	Difference from Target
Net Sales	1,287.2	+1.2%	+15.1	1,310	-22.7
Operating Income	33.1	+0.1%	±0	37.0	-3.8
Recurring Income	36.7	+6.2%	+2.1	39.0	-2.2
Net Income	26.5	-11.3%	-3.3	27.0	-0.4

(2) Non-consolidated (Mitsukoshi Isetan) Results

	FY2015	YoY Change	YoY Difference	Nov. 2015 Target	Difference from Target
(Billions of yen)					
Net Sales	679.0	+3.5%	+22.7	689.7	-10.7
Operating Income	24.3	+1.2%	+0.3	25.0	-0.6
Recurring Income	25.6	-1.6%	-0.4	26.0	-0.3
Net Income	17.0	-40.7%	-11.6	19.0	-1.9



(3) Net Sales/Income Results by Segment

(Billions of yen)	Net Sales	YoY Difference	Difference from Target	Operating Income	YoY Difference	Difference from Target
Department Store Business	1,187.3	+14.5	-22.6	21.5	±0	-3.9
Credit & Finance Business/ Customer Organization Management Business	36.2	+1.7	+0.2	5.6	±0	+0.1
Other Retail & Specialty Store Business	55.8	-2.0	-1.1	-1.0	-0.7	-0.8
Real Estate Business/Others /Adjustments	7.8	+0.8	+0.8	6.9	+0.6	+0.7

Details of difference from target in department store business

·Mitsukoshi Isetan: -0.6 ·Region: -0.7 ·Overseas: -1.3 ·Others: -1.2

(4) Department Store Business: Sales Analysis



① By Store/Customer Category

◆ By store

YoY	Total for Flagship Stores	Total for Branches	Total for Regional Stores
Net Sales (vs. Target)	103%	96%	99%
Net Sales	107%	97%	101%
No. of Customers	102%	96%	99%
Spend per Customer	106%	103%	103%

◆ By customer category : Consumptions of affluent segment/inbound tourism slow down since the mid of the year. Middle segment consumption remains sluggish throughout the year.

	1Q	2Q	3Q	4Q	Total for FY
Upper Customer Segment	114%	104%	103%	99%	105%
Middle Customer Segment <small>Inbound tourism consumption excluded</small>	104%	98%	98%	97%	99%
Inbound Tourism Consumption	316%	299%	160%	119%	189%

(4) Department Store Business: Sales Analysis



② Product Groups & Margin Factors

◆ By product category

: [Wear share down]; [Food/jewelry share up]; Margins deteriorated by MD mix

	1Q	2Q	3Q	4Q	Total for FY
Wear (Women's/Men's)	102%	98%	96% ↘	94% ↘	97%
Food	102%	99%	100%	100%	100%
Jewelry	143%	120%	111%	99%	116%

◆ Trends in margins

: After 3Q, "Middle segment consumption sluggish", "Wear share down" ⇒ Negative impact increased by MD mix

	1Q	2Q	3Q	4Q	Total for FY
Transaction Margin	26.1% (+0.18%)	25.7% (-0.01%)	26.1% (-0.12%)	25.7% (-0.06%)	25.9% (-0.02%)
Purchasing Structure Innovation Contributory Earnings	1.8 billion		1.6 billion		3.4 billion
MD Mix (Negative Impact Amount)	∨ -1.4 billion		∧ -2.2 billion		-3.6 billion



(Customers)

- Prolonged sluggish consumption of **middle segment**
- Reduced consumptions of affluent segment/inbound tourism most recently

(Products)

- **Wear** (women's/men's, leading NB, etc.) struggling to reach customers)
- Sluggish margins due to **MD mix**

(Channels)

- Decline in results of **branches** (suburbs of Tokyo)/**overseas** (ASEAN) stores

→ We would like to mainly explain the following matters:
concentrate investment in flagship stores; improve earnings by rebuilding core business, e.g. structural reform of branches/ regional stores & overseas stores, etc.; rebuild related businesses; and growth businesses such as EC/small- to medium-sized stores.



2. Plan for the Fiscal Year Ending March 2017

(1) Consolidated Plan



(Billions of yen)	FY2016	YoY Change	YoY Difference	YoY Point Impact excluded	YoY change in net sales excluding point impact
Net Sales	1,360.0	+5.7%	+72.7	+35.6	+2.8%
Gross Profit	405.0	+12.0%	+43.2	+17.0	<ul style="list-style-type: none"> • Abolition of discount processing, etc.
SG&A	368.0	+12.0%	+39.3	+14.8	<ul style="list-style-type: none"> • Posting of SG&A from discount processing • Point management expenses, etc.
Operating Income	37.0	+11.8%	+3.8	+2.2	
Recurring Income	38.0	+3.5%	+1.2	-	
Net Income	26.0	-1.9%	-0.5	-	

(2) Non-consolidated (Mitsukoshi Isetan) Plan



(Billions of yen)	FY2016	YoY Change	YoY Difference	YoY Point Impact Excluded
Net Sales	729.7	+7.5%※	+50.6	+26.4
Gross Profit Margin	29.11%	-	+1.74%	+0.36%
Gross Operating Income	224.3	+13.3%	+26.3	+9.6
SG&A	199.3	+14.8%	+25.7	+9.9
Operating Income	25.0	+2.6%	+0.6	-0.3
Recurring Income	25.0	-2.7%	-0.6	-
Net Income	17.0	-0.4%	±0	-

Abolish discount processing, and post point management expenses, etc. to SG&A

*Net Sales-based inbound tourism consumption trends: Unchanged from the previous year

+ Rush of demand before consumption tax hike
+ Point programs
+ Acquisition of new customers

(3) Sales/Earnings Targets by Segment



	Net Sales	YoY Change	YoY Difference	Operating Income	YoY Difference
(Billions of yen)					
Department Store Business	1,260.0	+6.1%	+72.6	25.3	+3.7
Credit & Finance Business/ Customer Organization Management Business	39.0	+7.7%	+2.7	4.5	-1.1
Other Retail & Specialty Store Business	57.0	+2.1%	+1.1	0	+1.0
Real Estate & Other Businesses/ Adjustments	4.0	-	-3.8	7.2	+0.2

(4) Sales/Earnings Target for Department Store Business



	Net Sales	YoY Change	YoY Difference	Operating Income	YoY Difference
(Billions of yen)					
Mitsukoshi Isetan	729.7	+7.5%	+50.6	25.0	+0.6
Department Stores in Domestic Regions	438.4	+5.6%	+23.0	5.4	+2.5
Overseas Department Stores	83.8	+1.5%	+1.1	0	+0.5
Others	8.0	-	-2.3	-5.1	±0



3. Three-Year Plan (FY2016-2018)

To Achieve Operating Income of 50 Billion Yen for FY2018



(Billions of yen)		Operating Income for FY 2015	Operating Income for FY2016	Operating Income for FY2018	Three-Year Strategic Investment
Department Store Business	Domestic	22.0	25.2	35.0	43.0
	Overseas	-0.5	0	1.5	9.0
Credit & Finance Business/ Customer Organization Management Business		5.6	4.5	8.5	3.0
Other Retail & Specialty Store Business		-1.0	0	1.0	4.0
Real Estate & Other Businesses/ Adjustments		6.9	7.2	8.0	23.0
Other Special Businesses				α	20.0-30.0
Total		33.1	37.0	50.0	100.0-130.0

To surely achieve the targets

Design of Three-Year Plan for Department Stores (Domestic)

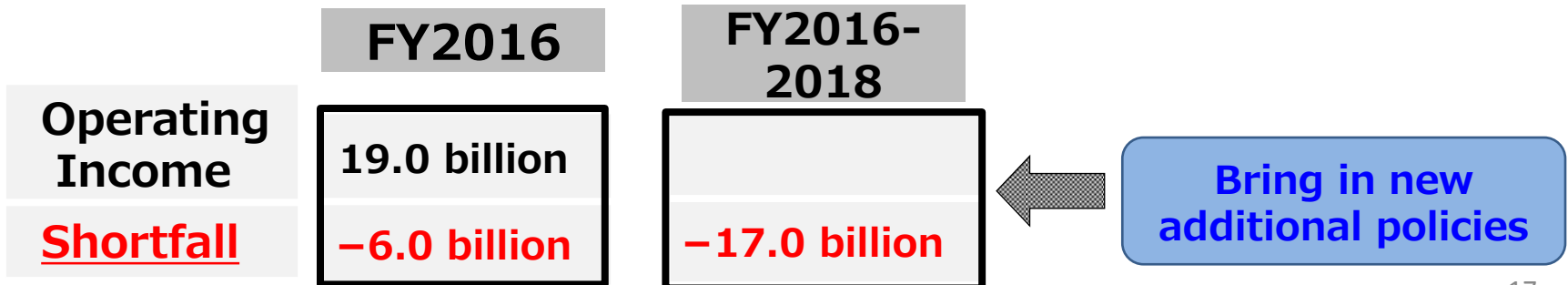


Considering recent situations, new additional policies are required to achieve Three-Year Profit Plan

- ◆ Present plan = [operating income]
FY2016: 25.2 billion ⇒ FY2018: 35.0 billion
- ◆ Risk = Simulation with sales/margin trends since 4Q of FY2015

Consumption tax hike

	4Q FY2015	FY2016	FY2017	FY2018
Mitsukoshi Isetan	QoQ 98%	Change from target: -5%	Change from target: -2%	Change from target: ±0%
Regional stores	QoQ 98%	Change from target: -4%	Change from target: -2%	Change from target: ±0%



Additional Policies to Surely Achieve Target for Department Store Business (Domestic)



(Billions of yen)	FY2016	FY2016 – 2018	Changes by Policies
Purchasing structure innovation	1.8	5.0	<ul style="list-style-type: none"> • Expand internal/external wholesale • Expand external sales channels • Promote SPA model
Branches/ regional stores	-	1.0	<ul style="list-style-type: none"> • Focus on rolling out proprietary MD • Place staff intensively • Optimize scale of department stores
Small- to Medium-sized Stores	-	-	<ul style="list-style-type: none"> • Area dominant strategy • Concentrate on ISETAN MiRROR • Strengthen customer contact points
EC business	-	0.5	<ul style="list-style-type: none"> • Category-specialized EC • Open stores on external websites • Cross-border EC
Point program	1.0	2.0	<ul style="list-style-type: none"> • Increase sales by acquiring new customers • Create values by alliances
Cost structure innovation	3.0	7.0	Investment control: -3.0 billion, advertising overhead & media mix: -3.0 billion, labor cost reduction by outsourcing: -1.0 billion
Situationally, implement cost structure innovation further			e.g.: Reduction in logistics costs: -2.0 billion Withdrawal from unprofitable businesses



(1) Department Store Business (Domestic)

(Billions of yen)	FY2015	Difference	FY2016	Difference	FY2018	Strategic investment for FY2016-2018
Net Sales	1,094.4	+65.6	1,160.0	±0	1,160.0	43.0
Operating Income	22.0	+3.0	25.2	+10.0	35.0	

***Present plan**

Concentrate Investment in Flagship Stores



To continue to create new customers/values, make concentrated investment in a well-modulated manner

Three-year investment plan: ¥20.0-25.0 billion; Profit boost: ¥10.0 billion

Isetan Shinjuku Main Store



- ◆ Complete World's best fashion museum and realize “Art Music Future & Entertainment”

Mitsukoshi Nihombashi Main Store



- ◆ Realize culture resort department store (from 2017 onwards)
= Create arts/culture for acquiring new customers

Mitsukoshi Ginza Store



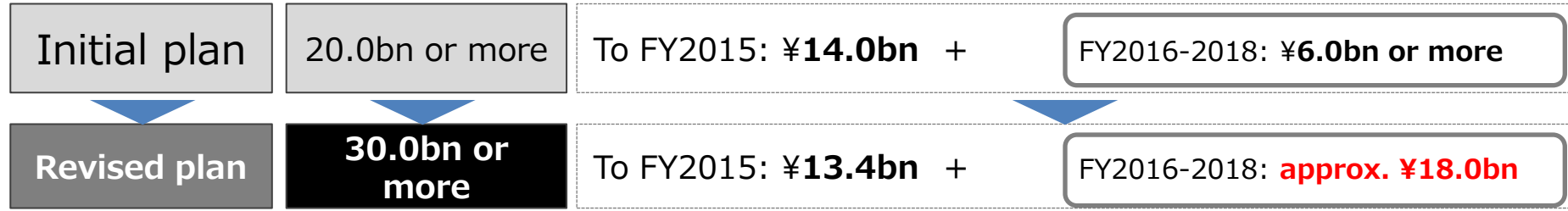
- ◆ Evolve into the most fashionable global store
= Policies for foreigners + refinement of lower floors for Japanese customers



Purchasing Structure Innovation

- ◆ Increase from initial three-year plan. Turned around recent sales declining trend, and contribute to profit making.

〔Upward revision of plan〕 (to FY2018)



◆ Details of target

(Billions of yen)

	FY2016 Plan	FY2017 Plan	FY2018 Plan	3-year Plan
Purchasing structure innovation contributory earnings	+6.0	+6.0	+6.0	+18.0
Decrease due to MD mix, etc.	-3.0	-3.0	-3.0	-9.0
Increase in transaction margin	+3.0	+3.0	+3.0	+9.0

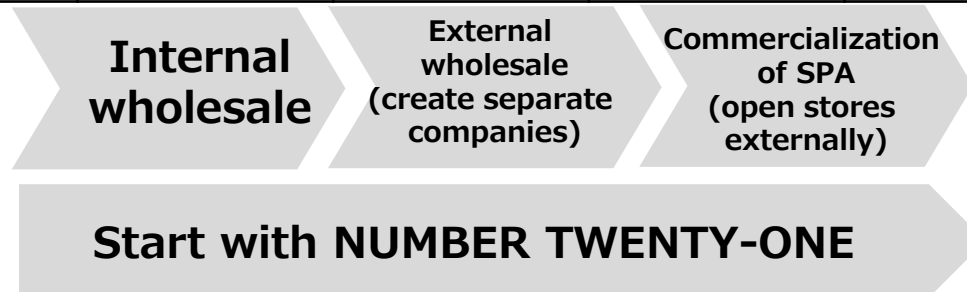
+12.0bn yen from present three-year plan
←

Increase in SG&A	+1.2	+1.2	+1.6	+4.0
------------------	------	------	------	------

Increase in operating income	+1.8	+1.8	+1.4	+5.0
------------------------------	------	------	------	-------------

5.0bn yen profit boost in three years

◆ Steps for target



Promote Commercialization of SPA

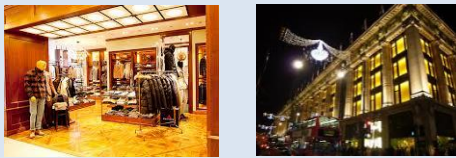


◆ Roll out products through Domestic/overseas channels

• Extend to branches and regional stores



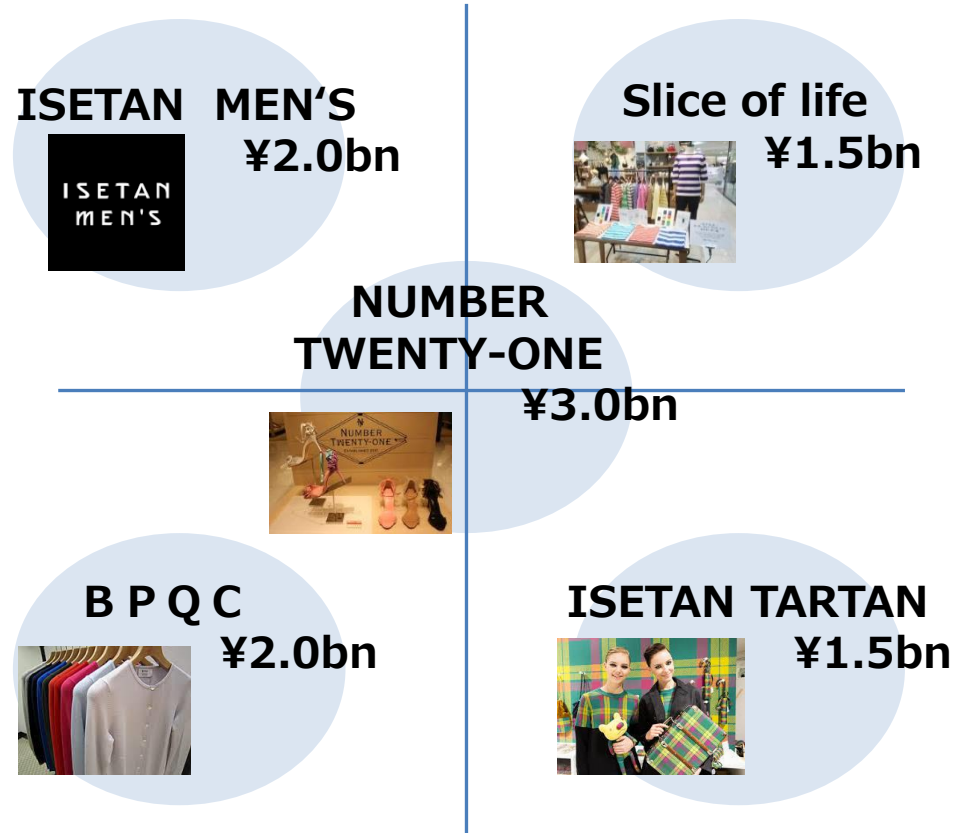
• Extend wholesale to leading domestic/overseas department stores & selected stores



• Open external SPA



◆ “Brand SPA” and “narrow down products” by seeking value and price



⇒ Targeted amount for SPA content will be ¥10.0bn in total

¥1.0bn profit boost
(included in ¥5.0bn)



Start with NUMBER TWENTY-ONE (women's shoes)



- No. of pairs sold = No. 1
- Highly appreciated by overseas (including inbound tourism) customers
- High entry barriers · Items absent in market for middle consumption segment
- **Profitable models** (purchasing margin: 57%, final transaction margin: 44%, consumption ratio: 80%)

Results for FY2015

Retail: ¥0.9 billion

Wholesale: ¥0.08 billion

Targets for FY2018

Retail: ¥2.0 billion

Wholesale: ¥1.0billion

¥0.2bn profit
boost
(included in ¥5.0bn)

Wholesale mainly low price line
(PL: 11,000-13,000 yen) shoes
(for middle segment)
which sold well at branches





Sales Structure Innovation for Branches and Regional Stores (toward Profitability)

◆ Trends in results (*YoY change/difference)

billions of yen

Consumption tax hike

Regional Stores		FY2012	FY2013	FY2014	FY2015	Change/ Difference from FY2012
	Sales	100%	104%	96%	101%	101%
Operating Income	2.5 (+1.9)	4.5 (+2.0)	2.2 (-2.3)	2.9 (+0.7)	+0.4	

Consumption tax hike

6 Branches		FY2012	FY2013	FY2014	FY2015	Change from FY2012
	Sales	99%	100%	95%	97%	92%

- Branches in particular have not overcome negative impact caused by consumption tax hike (have not returned to FY2012 level).
- With continued changes in social environment, it is an urgent task to create new store models.

Profit potential: approx. 2.0 billion

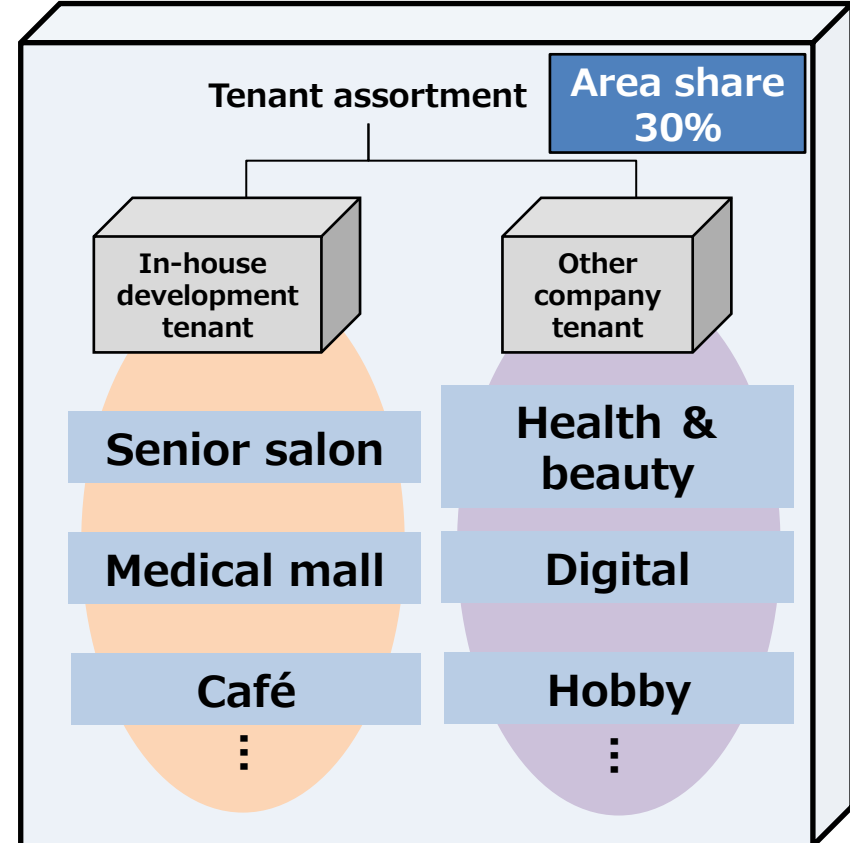
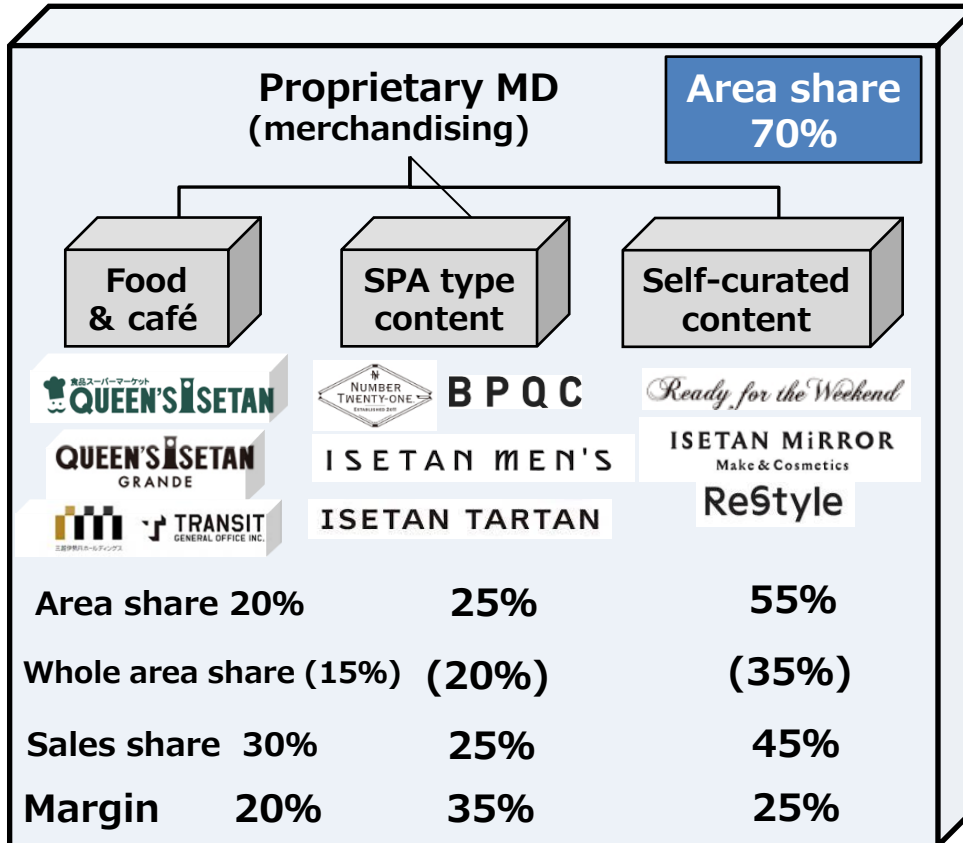
*Changes from previous branch models

	Present	Previous
Customer	[TA]: 8%	[TA (under age 34)] : share 20% [Senior (over age 65)] : share 15%
		←
		←
	•Changes in main customer segment	
MID	[Women's wear] •Area share: 50% •Sales share: 40%	[Women's wear] •Area share: 40% •Sales share: 50%
	•Worsening efficiency of main MD	
Management system	[No. of in-store staff] : 350 (-250)	[No. of in-store staff]: 600
	•Decline in sale force/quality by staff reduction	
Scale		Base size: 30,000 m²
	•Business structure cannot exist only with large-scale store-based design	



New Store Model

- ◆ Focus on rolling out SPA content previously developed and self-curated content (concentrated placement of in-house staff)
- ◆ Introduce lifestyle type tenant content enhanced in-house (senior salon, medical mall, café...)
- ◆ Adopt small- to medium-sized store management model (main store-linked low-cost operation)



Proprietary MD margin: 26%

Rent income

SG&A ratio: 23%

Operating income ratio 3% or more

Small- to Medium-sized Store Business



◆ Three-year store opening plan

			FY2015	FY2016	FY2018
Select Store Business	ISETAN MiRROR	Accumulated No. of stores	12	14	25
		Sales	3.2bn	3.7bn	7.0bn
	Airport stores	Accumulated No. of stores	3	4	6
		Sales	1.5bn	1.8bn	2.5bn
	Select stores	Accumulated No. of stores	3	3	4
		Sales	1.3bn	5.2bn	6.0bn
	Outlets	Accumulated No. of stores	5	5	5
		Sales	0.6bn	0.6bn	0.6bn
	Total	Accumulated No. of stores	23	26	40
		Sales	6.6bn	11.3bn	16.0bn

Points for Target	
↑	Accelerate opening stores with a growth track
↗	In addition to Haneda (in/outside airport), open stores at main airports in Japan
⇒	Increase store openings by reviewing and modeling men's
⇒	Slightly increase as outlet function

0.6bn profit boost

Satellite Business	Total in Tokyo area	Accumulated No. of stores	35	33	36
		Sales	10.3bn	10.8bn	13.0bn
	Total in Regions	Accumulated No. of stores	43	44	50
		Sales	12.5bn	13.2bn	16.0bn
	Total	Accumulated No. of stores	78	77	86
		Sales	22.8bn	24.0bn	29.0bn

⇒	Maintain No. of stores with S&B based on new models
↑	Scrap unprofitable stores, Continue opening flagship stores for strategic dominance

0.4bn profit boost

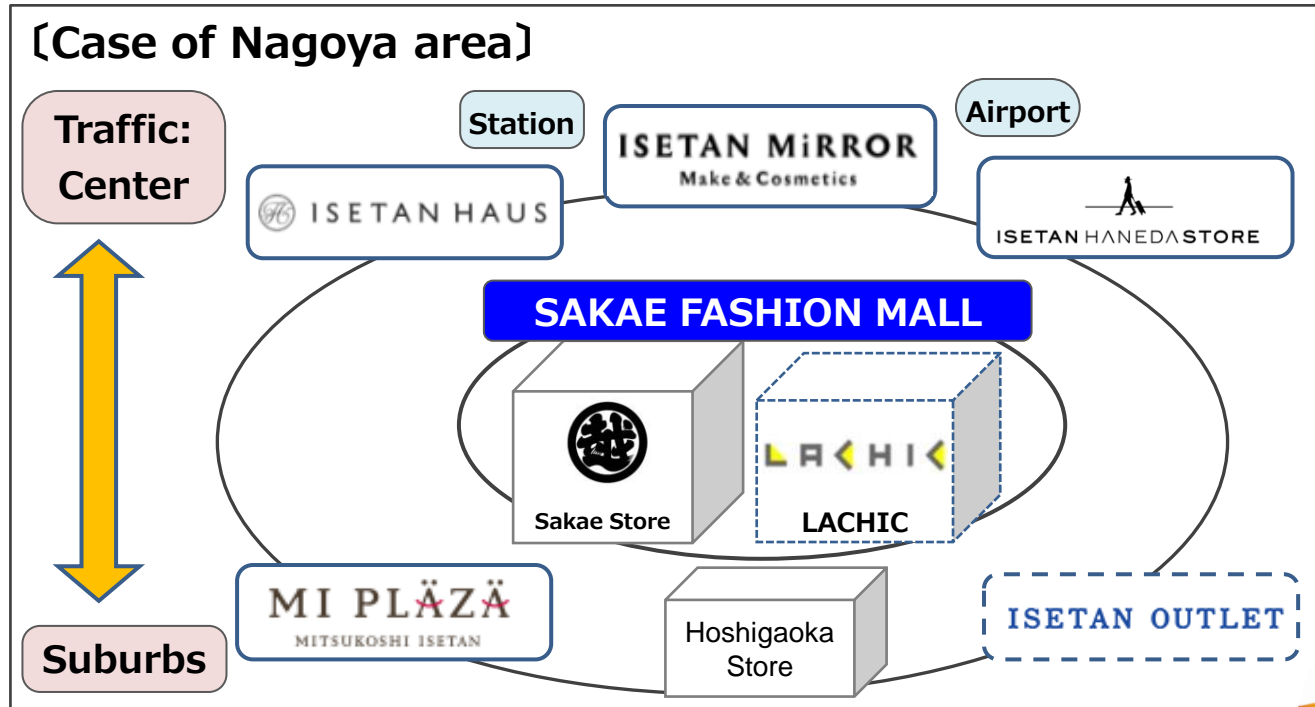
Total: **1.0bn profit boost**



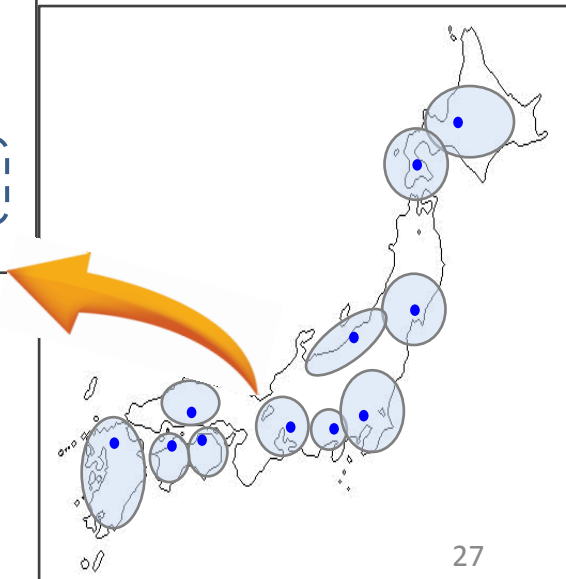
Small- to Medium-sized Store Business

◆ Area dominant strategy:

Focus on rolling out small- to medium-store content developed so far by fully using flagship stores as hubs



◆ Roll out strategic dominance in hub areas in Japan



EC Business



◆ Sales structure

FY2015:

Department store EC business became profitable for FY 2015

Net Income		
EC	Collaboration with bricks-and-mortar stores	11.4 billion yen
	Specializing in Web	
	Gift	
Luxury EC		—
Cross-border EC		—
Total business profit		11.4bn yen

FY2018

Net Income		Increase in Profit
EC	Collaboration with bricks-and-mortar stores	30.0bn yen
	Specializing in Web	
	Gift	
Luxury EC		5.0bn yen
Cross-border EC		+0.3bn yen
Total business profit		35.0bn yen
		+2.0bn yen

2.0 billion yen profit boost in 3 years

◆ KPI

FY2015

No. of site visitors (millions/month)	
PV	UU
28.0	3.45

Web Membership	No. of developed products
1.8	0.065

*No. of SKUs: 110,000

FY2018

No. of site visitors (millions/month)	
PV	UU
100.0	12.5

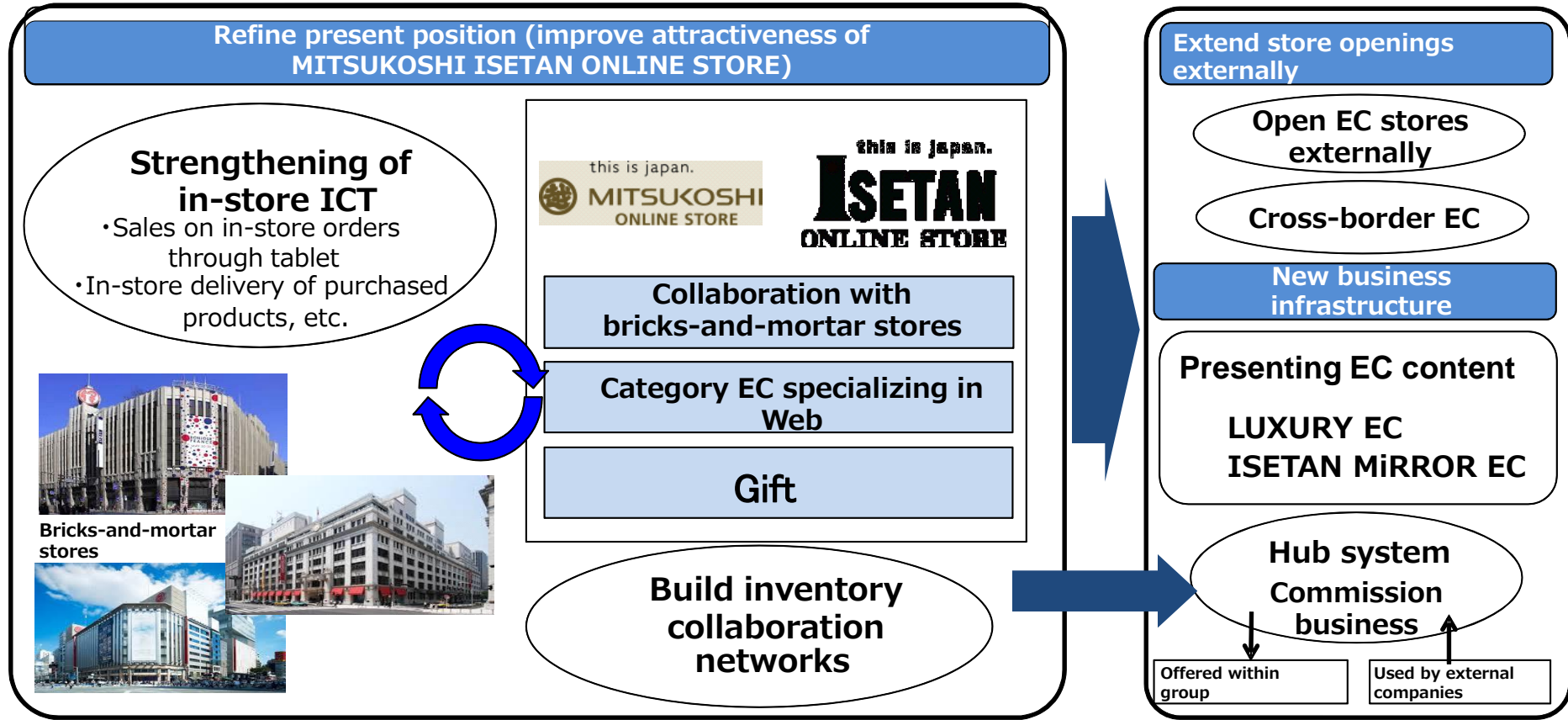
Web membership	No. of developed products
5.0 million	About 0.3 million

*No. of SKUs: about 750,000

EC Business



◆ Future expansion strategy



Increase of Web membership

Revitalization of branches/regional stores

Customer referral promotion media

Web governance control

Leverage and strengthen business base



Point Strategy

◆ Objectives

- Acquisition of new customers (especially, middle/young segments)
- Repurchasing by using given points
- Database marketing
- Alliance with other companies

◆ KPI in introducing point program

- Increase by new membership (+50,000 accounts)
- Increase by repurchasing

T Point Service starts on May 25

◆ Situation as of April

- **Provision/use of MI points**
 - About 80% of given points are used
- **Customer situation**
 - Since No. of estranged accounts is smaller than expected, defection by point transfer affects little
- **Future direction of MI point policy**
 - Improve recognition of MI points
 - Expand alliance with external actors
 - Improve/strengthen policies by strategic customer group

◆ Earnings target

Sales

+44.0bn

3-year increase
by point strategy

+ 2.0bn



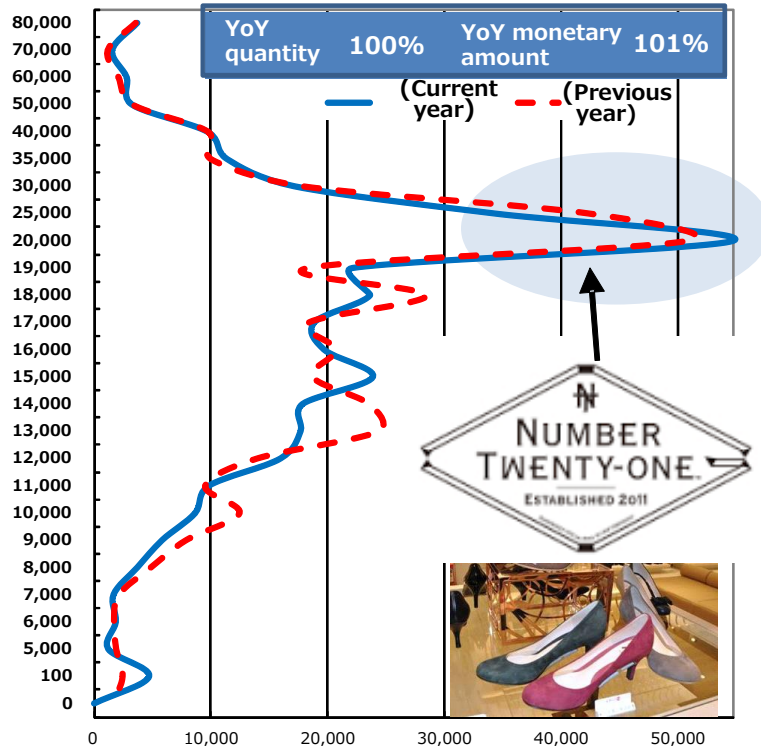
Respond to Middle Market

“Price lining Policy” & “Expansion of Attractive Areas”

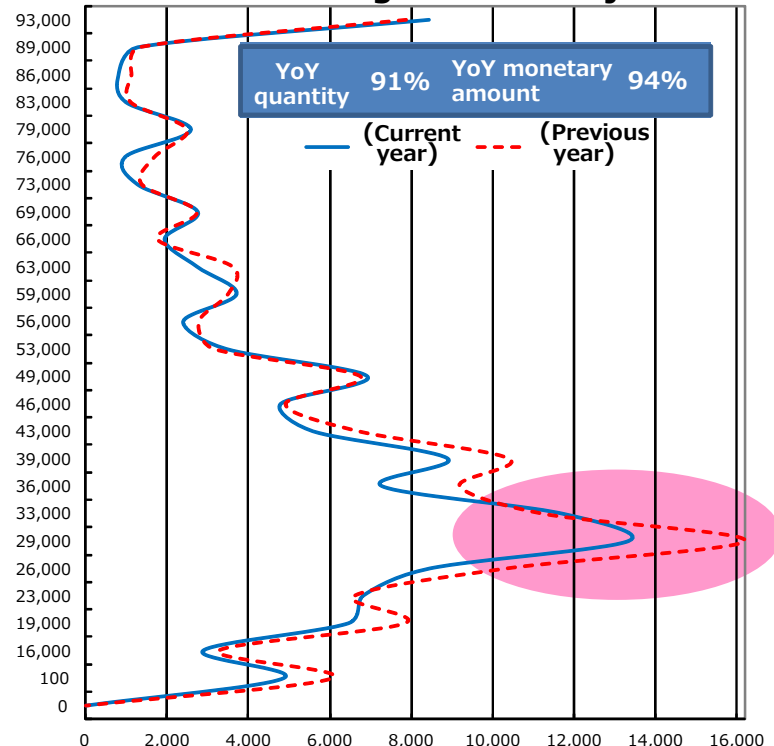
◆ Price lining policy –improve product values–

- ◇ Roll out proprietary products for middle market where SPA models are still not promoted enough
- ◇ Improve product values by price lining

2015 FW Price lining of women's shoes



2015 FW Price lining of women's jackets





(2) Department Store Business (Overseas)

(Billions of yen)	FY2015	Difference	FY2016	Difference	FY2018	Strategic Investment (FY2016-2018)
Net Sales	82.6	+1.1	83.8	+16.2	100.0	9.0
Operating Income	-0.5	+0.5	0	+1.5	1.5	

- Remodeling effect, etc. +0.6bn yen
- Cost reduction +0.7bn yen
- Downward trend -0.8bn yen

- Remodeling/store opening +0.9bn yen
 - Cost reduction/structural innovation +0.6bn yen
- ⇒ Add other profit boost policies

Overseas Business: Direction toward FY2018



Direction		Increase in Operating Income	
Remodeling • Open Stores	ASEAN	2016: Open Kuala Lumpur Isetan Lot10 store in Malaysia 2017: Remodel KLCC Store in Malaysia Open a small-sized food store 2018: Remodel a flagship store in Singapore Remodel a store for revitalization in Bangkok	+1.2bn yen
	China	2016: Operate bricks-and-mortar store/ cross-border EC integrally 2017: Extend small-sized cosmetic stores Open a new store in Chengdu	+0.2bn yen
	Europe/ the USA	2016: Promote remodeling of USA Disney	+0.1bn yen
Cost reduction/structural innovation		• Rent reduction • Singapore head office rent reduction • Structural innovation at unprofitable stores	+1.3bn yen
Others		• Minus trend • Risk buffer	-0.8bn yen



(3) Credit & Finance Business / Customer Organization Management Business

Establish strong revenue base without reliance on department stores

(Billions of yen)	FY2015	Difference	FY2016	Difference	FY2018	Strategic Investment (FY2016-2018)
Net Income	36.2	+2.7	39.0	+6.0	45.0	3.0
Operating Income	5.6	-1.1	4.5	+4.0	8.5	

• MI Card: -1.4bn yen

(While earnings increased, amortization expenses also increased due to system replacement)

• Existing card business: +4.0bn yen

(Expansion of external transaction volume, etc.)

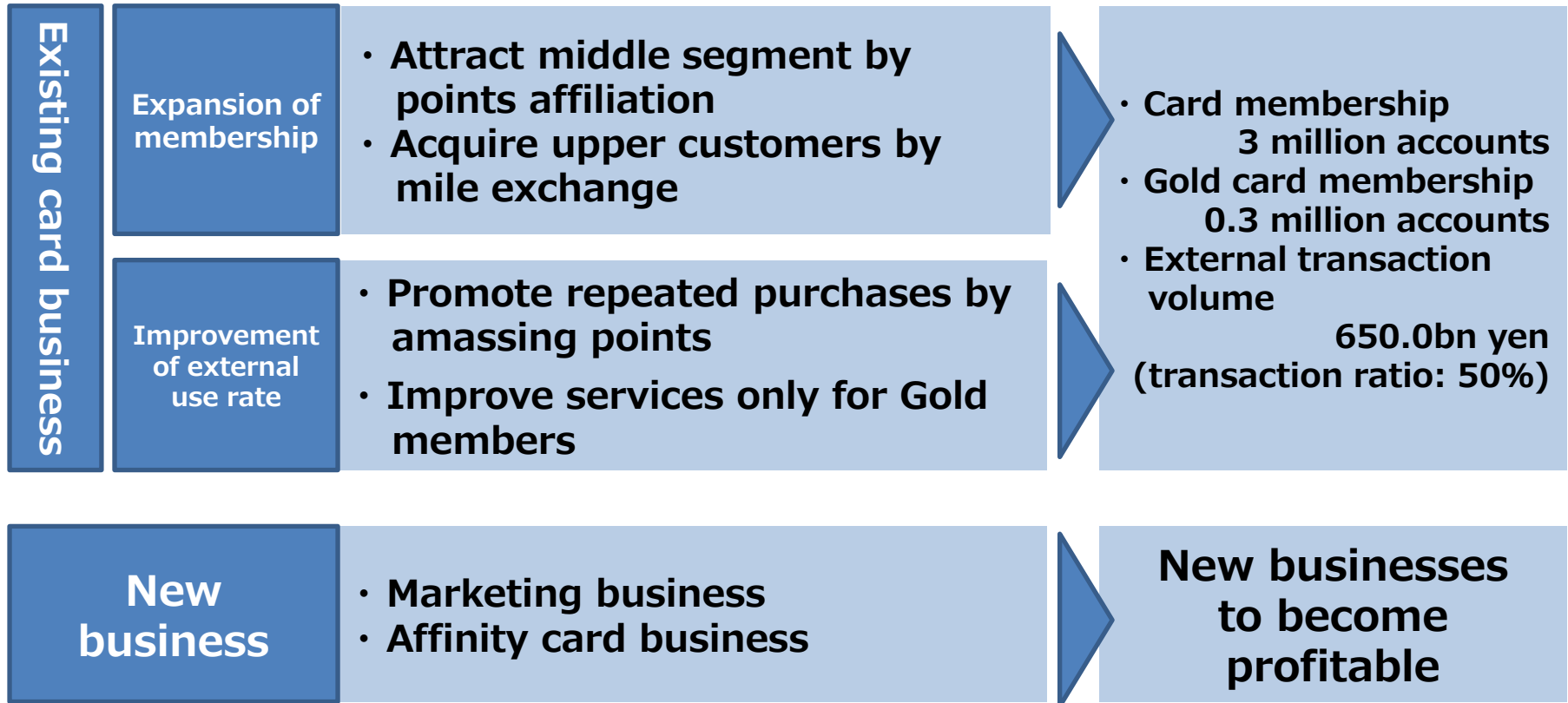
• New businesses ±0

(Marketing business/affinity card business)

Card Business: Direction toward FY2018



Introduction of point system stimulates increase of middle segment customers, expansion of external transaction volume, and acquisition of new business opportunities



MICARD Co., Ltd. will achieve +2.7 billion yen operating income



(4) Retail/Specialty Store Business

Become profitable during FY2016. Considering downward trend, add other profit boost policies.

⇒Achieve 1.0 billion yen operating income for FY2018

(Billions of yen)	FY2015	Difference	FY2016	Profit Boost	FY2018	Strategic Investment (FY2016-2018)
Net Income	55.8	+1.1	57.0	+13.0	70.0	4.0
Operating Income	-1.0	+1.0	0	+1.0	1.0	

- Food/SM: +0.4 billion yen
- Fashion: +0.3 billion yen
(fostering existing brands/rolling out small cassettes, etc.)
- Mail order: +0.3 billion yen

- Food/SM: +1.2 billion yen
- Fashion: +0.3 billion yen
- Mail order: +0.1 billion yen
- Others: -0.5 billion yen

Food/Supermarket Business (IMFS): Direction toward FY 2018



Early improvement of results through policy realization/significant structure innovation

Policy/Difference Factor		Impact on Operating Income
Strategic PB expansion	<ul style="list-style-type: none"> Product development linked with department stores (PB development: 2000 SKUs) 	+0.9 billion yen
New format remodeling & store opening/closing	<ul style="list-style-type: none"> Remodel opening (Sengawa/Fuchu) Closing of Chofu store, etc. Realization of high quality specialty stores based on one concept Collaboration with other businesses/other companies (Shinagawa/Yokohama, etc.) 	
Strengthening of external sales business	<ul style="list-style-type: none"> Increase of gifts for group department stores Increase of external OEM contracts 	+0.3 billion yen
Home delivery business innovation	<ul style="list-style-type: none"> Refer department store upper customers Strengthen Web marketing Strengthen high quality daily goods/everyday sundries 	+0.3 billion yen
Difference in expenses	<ul style="list-style-type: none"> Contraction of head office-related expenses 	+0.1 billion yen



(5) Real Estate Business / New Business / Other Business

Increase earnings with real estate business, human resources business, etc., and make upfront investments in new businesses for sustainable growth

(Billions of yen)	FY2015	Difference	FY2016	Difference	FY2018	Strategic Investment (FY2016-2018)
Net Income	121.0	+9.0	130.0	+30.0	160.0	23.0
Operating Income	6.9	+0.2	7.2	+0.8	8.0	

- Real estate: ± 0
- New businesses: ± 0
- Others: +0.3bn yen
(Human resources/catalog, gift, etc.)

- Real estate: +1.0bn yen
- New businesses: -0.5bn yen
- Others: +0.3bn yen

Real Estate Business: Direction toward FY2018



Direction		Impact on Operating Income
Strengthen leasing	<ul style="list-style-type: none"> • Shinjuku ALTA remodeling • Redevelopment of north side of Kokubunji Station 	<p>Profit boost +0.6 billion yen (leasing investment, etc.) 3.5 billion yen</p>
Expand interior construction business	<ul style="list-style-type: none"> • Demand expansion by Olympics/Paralympics • Establishment of regional offices 	
Building management business	<ul style="list-style-type: none"> • Strengthening of external sales to schools and interior construction companies 	
Real estate sales/leasing business	<ul style="list-style-type: none"> • Utilization of unused real estate • Acquisition of new properties for rent 	<p>Profit boost +0.4 billion yen (acquisition of properties, etc.) 8.0 billion yen</p>



Bridal/Restaurant Business: Direction for FY2018



[Bridal] Construct an innovative business utilizing the high-quality customer base

Wedding planning business entrusted by hotels

Develop and provide unique wedding planning/service in collaboration with department stores

Direct wedding venue management

Provide wedding planning based on directly-managed venues

⇒ Determine venues and start to accept orders for wedding planning during FY2016

[Restaurants, etc.] Utilize store property and roll out restaurant content swiftly

Restaurant business

Transform department store restaurant floor by autonomous management

Café business

**Roll out newsy unique overseas brand café
Develop original café**

⇒ Introduce an autonomous restaurant to Shinjuku store during FY2018

⇒ Start to open cafés during FY2016



4. Strengthening of Information Strategies

Establishment of Information Strategy Headquarters

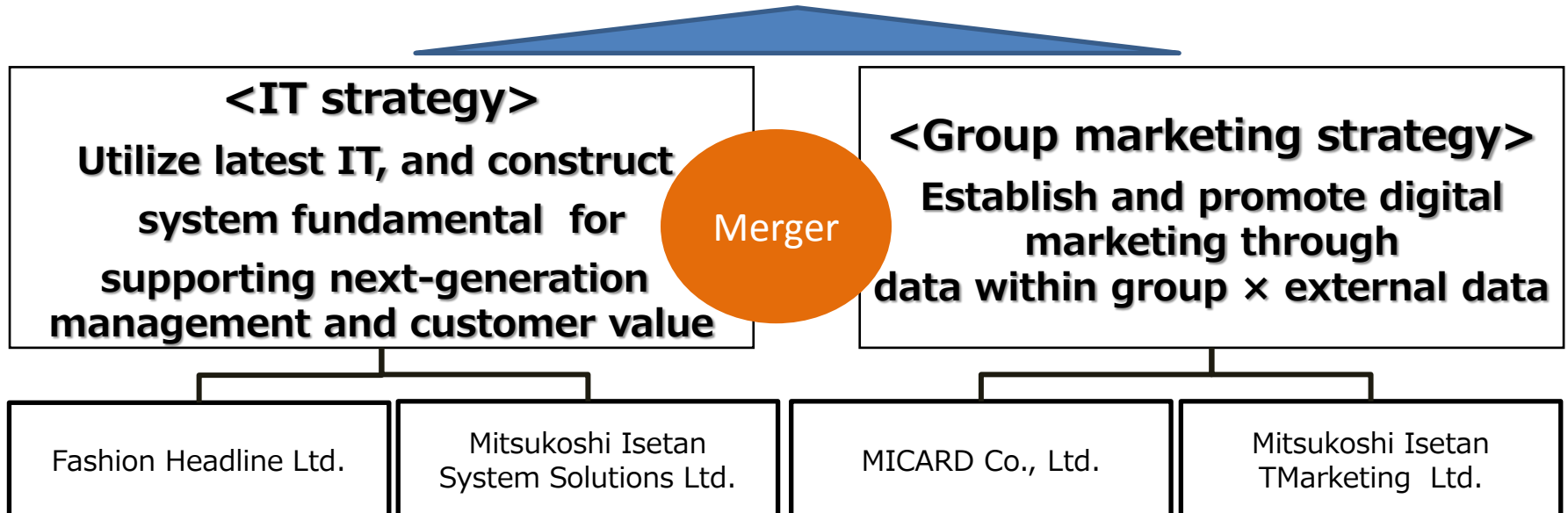


Consolidate organizations/group companies involved in information strategies and newly establish “information strategy Headquarters”

To integrate and organize various long-term digitalization targets under the major direction defined by Headquarters

Creation of new values for customers
(sales service & MD/new business & new content)

Improvement of productivity
(Operational efficiency/concentration of management resources)



Promotion of IT Strategy



Integrate, strengthen and consolidate various in-store digitalization targets up to the last fiscal year

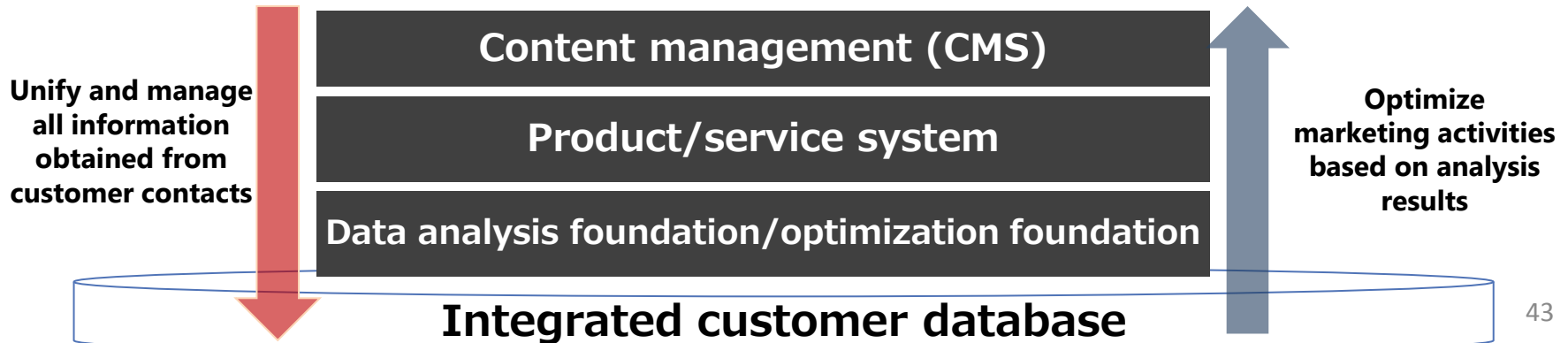
Provide new values to customers, and realize provision of secure/safe services



Consolidation/strengthening of information/functions offered to customers



Revamp system infrastructure for supporting next-generation management and customer values



Promotion of Group Marketing Strategy

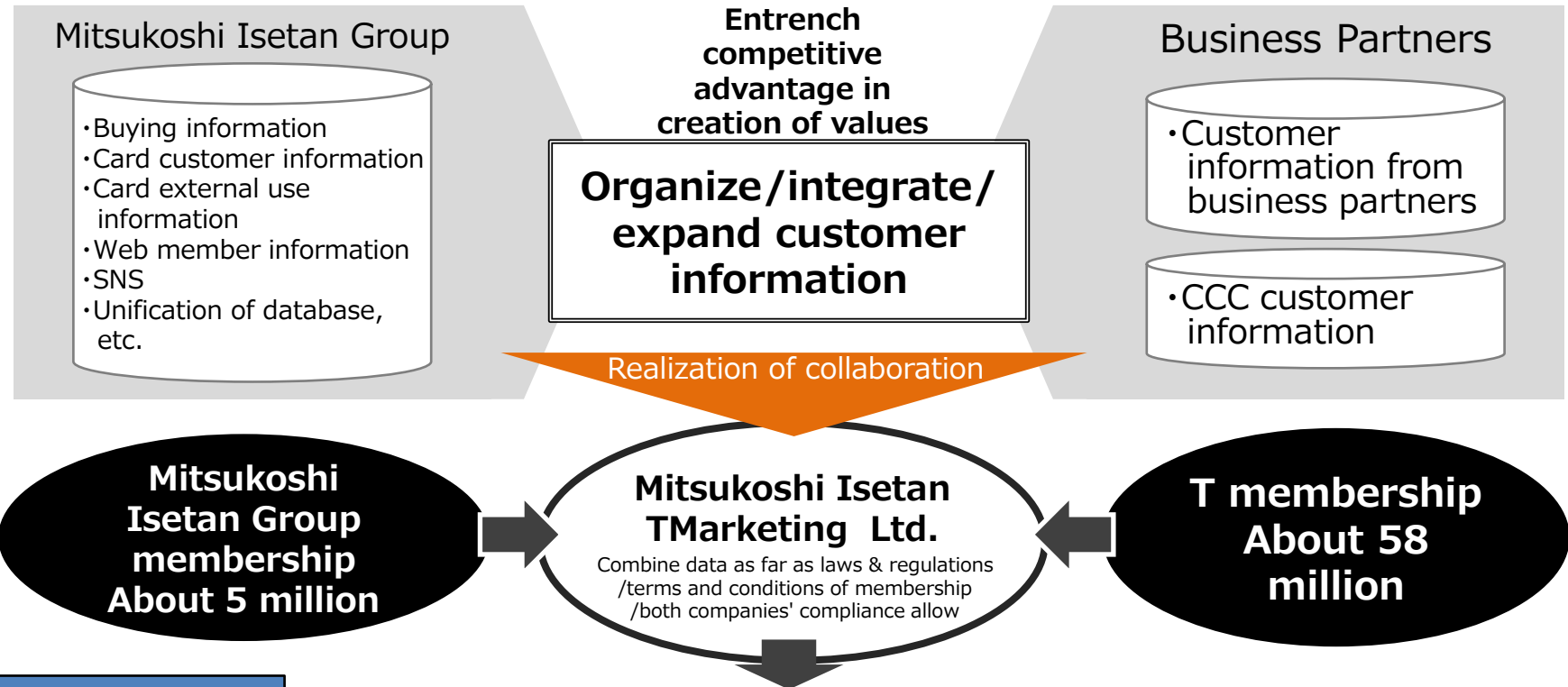


Establishment of new marketing method

Analysis method for integrated data utilization/AI utilization, etc.

Provision of new values beyond expectation

Content/MD/promotion/event/ a wide range of lifestyles



Creation of new customers of MI Group	<ul style="list-style-type: none"> • Acquire new customers who have never visited in 10km market area by utilizing T point alliance network based on both groups' member information analysis (around 10 million customers) 	Aim to acquire around 1 million customers
Development of new business/content of MI/CCC Groups	<ul style="list-style-type: none"> • Based on collaboration, plan/develop lifestyle-proposal-type stores, develop new formats, and actively promote new product development e.g.: Fashion × books 	Create customers in IoT, regional area, senior area
Sales business to external companies	<ul style="list-style-type: none"> • By creating new marketing method, develop/provide analysis tool, recommendation tool, etc. 	Acquire external earnings



5. Strengthening of Management Infrastructure



Target for future: proper evaluation of personnel who achieve results /job satisfaction as a stylist/motivation improvement /enhancement of “ability to sell out”

■ Status after introduction (April)

Blocks exceeding the previous year (5 out of 11 blocks)

- ① Nihombashi Mixury: 108.1%
- ② Shinjuku Isetan men’s (suit): 105.4%
- ③ Shinjuku ReStyle: 100.9%

Qualitative assessment (voices of supermarkets)

- Increase of amount of customer service time, change in approach, improvement of awareness, etc.
- Attending a customer as a team and attending two or more customers at once will be carried on as before
- What to be solved is to increase actual sales results across blocks

**→ Solve the issue and expand target blocks in the future
Promote and strengthen purchasing structure innovation
so as to open external SPA shops**

Establish group human resources headquarters to strengthen group personnel training including the above policy

Moving Toward Improving Capital Efficiency



**Improve earnings
capability**

×

**Improve assets
turnover**

×

**Optimize
financial leverage**

- **Improve store earnings capability based on concentrated remodeling of flagship stores as hubs**
- **Improve profit margin by promotion of purchasing structure innovation/logistics innovation**
- **Monetize new growth businesses promptly, and secure structure innovation at unprofitable stores/businesses**
- **Seek to expand strategic investment**
- **Improve payout ratio/total return ratio by enhanced returns to shareholders**

FY2018: ROE 6%

The target is payout ratio 20% & total return ratio 30%

Corporate Governance for Enhancing Long-term Corporate Value



Published corporate governance guidelines (Nov. 2015)

Future target

Further revitalization of Board of Directors and assessment of effectiveness

- Start a "coordinating committee for Board of Directors" for further revitalization/accuracy improvement of Board of Directors.
- Assess effectiveness upon determining methods by holding a series of discussions at Board of Directors.
- Create progress report one year after resolution.

Promotion of further utilization of Outside Directors

- Build a system where Outside Directors and Corporate Auditors collaborate and exchange information (hold regular meetings).

Promotion of further utilization of women

- Appointed a third female Executive Officer in April this year.
Disclose a specific goal further.

Further enhance corporate governance system in the future



CSR/social contribution for enhancing long-term corporate value

Environment

Rooftop greening (Isetan Shinjuku Main Store)



Biodiversity conservation



Rooftop terrace farm Planting by elementary school Kids (Mitsukoshi Ginza Store)

Environmentally friendly products



Global greening campaign (3 flagship stores) Propose recycling-oriented lifestyle in harmony with nature

Social contribution



Donguri Badge Campaign Sell hand-made badges made of cedar trees

Support of reconstruction of disaster-hit areas



Creation of tide embankment forests which protect lives (tree planting)

Culture/arts

JAPAN SENSES Contribute to production areas and regions through creating products



Support to local residents and their livelihood



First-aid Fair (Isetan Tachikawa Store)

CSR of Mitsukoshi Isetan Group

We wish to continuously contribute to a bright future full of dreams and hopes, by addressing and resolving various social issues through our corporate activities