Isetan Mitsukoshi Group
Business Results Explanation Meeting
Second Quarter of the Fiscal Year
Ending March 31, 2020

Isetan Mitsukoshi Holdings Ltd.

November 7, 2019

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I Results of the Second Quarter of the Fiscal Year Ending March 31, 2020

II Full Year Targets for FY2019

III Progress of Three-year Plan and Future Initiatives

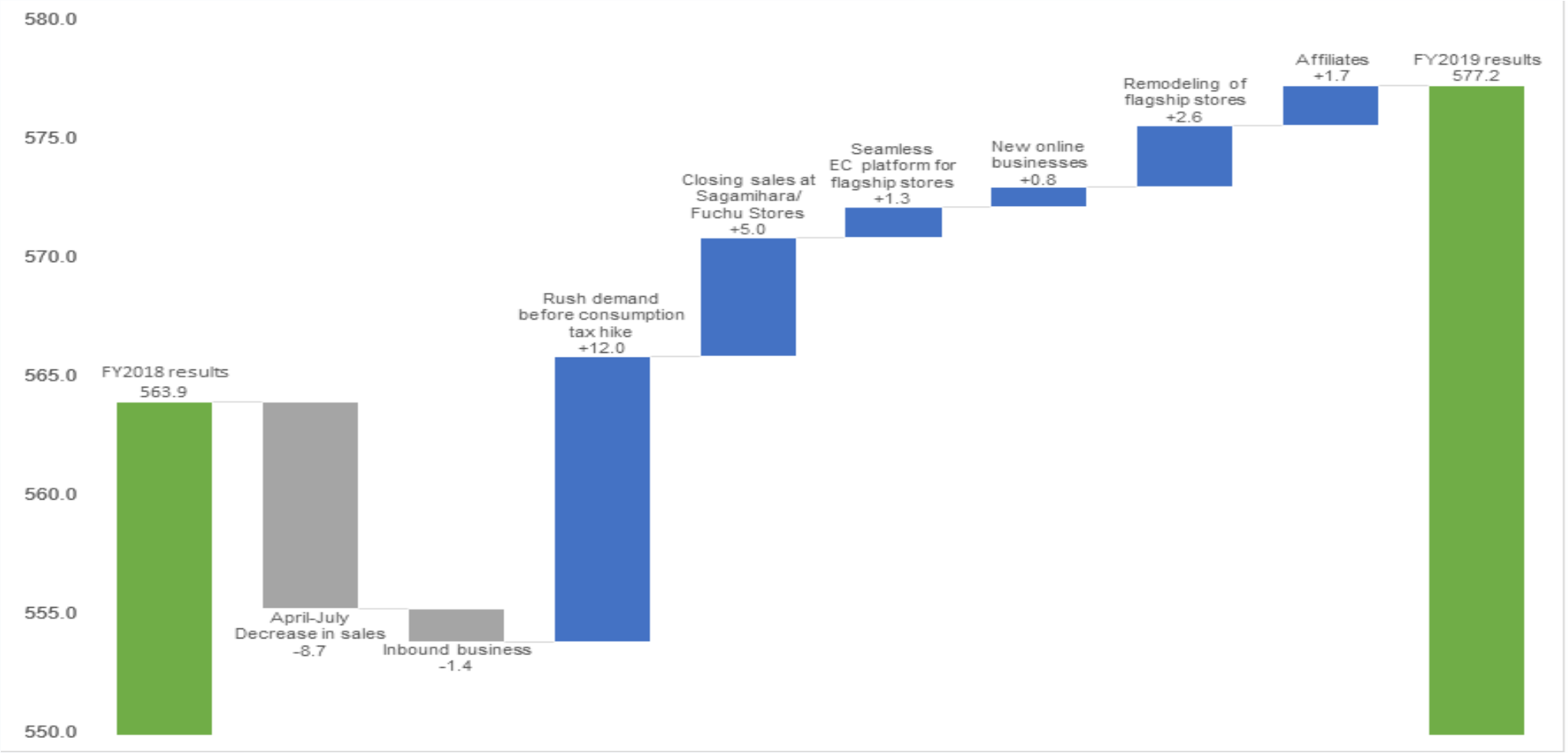
Consolidated Results

(Billions of yen)	FY2019 First Half	YoY Change	YoY Difference
Net Sales	**577.2**	102.4%	+13.2
Gross Profit	**167.9**	101.5%	+2.4
SG&A	**154.0**	99.6%	-0.6
Operating Income	**13.8**	128.3%	+3.0
Recurring Income	**15.0**	122.6%	+2.7
Net Income	**7.5**	193.3%	+3.6

Factor Analysis

YoY Difference in Net Sales

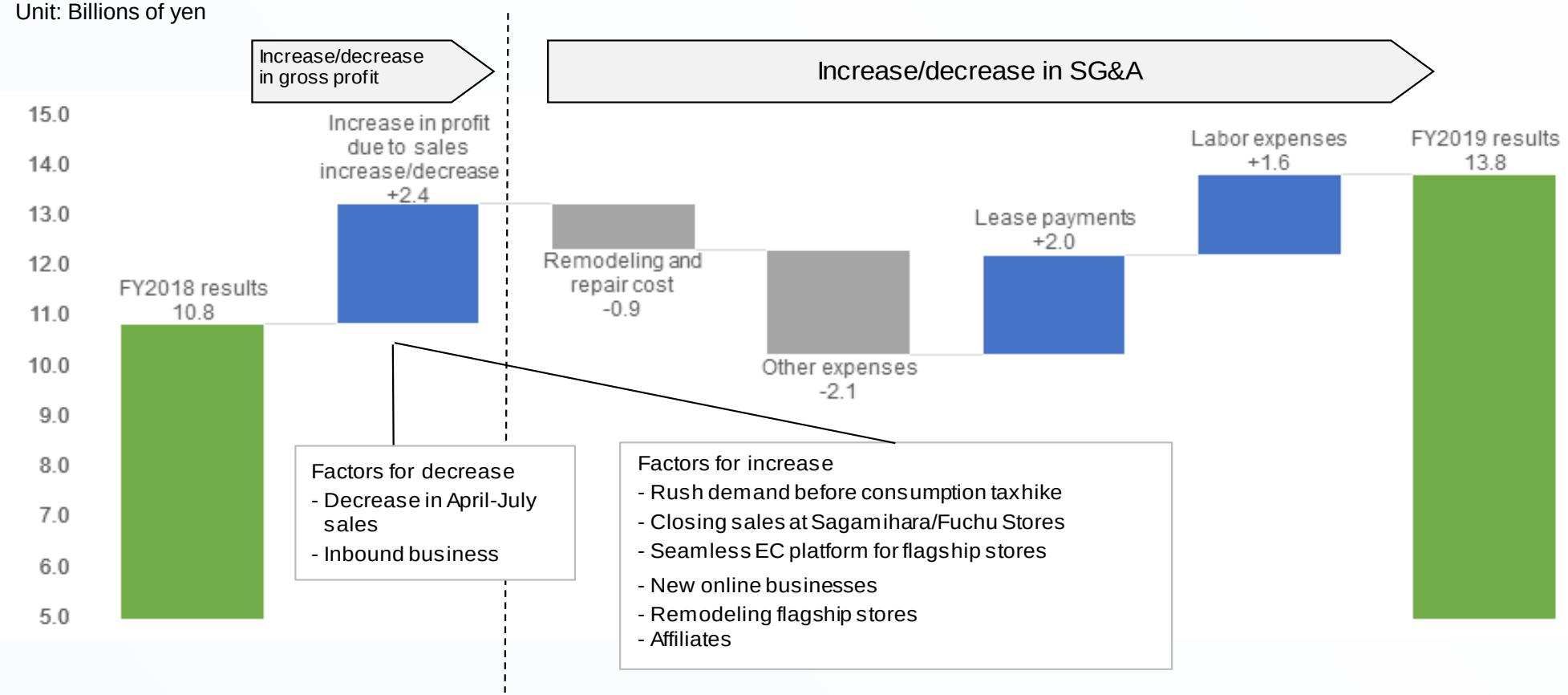
Unit: Billions of yen



Factor Analysis

YoY Difference in Operating Income

Unit: Billions of yen



Isetan Mitsukoshi Results (Non-consolidated)

(Billions of yen)	FY2019 First Half	YoY Change	YoY Difference
Net Sales	**309.0**	103.4%	+10.2
Gross Profit	**87.1**	102.1%	+1.8
SG&A	**85.7**	103.3%	+2.7
Operating Income	**8.0**	87.9%	-1.1
Recurring Income	**10.7**	91.5%	-0.9
Net Income	**5.2**	88.7%	-0.6

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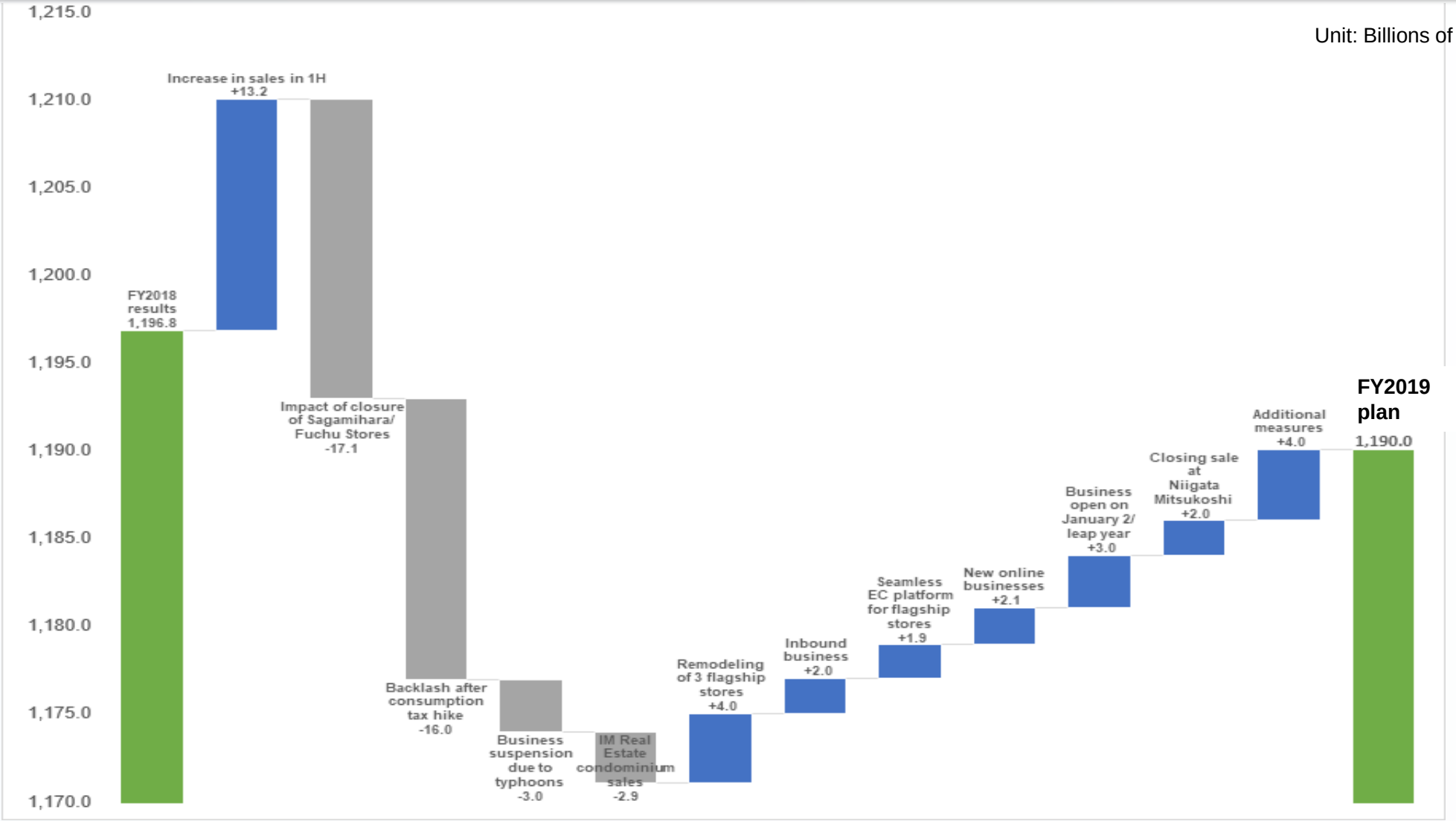
Consolidated Plan

(Billions of yen)	FY2019	YoY Change	YoY Difference
Net Sales	**1,190.0**	99.4%	-6.8
Gross Profit	**348.0**	99.9%	-0.2
SG&A	**318.0**	99.7%	-1.0
Operating Income	**30.0**	102.6%	+0.7
Recurring Income	**30.0**	93.8%	-1.9
Net Income	**14.0**	103.9%	+0.5

Factors for Increase in Net Sales

YoY Difference in Net Sales

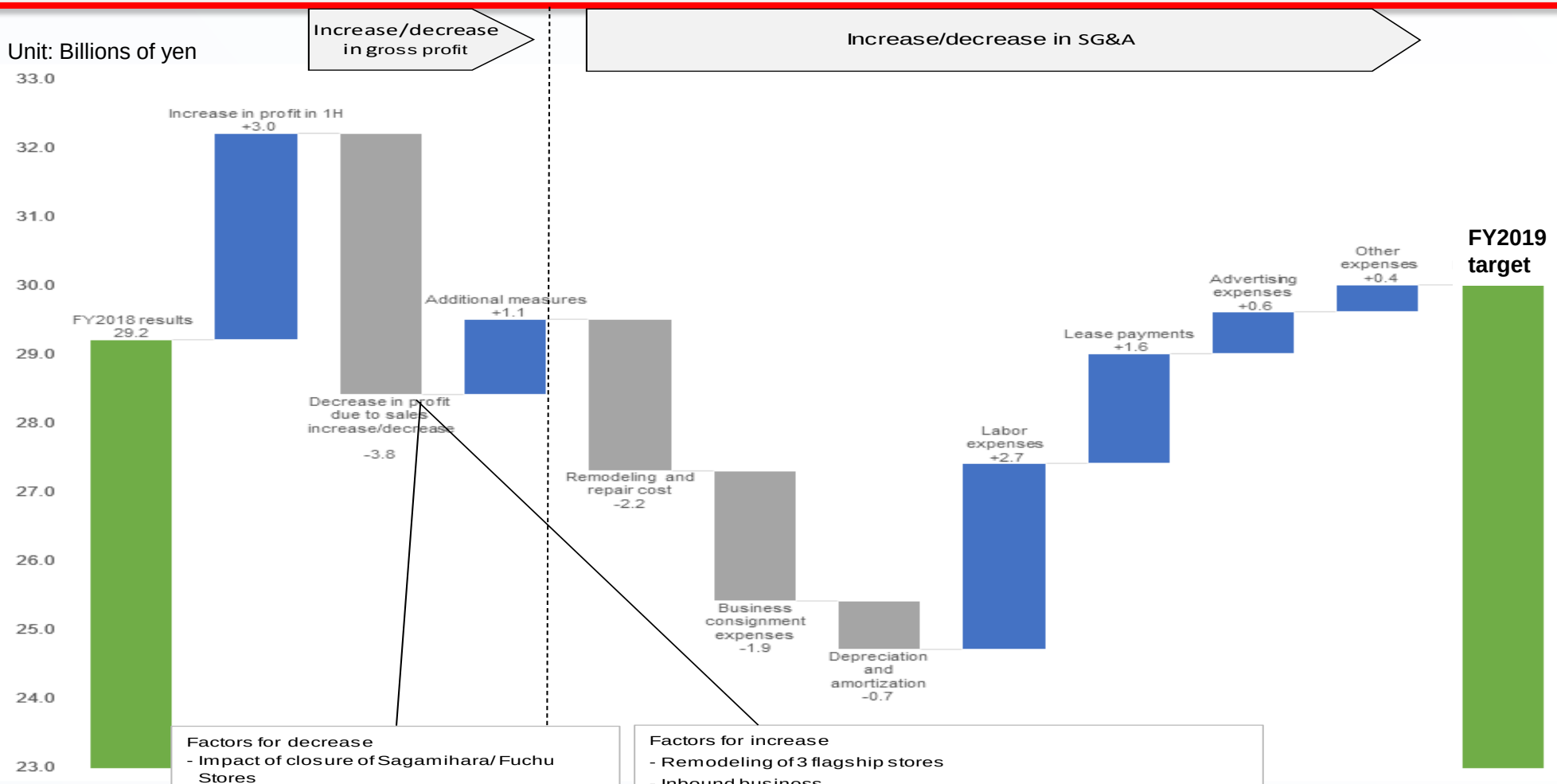
Unit: Billions of yen



Factor Analysis

YoY Difference in Operating Income

Unit: Billions of yen



Factors for decrease
- Impact of closure of Sagamihara/ Fuchu Stores
- Backlash after consumption tax hike
- Business suspension due to typhoons
- IM Real Estate condominium sales

Factors for increase
- Remodeling of 3 flagship stores
- Inbound business
- Seamless EC platform of flagship stores
- Business open on January 2/ leap year
- New online businesses
- Closing sale at Niigata Mitsukoshi

Isetan Mitsukoshi (Non-consolidated) Plan

(Billions of yen)	FY2019	YoY Change	YoY Difference
Net Sales	**634.1**	100.0%	-0.1
Gross Profit	**182.1**	100.5%	+0.8
SG&A	**174.0**	99.0%	-1.8
Operating Income	**19.0**	103.7%	+0.6
Recurring Income	**20.0**	95.3%	-0.9
Net Income	**8.0**	35.8%	-14.3

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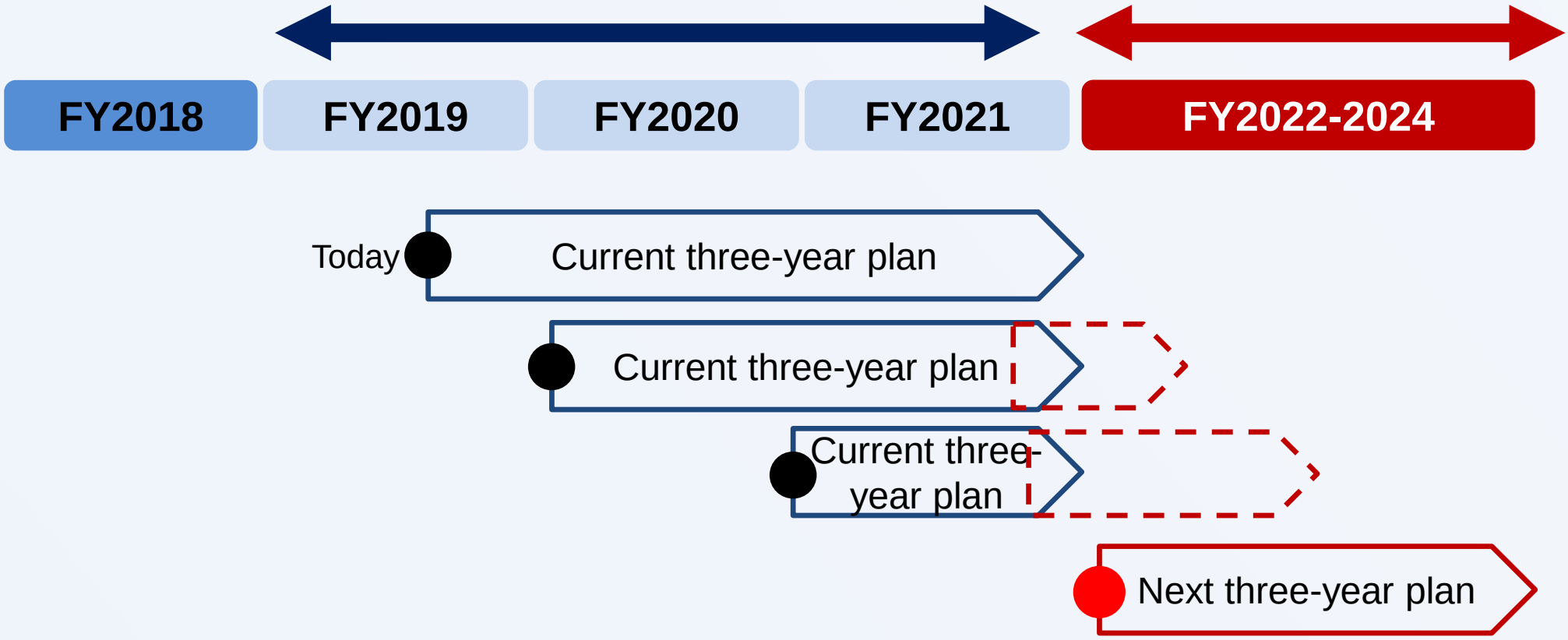
Progress of Three-year Plan and Future Initiatives

Contents

1. Major initiatives by Segment and Progress
   - (1) Retail (Department Store) Business
   - (2) Real Estate Business
2. Profit/Investment Targets
3. Capital Policy
4. Promotion of Sustainability

Progress of Three-year Plan and Future Initiatives

Position of Three-year Plan



The period of three years will be fixed, and the contents will be reviewed at the end of each fiscal year

I. Innovation of MD to Improve Profitability

	FY2018	FY2019	FY2020	FY2021
Flagship stores   	**i. MD/category balance modification**		**ii. Remodeling to modify MD efficiency per unit area and staff efficiency**	
	Improvement of environment and new CRM response			
Branch stores 	**Introducing contents with high customer attraction and transitioning to business based on fixed-term rental contracts**		**i. MD/category balance modification**	
Regional stores  			**ii. MD/staff efficiency modification**	
			Improvement of environment and new CRM response	

(1) Retail (Department Store) Business

I. Large-scale Remodeling of Flagship Stores

Nihombashi and Shinjuku

- Category/MD balance modification
- Improvement of environment and new CRM response

■**1H results**

[Shinjuku] (year on year)

Remodeled floors vs Not-yet-remodeled floors

↓

Net sales/month +13%

[Nihombashi] (year on year)

Remodeled floors vs Not-yet-remodeled floors

↓

Net sales/month +6%

(1) Retail (Department Store) Business

ii. Improvement of earnings per unit MD area and staff efficiency

- Cutback of low efficiency categories and expansion of high efficiency categories
- MD modification and efficiency improvement by brand/MD
- Centralization of low-profit self-coordinated sales floor

Earnings contribution

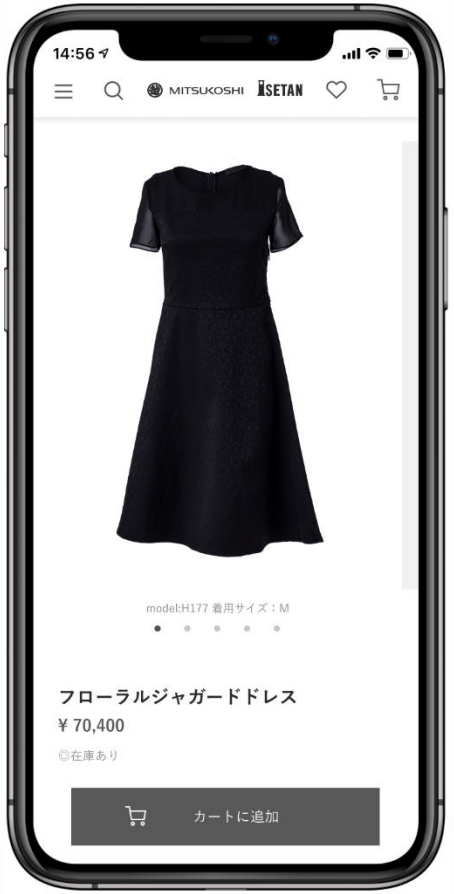
Reduction of staff

(1) Retail (Department Store) Business

II. Development of Seamless Platform (New Websites and Apps)



Curated contents across categories



Utilize videos showing charm of products and brands

(1) Retail (Department Store) Business

II. Development of Seamless Platform (New Websites and Apps)

	2019	Spring 2020	Summer-Autumn 2020	Medium to long-term
	Now	Launch new Isetan Mitsukoshi website/app	Launch non-MICARD payment points	Add apps' unique functions





Isetan Mitsukoshi website

Drawing customers from mobile sites to apps

Extensive renewal with information of all stores and EC functions added

Isetan Mitsukoshi app

三越伊勢丹 → 三越伊勢丹

Guide to download new app

三越伊勢丹

三越伊勢丹

Staged addition of apps' unique functions

MY ISETAN/ MY MITSUKOSHI apps

ISETAN | MITSUKOSHI | ISETAN MEN'S

Close | Close | Close

Staged migration

Guide to download new app

Other shop apps

ISETAN STORE | MITSUKOSHI STORE | 岩

ISETAN STORE | MITSUKOSHI STORE | 岩

Close | Close | Close

* Migration plans will be considered

Change of EC site link

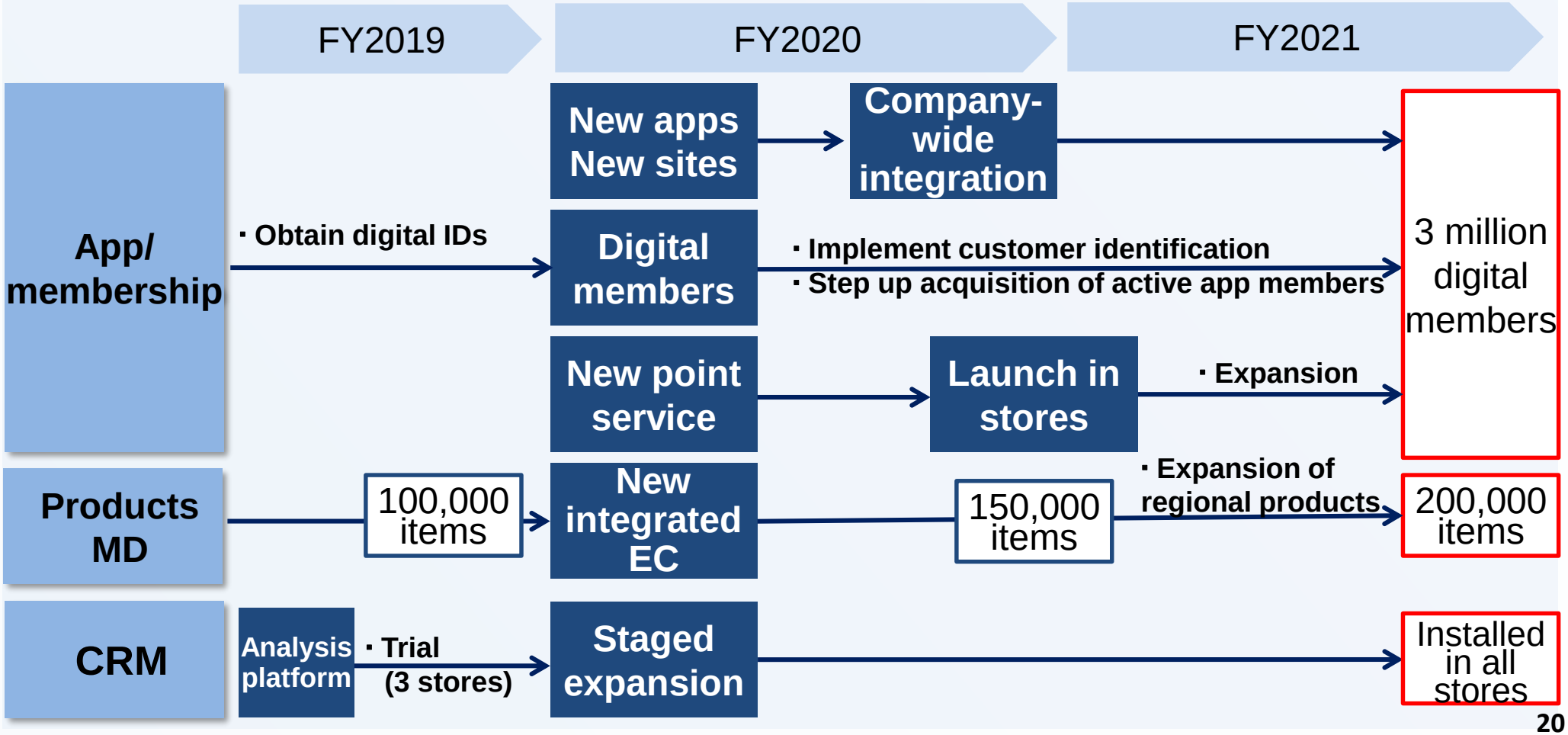
Other apps

ISETAN MiRROR | QUEEN'S ISETAN

(1) Retail (Department Store) Business

II. Development of Seamless Platform

Implementation schedule



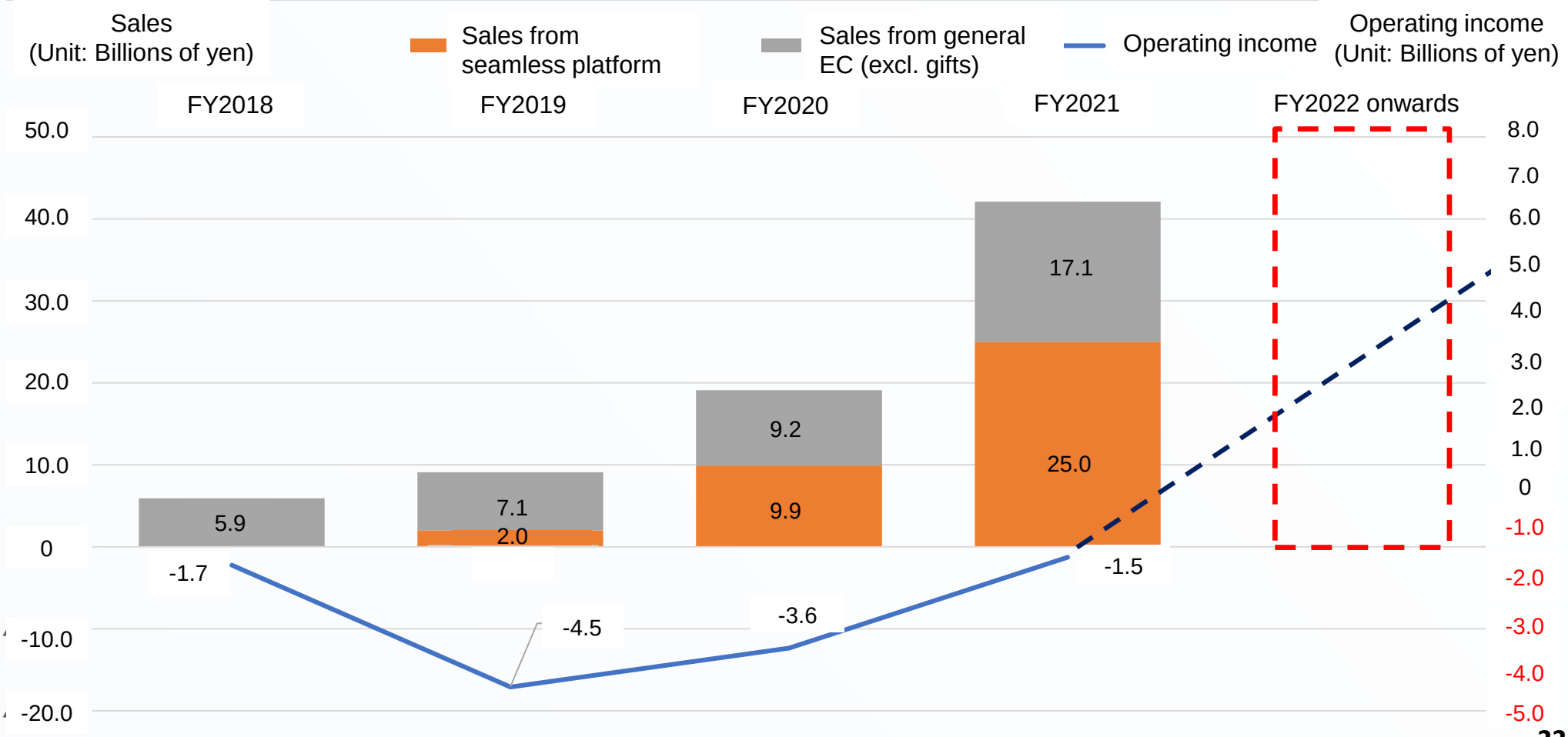
(1) Retail (Department Store) Business

II. Progress on Development of Seamless Platform (1H Results)

i. Number of listed items	60,000 items (100,000 items by the end of FY2019)
ii. EC sales	120.8% YoY, 100.6% of target
iii. Digital IDs	200,000 IDs (600,000 by the end of FY2019)
iv. New apps	Nearly completed UI/UX designs Scheduled to launch in April 2020

II. Development of Seamless Platform

Earnings contributed by development of seamless platform



(1) Retail (Department Store) Business

II. Development of Seamless Platform

Online businesses using digital technologies

FY2018	FY2019	FY2020	FY2021 onwards

ISETAN DOOR — Expansion of membership

meeco — Introduction of auto stores and expansion of product lineup

Soft launch → DROBE

Hi TAILOR Made By You — Start of service

Soft launch → MOO:D MARK by ISETAN — Full-scale start

ONE DAY work — Start of service

Start of service → Expansion

Evaluation of new businesses in progress

(1) Retail (Department Store) Business

II. Development of Seamless Platform (Online Businesses)

Progress in 1H

ISETAN DOOR

<1H FY2019>
Membership: approx. 14,000
100.2% of target

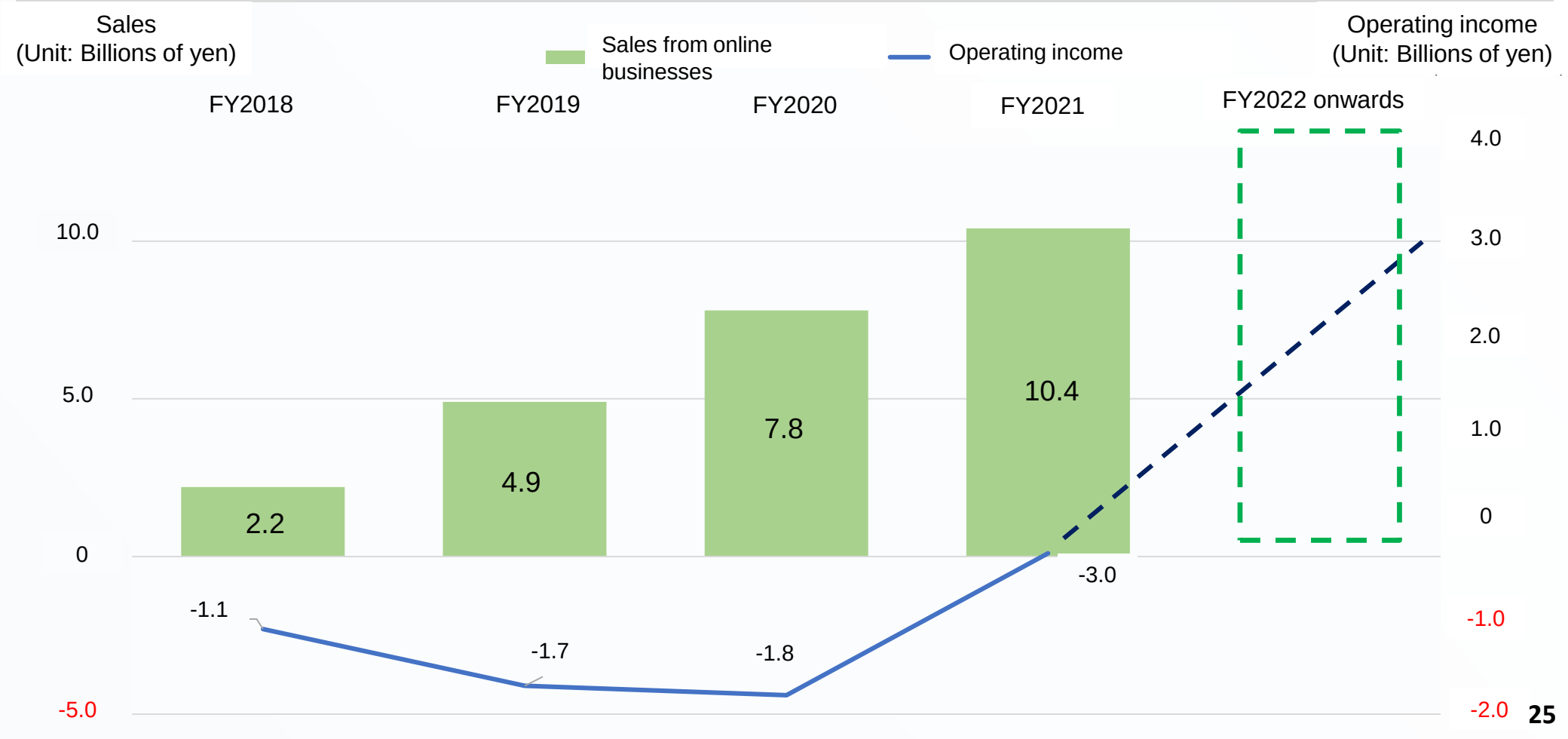
meeco
Meet cosmetics. Meet new me.

<1H FY2019>
Number of buyers: approx. 68,000
151.3% of target
CVR: 2.93%, 0.1% lower than target

(1) Retail (Department Store) Business

II. Development of Seamless Platform

Earnings contributed by new online businesses



(1) Retail (Department Store) Business

III. CRM

Initiatives under three-year plan

	FY2019	FY2020	FY2021
Expansion of identified customers	・Obtain digital IDs	Customer identification through app membership	Points granted to cash and other credit payments
CRM program	**GCP service**	Expansion of service contents and rollout to all stores	
	Launch of measures for inbound business	Consideration, creation, and expansion of GCP for foreigners	

(1) Retail (Department Store) Business

III. CRM (Loyalty Program)

Progress (1H results)

Expansion of group customer program (GCP)

Bolstering CRM for wealthy customers by improving out-of-store sales functions

	MICARD results (1H) YoY	
	Customers with over 10 million yen spending	Customers with over 3 million yen spending
Number of households	124.8	122.6
Purchase value	124.1	124.7

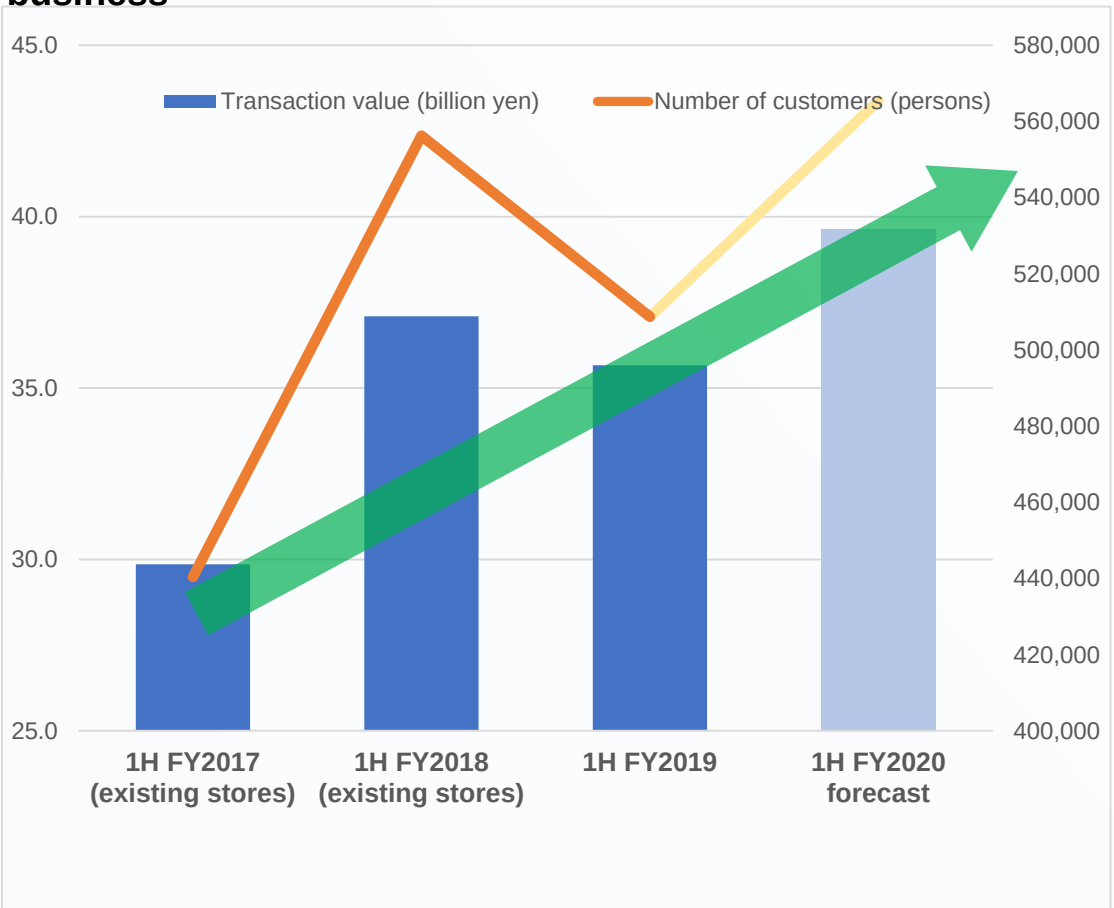
	GCP participants (1H) YoY	
	Customers with over 10 million yen spending	Customers with over 3 million yen spending
Frequency of store visits	106.9	106.7
Purchase value	117.6	116.5

(1) Retail (Department Store) Business

III. CRM (Inbound Business)

Progress (1H results)

■ **Transaction value/number of customers for inbound business**



<1H>

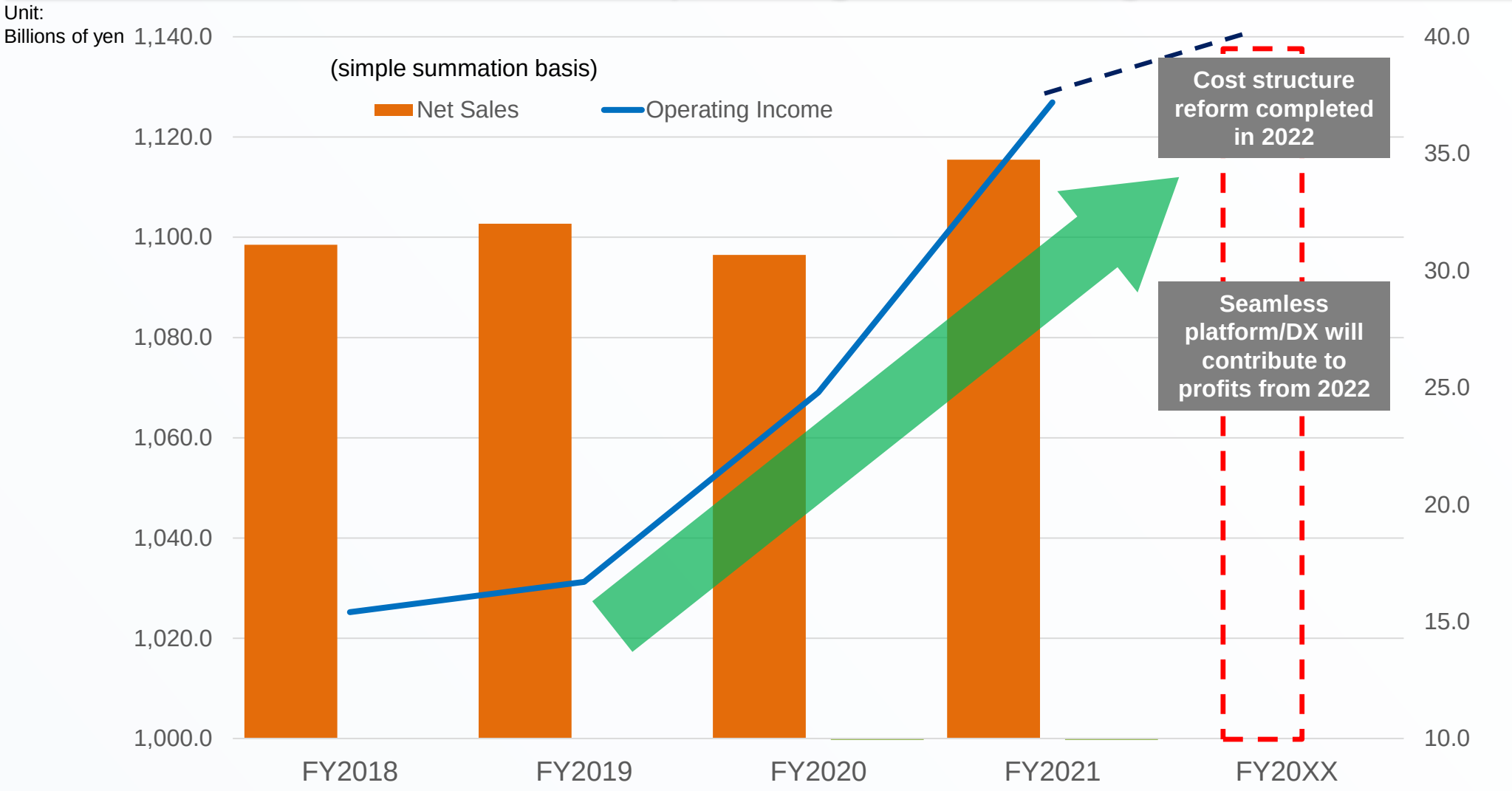
- ♦ Drop in the number of customers visiting from China and South Korea
- ♦ Impact of the cosmetics floor closure at Shinjuku Store due to remodeling

<Next>

- ♦ Shift to an aggressive strategy for the growing foreign visitor market (from October)
- ♦ Provide differentiated value to premium customers
  ⇒ Consider a loyalty program for foreigners

(1) Retail (Department Store) Business - Summary

Department Store Business: Net Sales and Operating Income Targets



(2) Real Estate Business

Initiatives for Real Estate Business

	Commercial facility management	Real estate development
Japan	**Develop SC operation as a stable business** (while implementing fixed-term rental contracts for department stores)	**Maximize the value of real estate held** (Consider redevelopment of the areas around real estate held for the future)
Overseas	**Manage commercial facilities by leveraging the know-how of department store operation** **Participate in development projects by local conglomerates**	

(2) Real Estate Business

Initiatives for Real Estate Business (Progress)

Progress in 1H FY2019

[Japan]

- **Increased operating income by 200 million yen in 1H for the commercial facility management business**
  ⇒ Establishment of a stable earnings base in sight
- **Changed MD composition and implemented fixed-term rental contracts for upper floors (5th floor and above) of Mitsukoshi Nihombashi Main Store Annex building**

[Overseas]

- **Decided to open a new digital experience shopping center in Tianjin (collaboration with Yanlord Investment Management (Shanghai) Co., Ltd.)**

(2) Real Estate Business

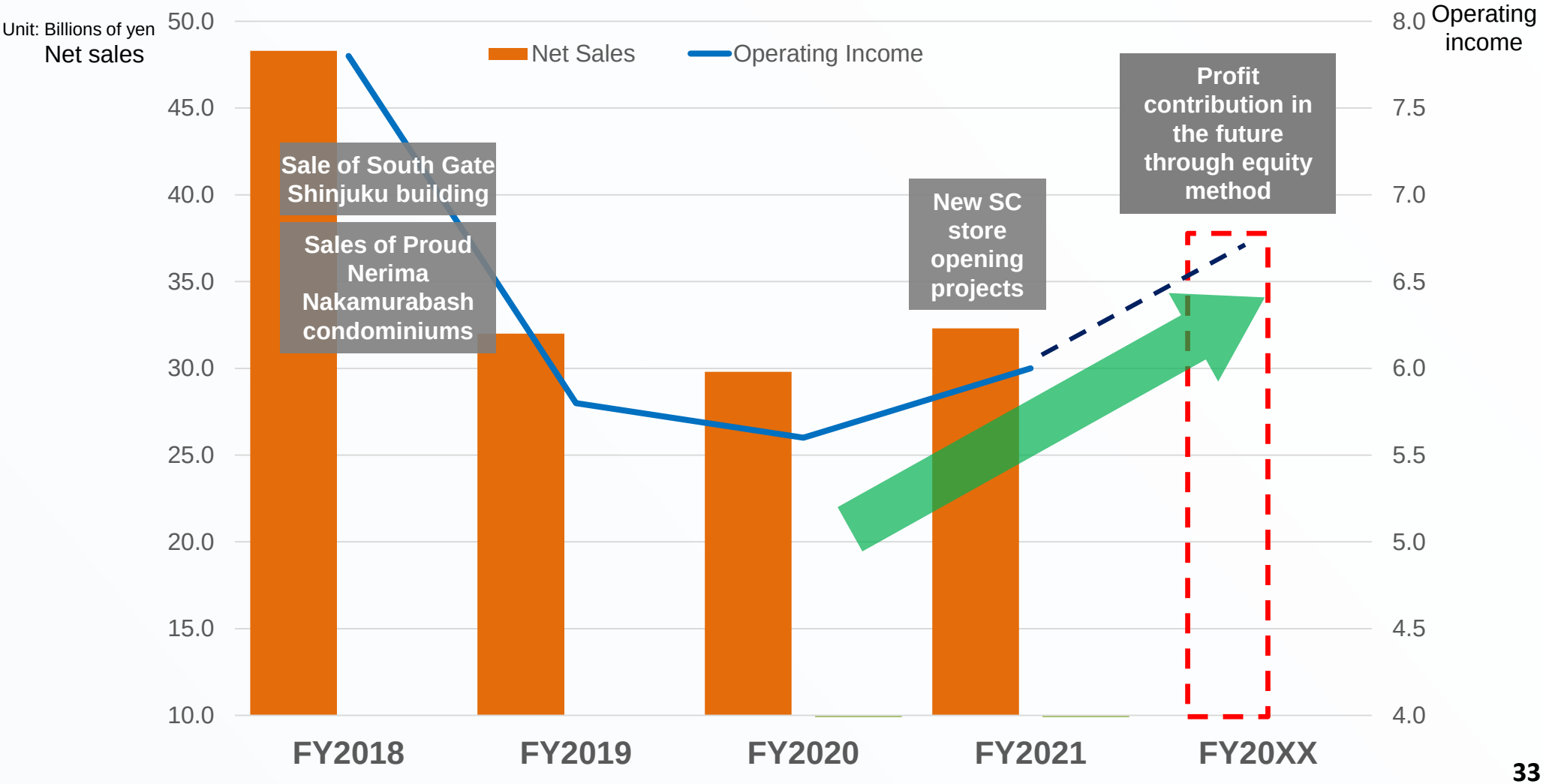
Three-year Plan Implementation Schedule

		FY2019	FY2020	FY2021
Japan 	Commercial facilities	Improve profitability of existing facilities under management (ALTA/LACHIC/mi:ts/F&T)		
			● ●	New projects
	Redevelopment	Consider redevelopment of real estate held		
Overseas 	Commercial facilities			● Philippines MITSUKOSHI
			●	Tianjin suburbs
	Participation in development	Philippines		
			●	New projects

(2) Real Estate Business

Real Estate Business: Net Sales and Operating Income Targets

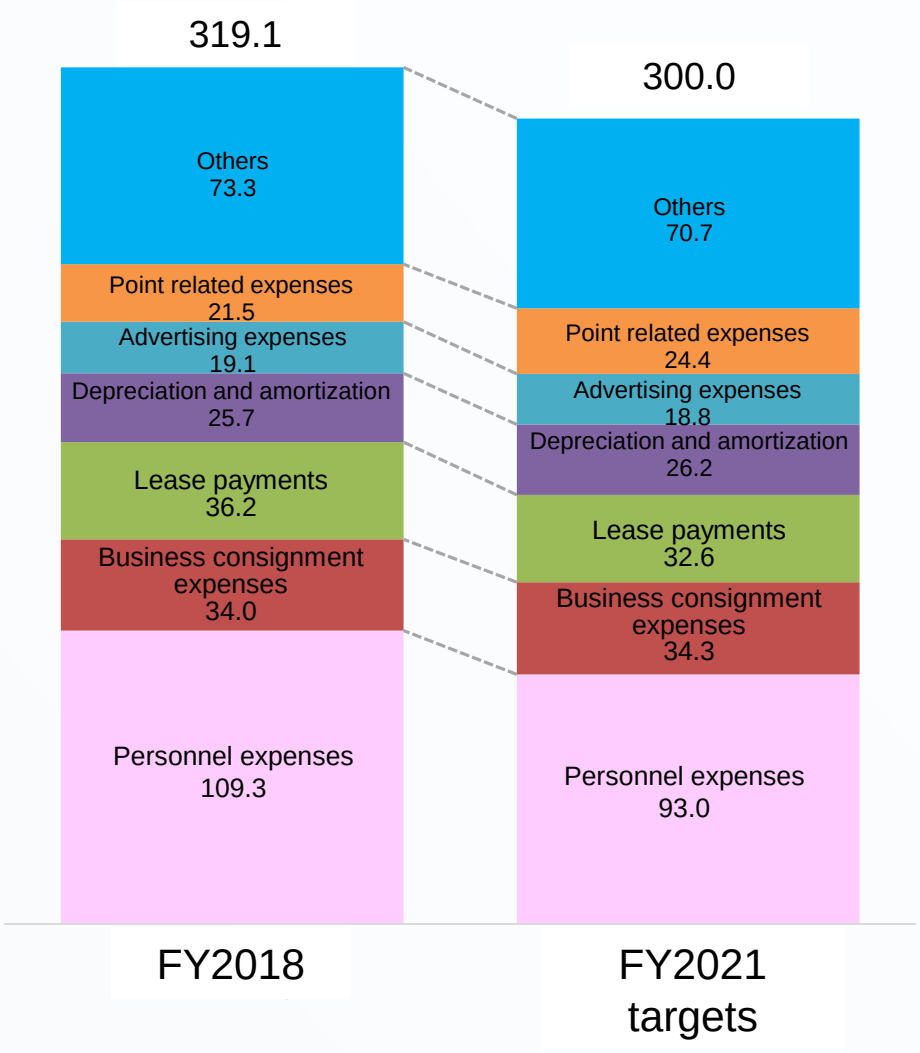
(simple summation basis)



2. Profit/Investment Targets

SG&A Reduction

Unit: Billions of yen



Others
Effect of area efficiency improvement

Advertising expenses
Absorb the increase in expenses related to seamless platform development (6.1 billion yen) by reducing other advertising expenses

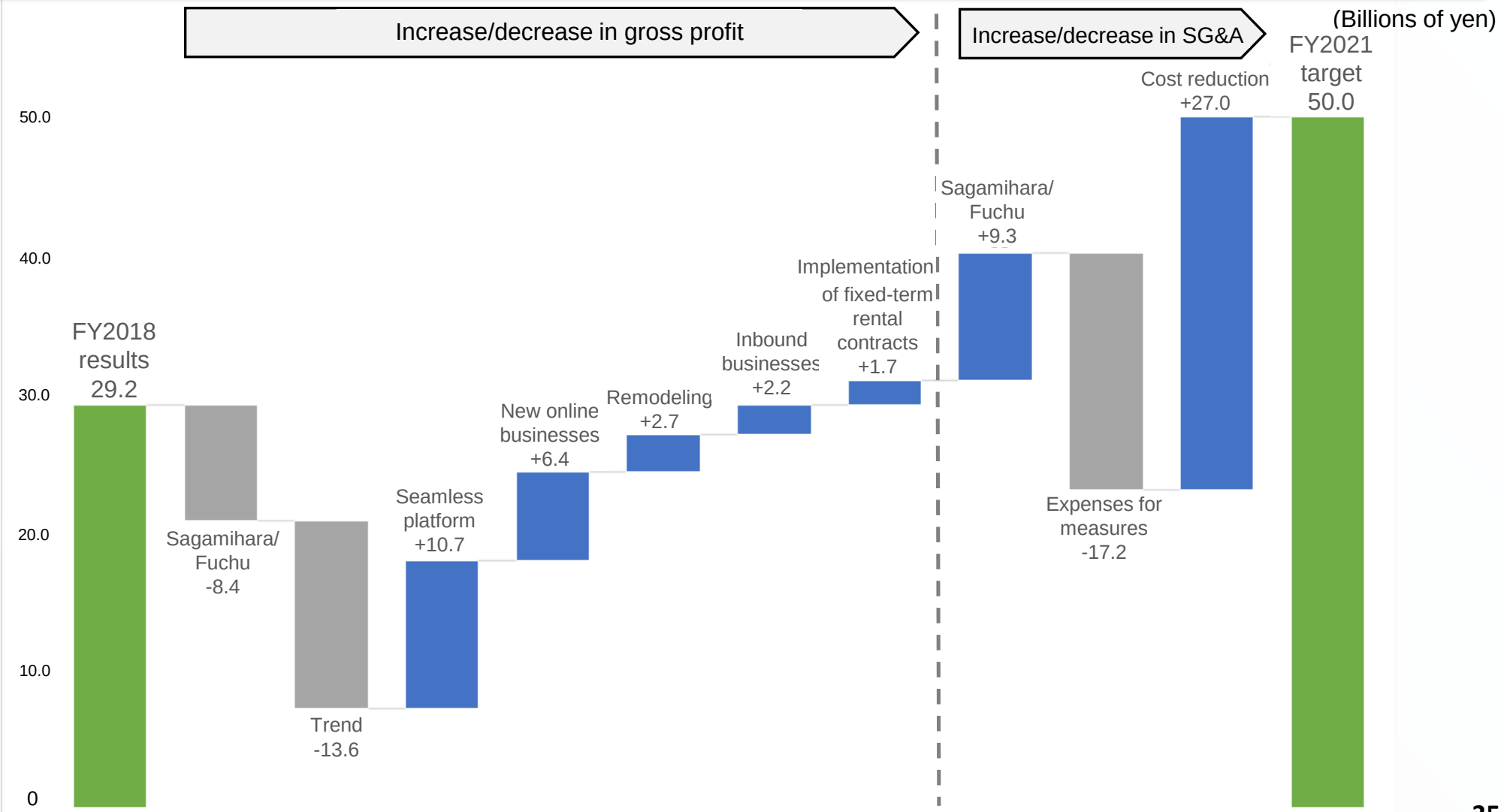
Lease payments
Office optimization and store closure

Consignment expenses
Absorb the increase in expenses for new online businesses through in-house production

Staff optimization
Groupwide 19,000 employees
(decrease of 3,700 employees)

2. Profit/Investment Targets

Operating Profit Target under Three-Year Plan



2. Profit/Investment Targets

Investment Targets

(Billions of yen)	FY2019-FY2021	Presented in November 2018
Department Store	99.0	104.0
Real Estate	17.0	17.0
Systems	16.0	29.0
Others	12.0	8.0
Total investments	144.0	158.0

*** The amount of investment based on capital investment cash outflows**

2. Profit/Investment Targets

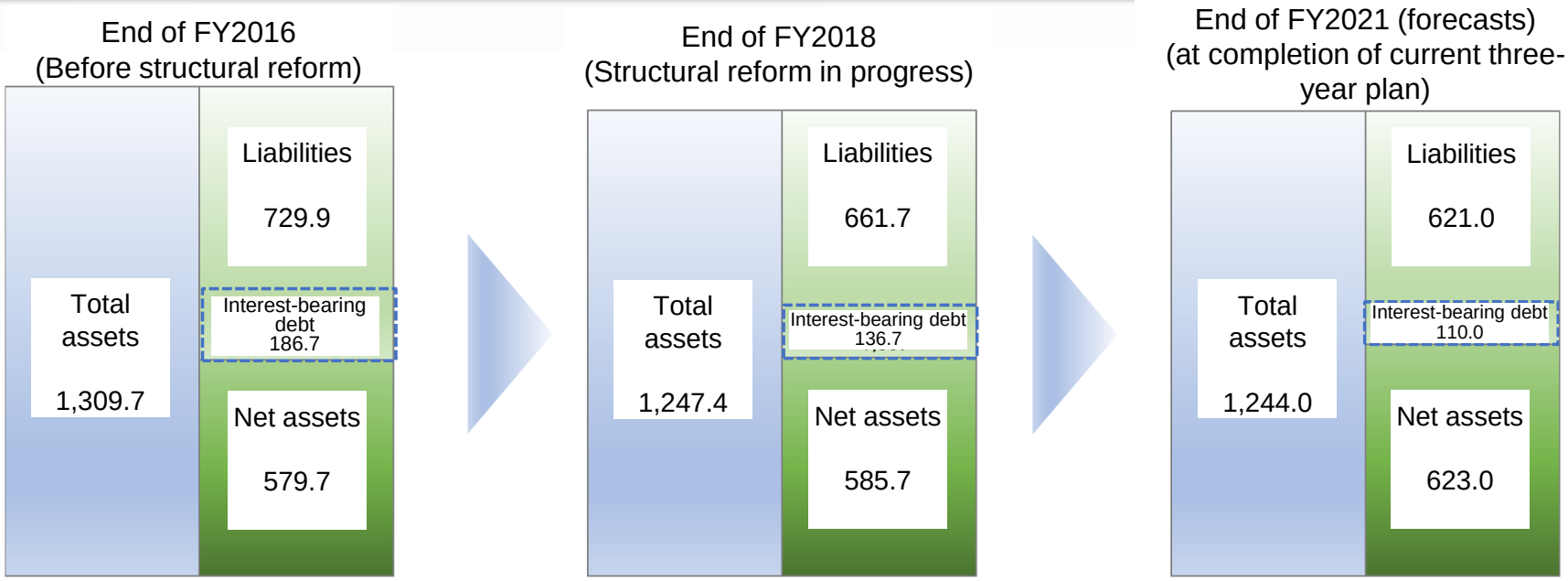
KPI: Operating Income of 50 Billion Yen
ROE of 5.0% or higher for FY2021

	FY2019 Plan	FY2021 Target
Operating income	30 billion yen	50 billion yen
ROE	2.4%	5.0% or higher

*** Target values are based on current estimates**

3. Capital Policy

Changes in B/S



Changes in Major Management Indicators

	End of FY2016	End of FY2018	End of FY2021 (forecasts)
Shareholder's equity ratio	43.4%	46.1%	49.3%
ROA	1.8%	2.3%	4.0%
ROE	2.6%	2.3%	5.4%
Years of debt repayment	2.5 x	1.5 x	0.9 x

3. Capital Policy

Cash Flows under Three-Year Plan

Free cash flows generated under the current three-year plan will be preferentially allocated to growth investments. We will thereafter consider returning excess cash to shareholders constantly and flexibly, while maintaining a balance with growth investments

Operating cash flow (including asset sales)

Approx. 194 billion yen

Planned investments

Approx. 144 billion yen

Approx. 50 billion yen

- **Stable dividends**
- **Additional growth investments**
- **Flexible returns to shareholders**

- Prioritize investments for reforming the department store business model and growth strategy

Expansion of earnings base

- Consider making growth investments and returning profits to shareholders in a balanced manner in the medium to long-term

3. Capital Policy

View on Returns to Shareholders

	FY2018	Current three-year plan			FY2022 onward
	Results	FY2019	FY2020	FY2021	
Annual dividends	12 yen	12 yen	Aim for a stable dividend increase over the medium to long-term in line with profit growth		
Dividend payout ratio	34.7%	33.4%	Aim to maintain and improve the dividend level of 30% or higher over the medium to long-term		
Repurchase of own shares	—	10 billion yen (maximum)	While giving priority to growth investments, consider repurchasing own shares continuously and flexibly		
Total return ratio	34.7%	104.9%	Aim for medium to long-term improvement of total return ratio along with dividend payout ratio		

4. Promotion of Sustainability

Isetan Mitsukoshi Group – Connecting people and bridging times

Isetan Mitsukoshi Group – Sustainability philosophy

We continue to “connect” “customers around the world” who seek “richness” with “people/ communities/times/societies”

Priority efforts (1)

Connecting people and communities

- Connecting customers with communities and creators -

Co-existence and co-prosperity with production areas and suppliers

Priority efforts (2)

Connecting sustainable societies and bridging times

- Bridging a safe and stable environment from the past to the future -

Social responsibilities and trusting relationships with customers

Priority efforts (3)

Enhancing employee satisfaction

- Creating a good working environment and investing in human resources -

Employee satisfaction → customer satisfaction

Base

Group governance | Compliance | Universal response | Environmental response

This document contains forward-looking statements, which are based on the information currently available and certain assumptions the Company considers to be reasonable, and involve various risks and uncertainties.
Actual results, performance, achievements or financial position may be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.