



ISETAN MITSUKOSHI HOLDINGS

Annual Report **2014** ▶▶▶

Isetan Mitsukoshi Group Vision

Table of Contents:

Isetan Mitsukoshi Group Vision.....	1
History	2
Group Businesses	3
Business Initiatives	4
Business Strategy	5
Domestic Store Strategy	
Department Stores	6
Expansion Channels	7
Overseas and Other Strategies	8
Initiatives to Increase Profitability	9
Corporate Governance	11
Managerial Index	12
Financial Highlights	13

To become the 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.

HISTORY

ISETAN

● MITSUKOSHI



Tanji Kosuge established the Iseya Tanji kimono fabric shop in Hatago-cho, Kanda.

Isetan Co., Ltd. established.

Main store opened in Shinjuku.



Remodeling and grand opening of Isetan Shinjuku Main store (March).

1673

Takatoshi Mitsui established the kimono fabric shop Echigoya at Edohoncho 1-chome (present-day Tokyo).



1886

1904

Mitsukoshi Gofukuten Co., Ltd. established. Became the first department store with the Department Store Declaration.

1914

1928

New five-story building completed in the renaissance style at Nihombashi Main store.

1930

Corporate name is changed to Mitsukoshi, Ltd.

1933

Ginza store opened.

2008

Isetan Mitsukoshi Holdings Ltd. established via the business integration of Mitsukoshi & Isetan (April 1).

2010

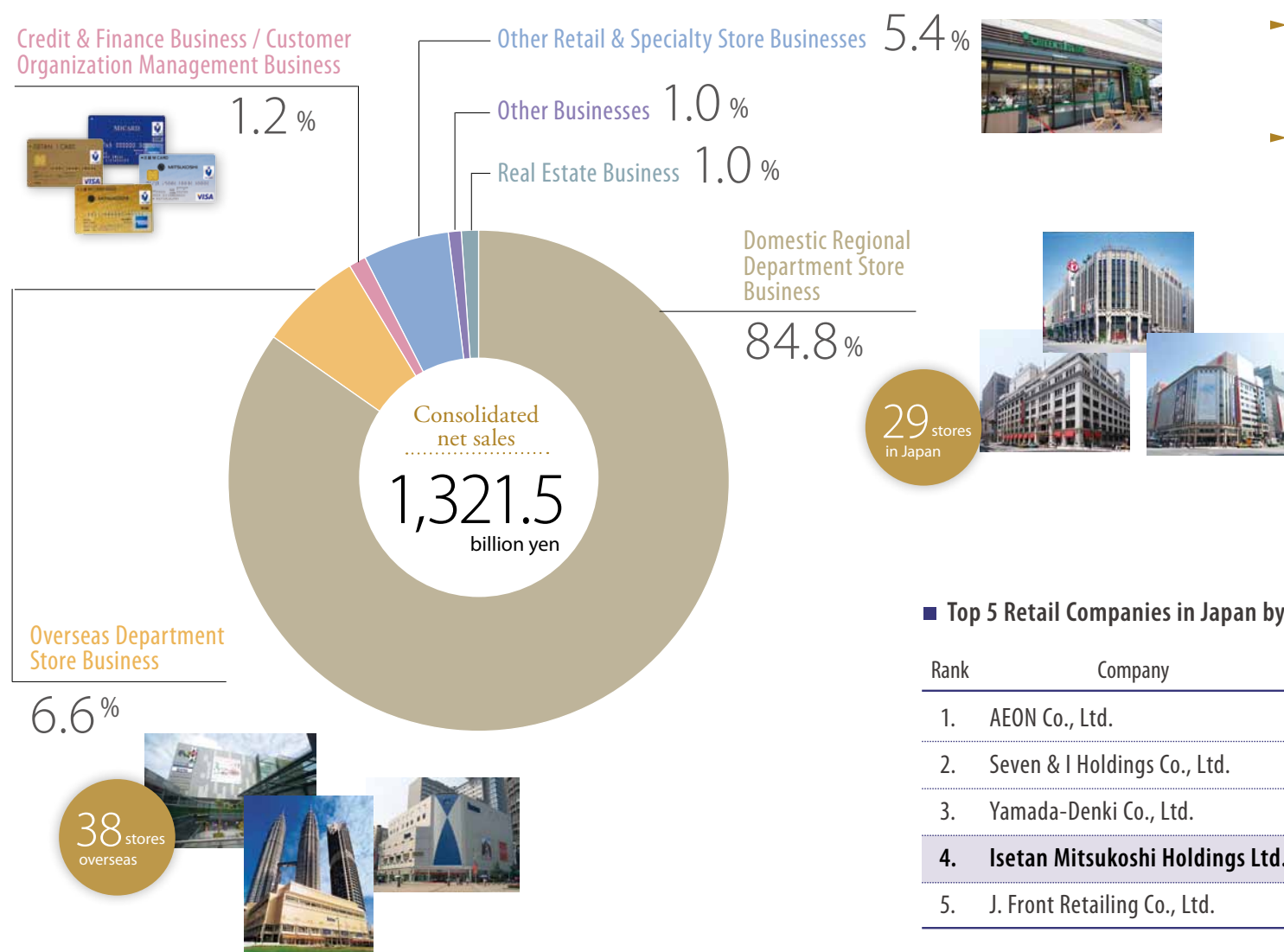
Remodeled and opened Mitsukoshi Ginza store with increased floor space (September).

2013



GROUP BUSINESSES

■ FY2013 Sales Composition Ratio by Business (From April 1, 2013 to March 31, 2014)



► 5 Primary Business Segments

- Department store shares are **91.4%** (84.8% Domestic, 6.6% Overseas)
- **51.9%** of domestic stores are located in **the Tokyo Metropolitan area** (The 3 flagship stores account for 38.5%)

■ Top 5 Retail Companies in Japan by Revenue (JPY billion)

(FY2013)

Rank	Company	Type of Business	Net Sales
1.	AEON Co., Ltd.	GMS	6,395.1
2.	Seven & I Holdings Co., Ltd.	GMS	5,631.8
3.	Yamada-Denki Co., Ltd.	Home electrical appliances	1,893.9
4.	Isetan Mitsukoshi Holdings Ltd.	Department store	1,321.5
5.	J. Front Retailing Co., Ltd.	Department store	1,146.3

BUSINESS INITIATIVES

Policies to revitalize our department stores



Expanding and strengthening high growth businesses



Our Business Initiatives

Aiming to become the world's premiere retail service group by providing definite value

The sum of all retail businesses is JPY140 trillion with little fluctuation.

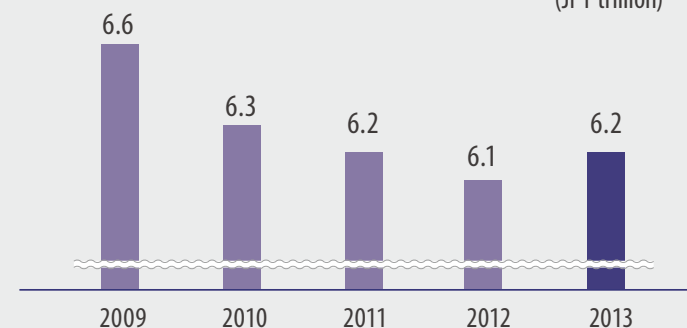
■ Net sales of Japanese retail businesses (JPY trillion)

	2013	% change from 2009
Retail businesses (Total)	138.9	+3.1%
Department store	6.2	-5.6%
E-commerce	11.5	+71.6%
Supermarket	12.7	-0.9%
Convenience Store	9.4	+18.7%

Department stores shares are decreasing due to competition.

■ Department store net sales in Japan (Five-year comparison)

(JPY trillion)



Fundamental Issues Surrounding Department Stores

Reliance on initiatives

Product line homogeneity

Reduction of in-house sales staff

Decline in marketing power

Location provision

Decline in earnings potential

Slow introduction of new business practices

Reduced competitiveness

Structurally unsound business conditions

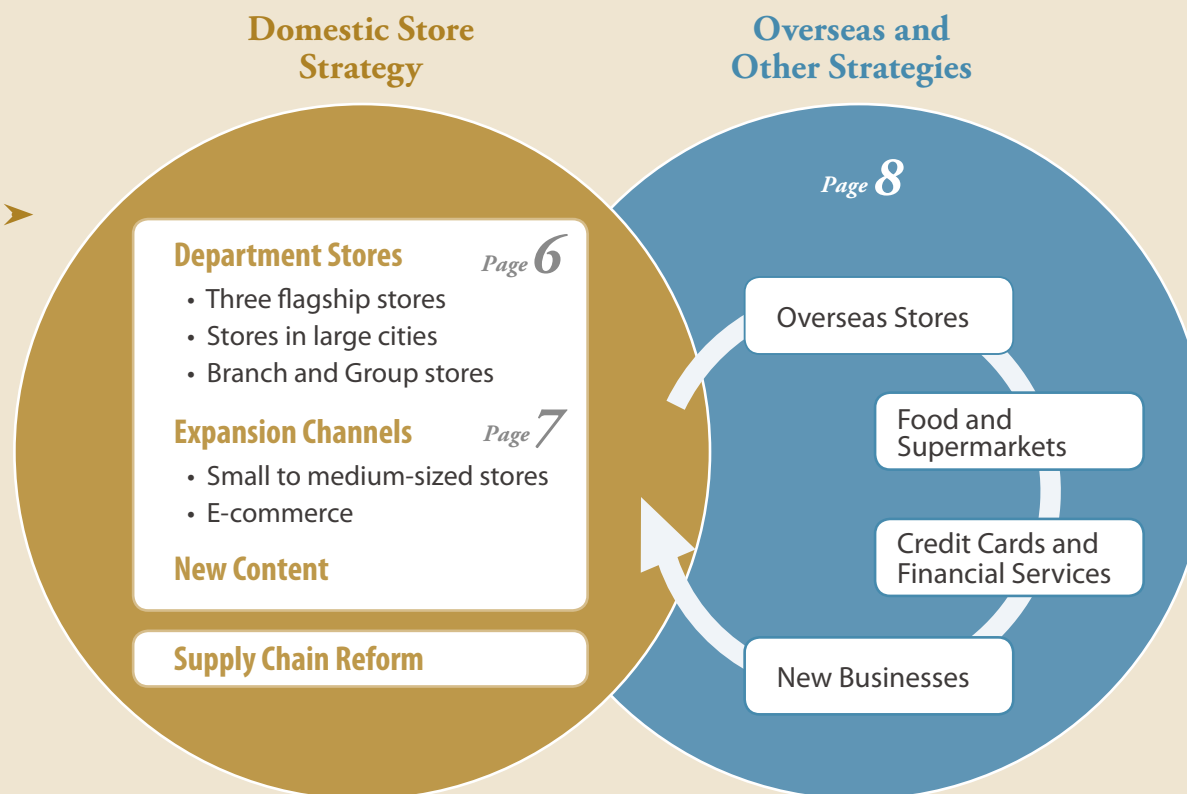
BUSINESS STRATEGY

► Achieving Consolidated **Operating Income** of Over **JPY50.0 billion** in FY2018

■ Medium-term Vision ■

Key Strategy

1. Creating highly attractive content
2. Expanding and enriching customer interaction opportunities
3. Improving productivity
4. Establishing infrastructure and functions



Department Stores

■ Flagship Stores

Strengthening our competitive edge by increasing investment in the Group's largest generator of revenue

Isetan Shinjuku Main Store



The world's greatest fashion store

- Modification of remodeling issues following completion in March 2013
- Remodeling of 5th and 6th floors

Mitsukoshi Nihombashi Main Store



The world's highest level of hospitality

- Remodel to become the new standard for Japanese traditional high culture
- New customer creation campaign following the remodel

Mitsukoshi Ginza Store



A landmark of the world-renowned Ginza district

- Become the first store visited by people coming to the Ginza district and foreign customers
- Aim to achieve sales of 100 billion yen

■ Group Stores

Stores in large cities

Increased attractiveness and asset efficiency via large scale remodeling

Branch and Group stores

Establishment of a revenue generating revenue base

Sapporo



Nagoya



Fukuoka

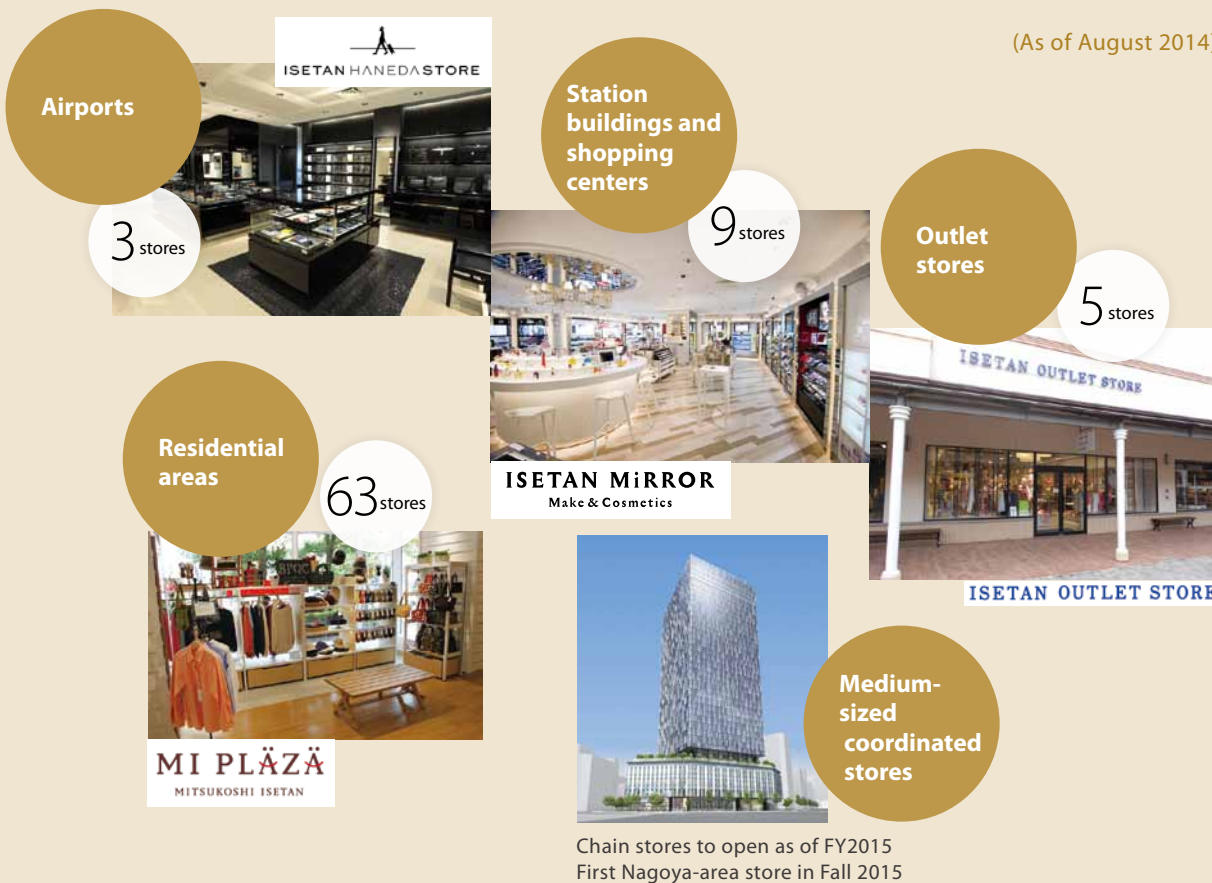


Expansion Channels

■ Small to Medium-sized Stores

Aiming for 150 total stores by expanding branch stores throughout the country (exceeding 70 additional stores)

Expanding customer interaction opportunities, Increasing brand value



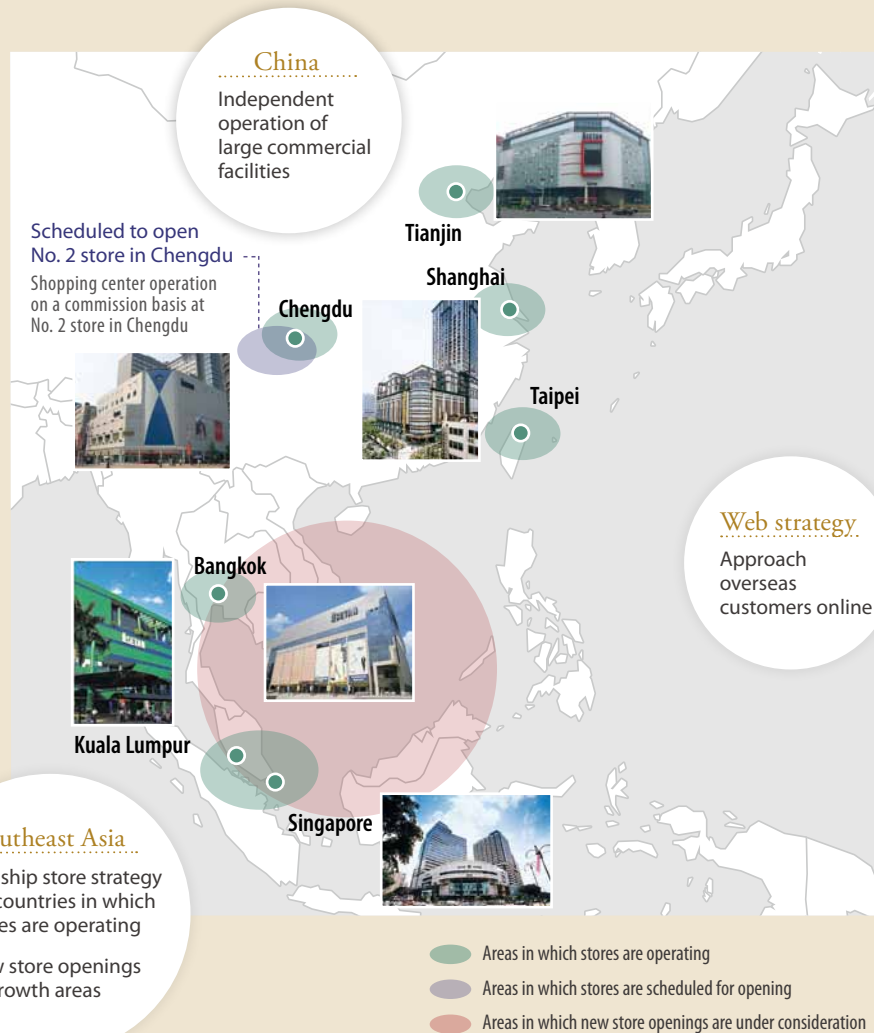
■ E-commerce

Established a JPY30 billion business model by allowing access to flagship store products and services via the web



■ Overseas Stores

Aiming to expand sales through the promotion of new business models and establishment of new chain stores



■ Food and Supermarkets

Strengthen existing stores while expanding new stores under the current profitability model



■ Credit Cards and Financial Services

Promote shopping within the Group by centralizing customer management



■ Commercial Real Estate

Fully utilize assets owned by the Group
Take part in plans for redevelopment planning

■ Development of New Joint Businesses

Travel, personnel services, inbound, etc.

INITIATIVES TO INCREASE PROFITABILITY

- ▶ Aiming for JPY20 billion in contributed gross profit on sales by FY2018 through supply structure reforms

Reform of Sourcing Structures (Products)

Planning and Development of Private-brand Products

- ✓ Development of highly unique and profitable products
- ✓ Stable supply of products to stores and regional stores
- ✓ Reform of store operations



Improving Store Competitiveness and Profitability

Providing products, sales, development, and services

Accurately communicating customer demand

Improving Sales Ability

Improving Management Capacity

- ✓ Strengthening sales management
- ✓ Optimal factor allocation based on sales analysis
- ✓ Formalization of sales behaviors and skills of superior stylists



Strengthening Sales Ability

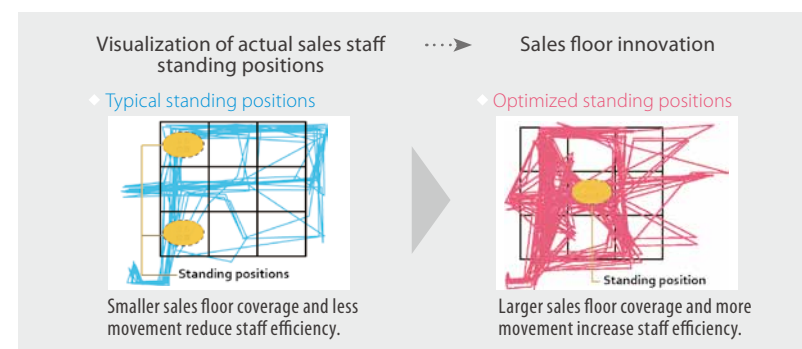
■ Gross Profit Margins of Japanese Major Department Stores (%)

	FY 2013	Percentage change from previous year
Isetan Mitsukoshi	27.03	+0.02
Takashimaya	25.10	-0.31
J Front Retailing	23.80	-0.26
H2O Retailing	24.72	+0.07

Values are based solely on the department store business of each group.

Ex.) IT Analysis of Customer Service

- Optimization analysis of staff-customer ratios
- Stylist analysis for customer service enhancement




■ Creating Shared Value


- Initiatives through **Japan Senses Initiatives** as one of the many methods of social contribution

Concept

To further recognition of Japan's potential value throughout the world in order to make Japan prosper



**ISETAN
JAPAN
SENSES**



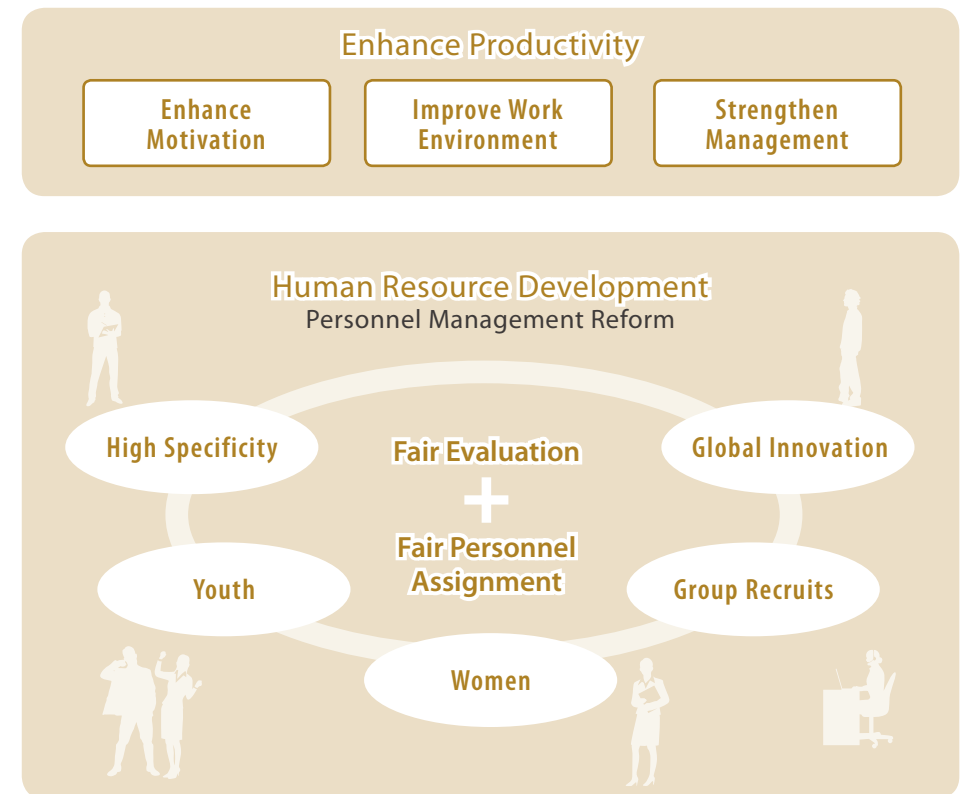
Major Theme

To contribute to society by relating the value of Japanese products worldwide

Currently planning for expansion worldwide

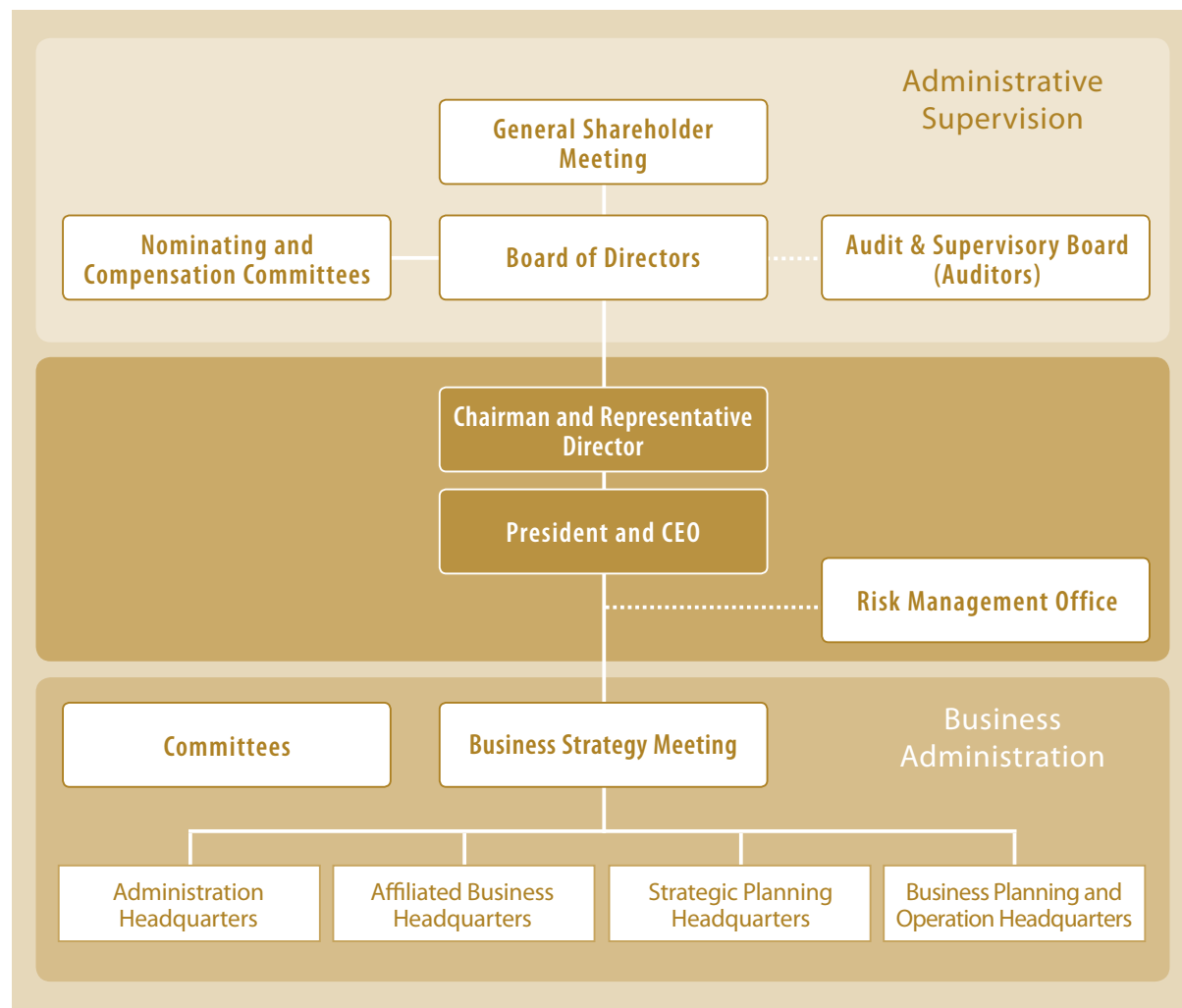
■ Human Resource Development Aimed at Realization of the Group Vision

- Cultivating a work environment employees can be proud of



CORPORATE GOVERNANCE

- Our companies aims to become a trusted corporate group by promoting greater interaction with stakeholders, streamlining the operations decision making process, as well as strengthening operations supervision and internal regulatory systems in order to promote more highly transparent corporate activities.



Board of Directors

Comprised of three non-executive directors and six executive directors

Nominating and Compensation Committees

Acts as a unit of inquiry for the Board of Directors, comprised in large majority by non-executive directors. Holds deliberation and Q&A sessions about the compensation and general affairs of executive and corporate officers

Auditors/Audit & Supervisory Board

Acts as an independent body, audits the business affairs of the directors

Business Affairs

Recruits corporate officers for the streamlining of business affairs, as well as broad-range assignment of authority

Business Strategy Meeting

Comprised of corporate officers, holds votes and deliberation on key issues

Committees

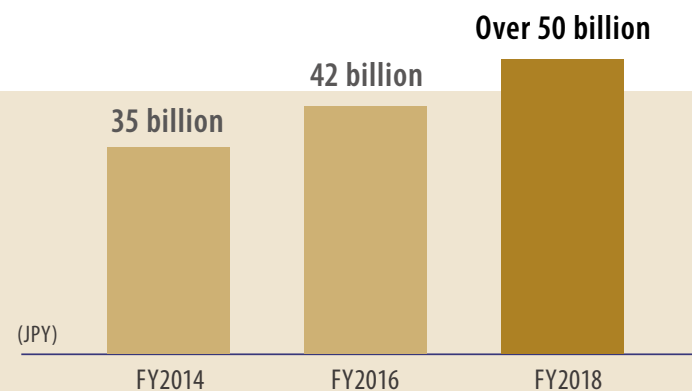
Act as a body of inquiry for operating strategy meetings, formed by a cross-sectional selection of corporate members. Investigate and report major issues of Group operations.

- Compliance and Risk Management Committee
- Environmental Committee
- Group Business Philosophy Committee, etc.

MANAGERIAL INDEX

■ Profit Plan

- ▶ 2018
Achieve operating income of over **JPY50 billion**



■ Investment Plan

- ▶ FY2014–2016 **JPY111 billion**

Maximize investment
within the range
of operating cash flow



Increase investment in highly
promising ventures
(M&A, commercial real estate, etc.)

■ ROE

- ▶ Aim for long-term growth

Profit Maximization

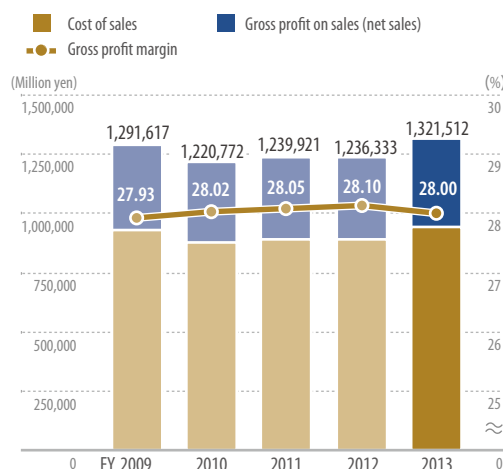
- ✓ Achieve an operating income of over JPY50 billion in the short-term
- ✓ Maximize utilization of portfolio assets

Shareholder Returns

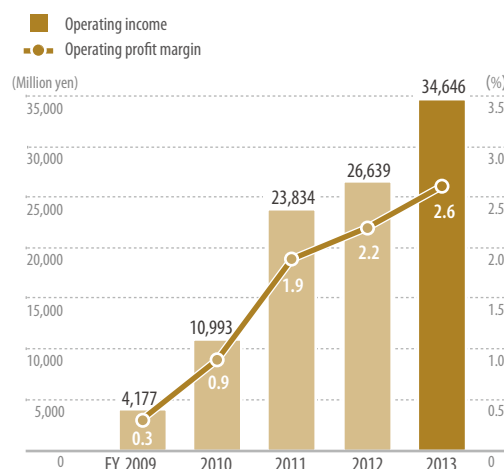
- ✓ Increase dividends
- ✓ Consider strategies to make shareholder returns further reflect performance

FINANCIAL HIGHLIGHTS

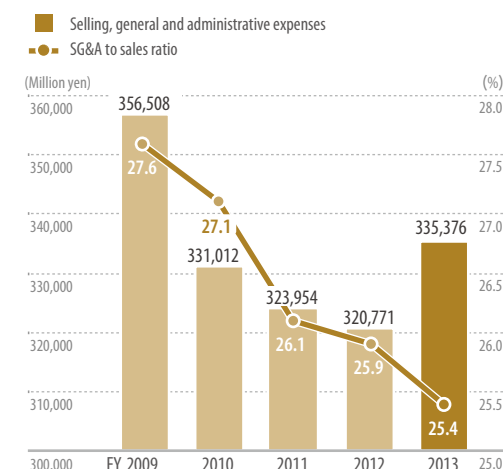
Cost of sales and gross profit on sales (net sales) / Gross profit margin



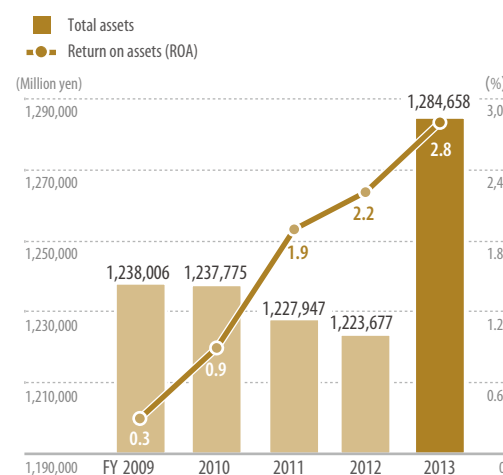
Operating income / Operating profit margin



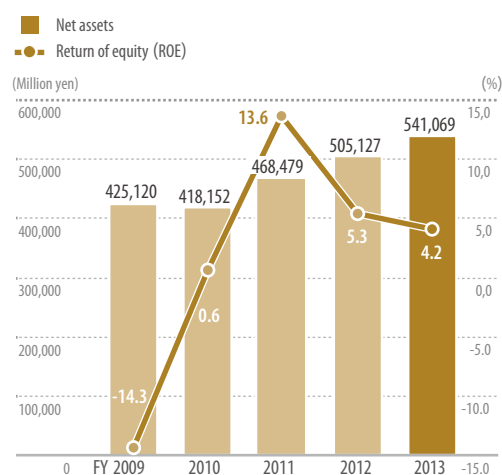
Selling, general and administrative expenses / SG&A to sales ratio



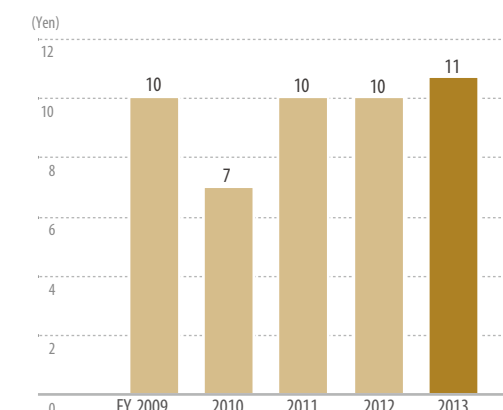
Total assets / Return on assets (ROA)



Net assets / Return of equity (ROE)



Cash dividend per share



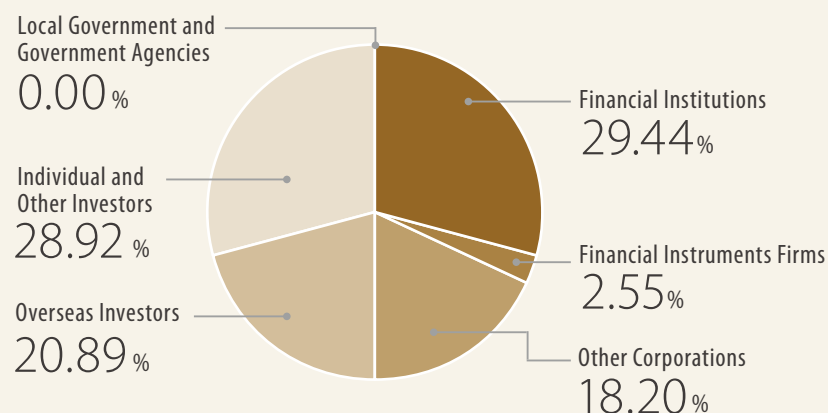
Equity Situation (as of March 31, 2014)

Total Number of Shares Issued and Outstanding 394,869,354

Of which, treasury stock 248,177

Number of Shareholders 173,822

Proportion of Shareholdings by Investor Category



* Proportion of shareholdings by investor category is the distribution of holders of more than one trading unit of shares (100 shares).

* The 248,177 shares held as treasury stock are included in the figures for individual and other investors.

Corporate Profile

Company Name Isetan Mitsukoshi Holdings Ltd.

Principal Businesses:

1. Management planning and management of subsidiaries and group companies engaged in department store and other businesses, and all related operations
2. Department store businesses

Representatives

Kunio Ishizuka, Chairman and Representative Director (concurrently Chairman and Representative Director, Isetan Mitsukoshi Ltd.)
Hiroshi Ohnishi, President and CEO (concurrently President and CEO, Isetan Mitsukoshi Ltd.)

Established April 1, 2008

Head Office 5-16-10, Shinjuku, Shinjuku-ku, Tokyo 160-0022, Japan

Capital JPY50.1 billion

Fiscal Year Ended March 31

Stock Exchange Listed on Tokyo Stock Exchange and Fukuoka Stock Exchange

Employees 12,603 (consolidated basis)

Corporate Bond Information

Name of Rating Agency (As of November 19, 2013)

Rating and Investment Information, Inc.	
Issuer Rating (relative standing)	A- (stable)
Long-term Issue Rating	A-
Short-term Rating (commercial paper)	a-

List of Corporate Bonds

Name	Date of Issuance	Issuance Amount	Coupon Rate	Redemption Date
No. 2 Unsecured Corporate Bond	September 2, 2010	120	0.970%	September 2, 2015
No. 3 Unsecured Corporate Bond	May 27, 2013	100	0.594%	May 25, 2018
No. 4 Unsecured Corporate Bond	September 2, 2013	100	1.071%	September 1, 2023



For Inquiries:

Investor Relations, Corporate Administration Division,
Administration Headquarters, Isetan Mitsukoshi Holdings Ltd.
E-mail address: support_sh@imhds.co.jp