Isetan Mitsukoshi Holdings

Mitsukoshi Nihombashi Main Store Business Briefing Session

Outline of Questions and Answers Summary

Date: Friday, June 30, 2023, 13: 00 to 14: 25

Q. I understand that Mr. Marui is from Isetan. What is the difference of impression between now and before you arrived as store manager? Where do you see Nihombashi's strengths, growth, and challenges?

A. The customers' “Mitsukoshi love” and “Nihombashi love” were more than I could have imagined. However, you cannot take it for granted. As internal issues, because of its long history, there is a strong mindset of “Mitsukoshi Nihombashi Main Store should be like this”, so I think that resetting employees' minds will lead to more growth.

Q. Regarding the development of the city, the atmosphere and customer demographics of the same city vary from area to area, such as the difference between the area around COREDO Muromachi and the Mandarin Hotel. I think merging these will be a theme for the future, but what other ideas do you have for the future besides reorganizing beauty and health on the fifth floor of the new building?

A. That's exactly right, and there was a time when the customer base defected in some areas, but through the subsequent development of the city, changes in our mindset, and changes in merchandise and product development, the number of customers in their 30s to 50s has definitely increased. For example, a power couple who lives in Chuo-ku and buys a condominium for more than 100 million yen at a young age. In other cases, foreign visitors staying at the Mandarin Hotel always start their day by seeing the statue of the heavenly maiden on the first floor of the main building of Mitsukoshi Nihombashi, in the morning during their stay. We are currently deepening our cooperation with foreign hotels around us through delivery and other services. We hope to promote urbanization in various efforts.

Q. You said you plan to increase total sales by 7.3 billion yen in FY 23 compared to FY 19, but are there any products or services that you particularly expect to increase sales in the future?

A. Expectation for sales is very strong in special selections, watch and jewelry, food and living areas that are the strengths of Nihombashi Main Store. However, if kimono and artworks are added to it as an essence, a total proposal can be made. At Isetan, there are many customers who buy advanced products in each category, but in Nihombashi, it is highly expected that we can offer a total lifestyle by proposing customers to buy various products.

In addition, the development of the city of Nihombashi has increased the number of visitors and thus increased the number of customers. Since Nihombashi is not as crowded as Shinjuku or Ginza, we see many young customers coming to our store with small children.

We hope to increase sales significantly by creating a safe shopping environment where strollers can pass each other without bumping into each other and by creating new fans

Q. I understand that Nihombashi Main Store has limitations because it is a historic building, but what are the plans for store renovation, including digital use, like Isetan's?

A. As you say, the store is an important cultural property, so you can't renovate it blindly.
However, living and life design areas, which are our strength, will open this fall. We will transmit something new.
On the other hand, even if Nihombashi Main Store is not renovated, it can still make full use of its extraordinary and historical design, which extends from the central hall to the rooftop garden, and still be able to sale rare value products and make cultural transmission of events like the Ikenobo exhibition (of flower arrangement).
In terms of digital, we recognize that it is still a work in progress. But beyond that, the store has a very strong people-to-people connection, so the category specialists in each sales department, in cooperation with each other the out-store sales and store attendants, will use digital tools to deal with the younger customers.
We believe that digital proposals using SNS and other means can be advanced further.
In addition, we have already started to digitize product launches and technical archives, and we would like to send out messages through their convenience that can reach more customers.

Q. Regarding inbound customers, I would like to know the current situation, such as sales trend of products and the return of customers.

A. More than you might think, Nihombashi Main Store attracts very wealthy people from overseas.
It's personal information, so I won't go into detail, but the store is used by global stars, royal figures and other wealthy people incognito with a peace of mind, unlike in Ginza or Shinjuku.
Nihombashi Main Store works with the concierges of foreign-owned hotels in the surrounding area, and we believe that we should promote a policy of valuing individuality for overseas customers in line with our strategy shift from mass to individual.

Q. I think the number of young customers is increasing across the Isetan Mitsukoshi Group, but given that senior citizens are already strong in Nihombashi, what factors are attracting young customers? What measures, other than the development of the city of Nihombashi, are influencing the increase?

A. Although the support of younger customers is increasing, I still believe that the Nihombashi Main Store is a store that needs the support of its senior customers. We would like to secure continuous support through measures such as barrier-free support.
The fact that Nihombashi Main Store is a safe place to shop is actually very attractive to young people, too. Although we carry the same luxury brand, there are people who want to line up in the crowded Shinjuku Store, and there are also many people who want to buy the brand in the context of total family shopping at Nihombashi Store. Other than that, some customers use different stores depending on the day of the week or occasion. Even my customers use them wisely, such as buying cosmetics at Ginza Store when they are busy on their way home from work, buying limited edition fashion items they really want at Shinjuku Store even if they have to stand in the line, or coming to Nihombashi on weekends to buy together with living goods and

food when they want to spend time with their families. Even though a change in the city will allow Nihombashi to attract younger shoppers on its own, we would rather encourage them to shop around the entire Isetan Mitsukoshi Group and use each store with distinctive characteristics. With that in mind, the appeal that the customers of Shinjuku Store or Ginza Store did not know is more easily conveyed to customers by the integration of each store. Each salesperson goes around with customers and makes suggestions, so I think the appeal of this store is being conveyed to existing customers anew.

Q. Am I correct in understanding that you are already quite active rather than a "sleeping lion"?

A. I think so.

Q. If you go ahead with hospitality and CRM strategies that cater to each customer, will you need to increase your work force?

A. There is a system where one employee performs multiple tasks. We develop and educate human resources for that purpose. We will cut down on unnecessary work, improve our skills and promote multitasking while reforming our work style, so we will not increase our workforce unnecessarily. We make it possible to deal with customers anywhere even if they are suddenly called. Staff in the back office also work in the store on a regular basis, and category specialists communicate with each other so that, for example, an employee in charge of ladies' clothing can serve customers in the living floor.

Q. I want to hear about the base network. All regional department stores are in severe environment, but how can you contribute to the regional stores with Nihombashi's proposal? What kind of contributions do you think you can make because of Nihombashi's strong brand and history?

A. We, the main stores in Nihombashi and Shinjuku, would like to provide services as well as products as the leaders of regional stores nationwide. Out-store-sales Management Department also communicates several times a month with the out-store-sales departments of regional stores, and works with them through daily digital communication. For example, we communicate the fact that now at Nihombashi, there are such limited items, and at Shinjuku, there are such items, and how many of them can be offered to regional stores. In such ways, we can offer customers of regional stores products they would not normally be able to buy. Then local customers will think it's worth shopping with the local Mitsukoshi, and we sometimes hold pop-up stores for each brand exclusively for out-store-sales customers. For example, if a brand goes from Tokyo to Hiroshima and holds an order-receiving session for three days, it can offer a lineup that no other regional competitor can offer, and its stylists and customers can be connected via LINE and other channels. This does not end after the three-day order-receiving session, but also allows for constant communication between Hiroshima's out-store-sales, customers in Hiroshima, and the staff in charge at Nihombashi, even after the stylist returns to Tokyo. The physical distance is not a problem because the product will be delivered in one day. We believe that if we can do constant digital communication and real communication a few times a year would provide value to all Isetan Mitsukoshi Group customers. I think it is the role of both the main stores in Nihombashi and Shinjuku to prepare a lot of such content.

Q. Do you mean you will be more aggressive with pop-ups like the one we just heard?

A. We are already active in dispatching pop-up stores in regional areas, and we are moreover looking for employees to be seconded from regional stores.

For example, employees of Hiroshima Mitsukoshi and Nagoya Mitsukoshi are seconded to Nihombashi Mitsukoshi.

This way, even when customers visit Tokyo, a staff from Hiroshima can form a buddy with a staff from Nihombashi and serve them in the trinity. Then, the customers will be very satisfied with the presence of both the staff from their local area and the staff from Nihombashi. I think the experience of being entertained all day in person will make the digital communication even deeper after they return to Hiroshima. Along with pop-ups I have mentioned earlier, we hope to promote both.