
Isetan Mitsukoshi Group Financial Results Explanation
Meeting for the Six Months
Ended Sep 30, 2024

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November 13, 2024

 **Isetan Mitsukoshi Holdings Ltd.**

I: FY2024 Q2 Results

II: FY2024 Full Year Plan

**III: Next Medium-Term Management Plan
(FY2025-FY2030)**

Yoshinori Makino, Director, Managing Executive Officer, CSDO and CFO

I will now explain about the second quarter results and the full-year plan.

I: FY2024 Q2 Results

II: FY2024 Full Year Plan

III: Next Medium-Term Management Plan
(FY2025-FY2030)

1. FY2024 Q2 Summary of Results

- Gross sales **increased significantly at domestic department stores** as various strategies were successful in the final year of the "Revitalization of Department Stores" phase.
- While selling, general and administrative expenses increased due to increased revenue, cost structure reform through "Scientific analysis of department stores" progressed across the Group, **the total amount is lower than the previous year.**

2Q operating income, recurring income, and net income all significantly surpassed record highs since integration

First, here is a summary of Isetan Mitsukoshi Holdings Ltd.'s second quarter results.

The various strategies we have adopted over the past few years have been successful, and in the second quarter of this fiscal year, operating income, recurring income, and net income surpassed the record high profits since the business integration of Mitsukoshi and Isetan.

We were able to appropriately control selling, general and administrative expenses while net sales exceeded ¥619.0 billion, an increase of ¥57.6 billion year on year and gross profit increased ¥13.8 billion year on year.

Selling, general and administrative (SG&A) expenses were kept at -0.8 billion yen year-on-year, and operating income was 34.8 billion yen, an increase of 14.6 billion yen year-on-year, surpassing the previous record high full-year operating income as of the first half of the year.

2. FY2024 Q2 Consolidated Results

- Gross sales: In the department store business, in addition to inbound tourists, domestic customers also grew steadily, resulting in a **significant increase in sales**.
- Selling, general and administrative expenses: The idea of "Scientific analysis of department stores" has spread to regional stores and group companies, and **the total amount is lower than the previous year**.
- As a result of the above, **profitability has improved significantly**. Operating income, recurring income, and net income **all reached record highs since the merger**.

(0.1 billions of yen)	2Q Cumulative Results	YoY	YoY difference
Gross sales	6,191	110.3%	+576
Net sales	2,640	106.3%	+155
Gross profit	1,617	109.3%	+138
Selling, general and administrative expenses	1,268	99.3%	-8
Operating income	348	172.8%	+146
Recurring income	387	169.0%	+158
Net income	253	170.8%	+105

Including equity method income from Taiwan and other regions, recurring income was 38.7 billion yen. Although using the simplified method, net income for the period was 25.3 billion yen, and the Company believes that the interim financial results provided evidence of a definite change in profitability over the past several years.

3. Gross sales figures for major domestic department stores (by store and company)

- **Both Shinjuku and Nihombashi flagship stores are progressing smoothly toward their annual plans, and the Ginza store achieved a significant increase in sales of more than 20% compared to the previous year.**
- **Large-scale stores such as Sapporo Marui Mitsukoshi, Nagoya Mitsukoshi, and Iwataya Mitsukoshi saw steady sales growth.**

(0.1 billions of yen)	Gross sales	YoY	YoY difference	(0.1 billions of yen)	Gross sales	YoY	YoY difference
Isetan Shinjuku Main Store	1,981	116.4%	+278	Sapporo Marui Mitsukoshi	286	104.0%	+10
Mitsukoshi Nihombashi Main Store	762	109.0%	+63	Sendai Mitsukoshi	121	94.3%	-7
Mitsukoshi Ginza Store	593	125.8%	+121	Nagoya Mitsukoshi	298	103.7%	+10
Isetan Tachikawa store	146	98.6%	-2	Niigata Isetan Mitsukoshi	159	94.5%	-9
Isetan Urawa store	166	93.5%	-11	Iwataya Mitsukoshi	633	112.9%	+72
Isetan Mitsukoshi Total	3,651	114.0%	+449	Total of 5 major regional companies	1,500	105.5%	+77

Following are the sales results of the main stores.

In particular, the three main stores of Isetan Shinjuku main store, Mitsukoshi Nihombashi main store, and Mitsukoshi Ginza Store, shown in the upper left corner, all showed high growth. Among the main stores in the region shown on the right side, Iwataya Mitsukoshi, shown in the lower right corner, in particular, showed very high growth, which led to the improvement in overall sales.

4. Changes in consolidated SG&A expenses

- Although sales-linked expenses increased, total selling, general and administrative expenses were reduced by **800 million yen year-on-year due to further promotion of expense structure reform.**
- Cost structure reform: Progressing **smoothly with a reduction of 4 billion yen in the first half of the year**, against the full-year reduction plan of -6.6 billion yen announced in August
- Price impact: Water, electricity and gas costs increased in July- September compared to the previous year, but fell short in the first half cumulative total

(0.1 billions of yen)	2Q Results	YoY changes	Breakdown of YoY increase/decrease Current year increase/decrease				
			Cost structure reform	Linked to sales	Strategic expenditures	Impact from price changes	Others
Personnel expenses	442	-2	-20		+6	+11	
Advertising expenses	43	-4	-5				
Lease payments	162	-0	-7	+7			
Business consignment expenses	144	-1	-3		+1		
Depreciation and amortization	113	-0			+1		-1
Utilities expenses	49	-1				-1	
Others	311	+2	-5	+10		+1	-5
Total	1,268	-8	-40	+17	+8	+11	-6

These tables represent selling, general and administrative expenses expenses.

Overall selling, general and administrative (SG&A) expenses were reduced from the previous year while achieving high levels of sales and marginal gains.

This was achieved through further expense structure reforms since the first quarter, despite factors to raise expenses, such as strategic expenses, including sales-linked expenses, and price hikes.

5. Segment income

- Department store business: **Significant increases in revenue and profits** due to increased sales to identified customers and cost structure reforms. The operating income margin is also over 5%, and **the profitability of the department store business has improved dramatically**.
- Credit and finance business: Profits increased due to steady card transaction volume and progress in cost structure reform.

(0.1 billions of yen)	Gross sales	YoY	Net sales	Operating income	YoY difference
Department store business	5,750	110.2%	2,198	295	+127
Credit & finance business/ Customer organization management business	177	103.5%	163	31	+17
Real estate business	132	120.0%	132	14	+2
Other businesses*	130	112.1%	146	7	-0
Total	6,191	110.3%	2,640	348	+146

* Operating income in the "other businesses" segment includes an adjustment (130 million yen)

This table represents a breakdown by segment.

Of the total increase of 14.6 billion yen in operating income, most was in the department store segment. Also in the credit and finance segment, MICARD's operating income in the first half increased 1.7 billion yen year on year. The various structural reforms that have been underway since the second half of last year have borne fruit, and we feel that our profit structure is changing.

I: FY2024 Q2 Results

II: FY2024 Full Year Plan

III: Next Medium-Term Management Plan
(FY2025-FY2030)

Next, I will explain about the full-year plan.

1. FY2024 Summary of Full Year Plan

- **Gross sales are progressing generally as planned, and the plan announced in August remains unchanged**
- Regarding selling, general and administrative expenses, we will steadily manage them by spreading the "Scientific analysis of department stores" and **take flexible measures that will lead to profits while determining the necessary expenses for advancing our strategies**

Operating income and recurring income, which surpass record highs, and net income, which will increase from the previous year, will **be in line with August plan**

We are in line with the August plan for the top line and each profit, including the fact that the overall performance has been generally in line with the plan.

2. FY2024 Consolidated Plan

- Gross sales: Continue to promote "sophisticated and high quality" strategy and "connect with customers" CRM strategy, and be in line with August plan
- Gross profit: Slight revision based on first-half trends
- Selling general and administrative expenses: Necessary expenses will be invested in promoting strategies, but **expenses restructuring will be further advanced and reduced from the August plan**
- **Operating income, recurring income, and net income remain unchanged from the August plan**

(0.1 billions of yen)	Full year	YoY	YoY difference	Difference from August Plan
Gross sales	13,200	107.8%	+953	±0
Net sales	5,560	103.6%	+195	±0
Gross profit	3,410	106.9%	+220	-20
Selling, general and administrative expenses	2,690	101.7%	+44	-20
Operating income	720	132.4%	+176	±0
Recurring income	770	128.6%	+171	±0
Net income	580	104.4%	+24	±0

Our gross sales of 1.32 trillion yen have not changed from where we revised upward in August.

The margin ratio is slightly lower than the plan, partly due to a slight increase in the sales share of luxury brands, so gross profit is lowered from the August plan by 2 billion yen.

On the other hand, selling, general and administrative expenses were reduced by 2 billion yen, and operating income will remain at 72 billion yen as planned in the August upward revision. We have made these plans taking into account considerable progress in structural reforms.

As for operating income, since the first half results showed an increase of 14.6 billion yen over the previous year, we plan to increase it by 3.0 billion yen in the second half as well, to 72.0 billion yen for the full year. For ordinary income, which includes an increase in equity in earnings of affiliates, we expect an increase of 5 billion yen from the operating income stage, and for net income, we expect 58 billion yen, the same amount as in August.

3. Gross sales plan for major domestic department stores (by store and company)

- The three stores in Shinjuku, Nihombashi, and Ginza have revised their initial plans upwards in light of trends in the first half of the year.
- The Shinjuku store is expected to exceed 420 billion yen, and the Ginza store 130 billion yen
- Other stores may also increase or decrease depending on the current situation

(0.1 billions of yen)	Gross sales	YoY	YoY difference	(0.1 billions of yen)	Gross sales	YoY	YoY difference
Isetan Shinjuku Main Store	4,240	112.8%	+481	Sapporo Marui Mitsukoshi	610	100.7%	+4
Mitsukoshi Nihombashi Main Store	1,660	108.6%	+131	Sendai Mitsukoshi	270	97.7%	-6
Mitsukoshi Ginza Store	1,300	124.1%	+252	Nagoya Mitsukoshi	630	102.2%	+13
Isetan Tachikawa store	330	102.3%	+7	Niigata Isetan Mitsukoshi	360	100.2%	+0
Isetan Urawa store	370	95.1%	-18	Iwataya Mitsukoshi	1,320	106.0%	+74
Isetan Mitsukoshi Total	7,900	112.1%	+852	Total of 5 major regional companies	3,190	102.8%	+86

This slide represents annual sales plan for major stores.

The three core stores I mentioned earlier, especially the Isetan Shinjuku main store, have shown extremely high growth over the past several years, from a level that has not exceeded 300 billion yen in the past to a level that will exceed 420 billion yen by the end of this fiscal year. We feel that we are on the right track.

4. Sales plan for existing department stores in Japan

- **No change in the full-year sales plan for domestic department stores for both domestic and inbound customers.**
- For both Isetan Mitsukoshi and regional business companies, the balance between domestic and inbound customers will be slightly revised based on the results for the first half of the year.

(0.1 billions of yen)	First half		Second half		Full year	
	Results	YoY	Plan	YoY	Plan	YoY
Isetan Mitsukoshi Total	3,651	114%	4,248	110%	7,900	112%
(of which) inbound sales	683	194%	740	143%	1,423	163%
Total regional operating companies	1,730	104%	1,966	101%	3,697	102%
(of which) inbound sales	179	250%	180	124%	359	166%
Total domestic department stores	5,382	111%	6,215	107%	11,597	109%
(of which) inbound sales	862	203%	920	139%	1,783	164%

* Regions: Excluding Iwataya Kurume store and Matsuyama Mitsukoshi; rounded down to the nearest 100 million yen.

Next let us examine the sales plan for existing department stores in Japan.

As of August, Isetan Mitsukoshi contributed 35.5 billion yen to the 40 billion yen added to overall sales. Of the 35.5 billion yen, 22.0 billion-yen duty-free sales were added. Although there are slight changes in the balance between Isetan Mitsukoshi and its regional operating companies or in the sales plans for the first and second half of the year, due to Isetan Mitsukoshi's duty-free sales being slightly below the August plan and, conversely, the duty-free sales of its regional operating companies exceeding the plan, the full-year sales plan remains unchanged and overall sales for domestic department stores are expected to exceed 1.1 trillion, 159.0 billion yen. Overall sales of department stores in Japan are expected to exceed 1,159.0 billion yen. The annual plan of 178.3 billion-yen duty-free sales has also not changed since August.

Sales of Isetan Mitsukoshi total in 1H were up 14% year on year, and in 2H plan are up 10% year on year.

Sales of regional business companies in 1H were up 4% year on year, and in 2H plan are up 1% year on year.

Sales of domestic department store total in 1H were up 11% year on year, and in 2H plan are up 7% year on year.

5. Changes in consolidated SG&A expenses

- Expense restructuring: Due to company-wide progress in "Scientific analysis of department stores," we further **reduced expenses by 400 million yen from the August plan to -7 billion yen**
- Sales-linked: After carefully examining expenses associated with increased sales, we reduced them by 300 million yen to 6.2 billion yen.
- Price impact: Water, electricity and gas costs take into account the increase in unit prices since 2Q

(0.1 billions of yen)	Full Year Plan	YoY changes	Breakdown of YoY increase/decrease Current year increase/decrease				
			Cost structure reform	Linked to sales	Strategic expenditures	Impact from price changes	Others
Personnel expenses	950	+1	-33		+14	+21	
Advertising expenses	101	+5	-4	+10			
Lease payments	321	-6	-20	+14			
Business consignment expenses	300	+1	-4		+4	+1	
Depreciation and amortization	233	+5			+6		
Utilities expenses	95	+1	-2			+4	
Others	690	+35	-6	+39		+8	-5
Total	2,690	+44	-70	+62	+24	+33	-5

Next, let me explain about selling, general and administrative expenses.

For selling, general and administrative expenses, we plan to increase expenses in line with returns to employees, various inflation risks, and sales growth, or some strategic expenses.

While further promoting cost structure reforms, sales-linked expenses, strategic expenses, and price effects are planned at 269 billion yen for the full year, a year-on-year increase of 4.4 billion yen, although they were lower than the same period last year in the first half of the year.

We are determined to achieve stepwise gains, while also keeping in line with the top-line situation, and using the brake and accelerator well.

6. Plans by Segment

- Department store business: Despite the uncertain future, August sales were on track thanks to the promotion of the "sophisticated and high quality" strategy and the "connect with customers" CRM strategy.
- Credit & finance business: Steady progress in cost control led to an operating income increase of 300 million yen from the August plan.

(0.1 billions of yen)	Gross sales	YoY	Net sales	Operating income	YoY difference
Department store business	12,220	107.4%	4,580	595	+143
Credit & finance business/ Customer organization management business	375	105.8%	345	58	+17
Real estate business	330	123.2%	330	37	+6
Other businesses*	275	109.6%	305	30	+8
Total	13,200	107.8%	5,560	720	+176

* Operating income in the other businesses segment includes an adjustment

Here are the plans by segment

Of the 17.6 billion yen increase in the consolidated total from the previous year, 14.3 billion yen was in the department store business, which is the same trend as in the first half.

In the credit and finance segment, the first half results showed an increase of 1.7 billion yen over the previous year, but the full-year plan remains unchanged at an increase of 1.7 billion yen over the previous year, taking into account various measures that MICARD is planning to implement, including the introduction of entry credit cards. We believe there is some leeway in this plan.

7. Return to shareholders

- In light of the current stock price level, we have added an additional 10.0 billion yen share buyback limit to further improve capital efficiency.

* Number of shares to be acquired (upper limit): 5 million shares / Acquisition period: November 14, 2024 to March 14, 2025

* All acquired shares are scheduled to be cancelled on March 31, 2025

	FY2024		FY2023 results
	Disclosed in August	Forecast this time	
Net income	58 billion yen	58 billion yen	55.5 billion yen
Interim dividend	24 yen	24 yen	12 yen
Year-end dividend	24 yen	24 yen	22 yen
Annual dividend	48 yen	48 yen	34 yen
Dividend payout ratio*	31.1%	30.7%	23.1%
Acquisition of treasury stock	15 billion yen	25 billion yen	15 billion yen
Total return ratio*	56.9%	73.8%	50.1%

*The figures announced in August were calculated based on the number of shares as of the end of March 2024, and the figures announced this time were calculated based on the number of shares as of the end of September 2024.

Next, I will explain about shareholder returns.

While we understand that there are market supply and demand factors, we believe that the recent share price level of less than 15 times PER is low in light of our medium- to long-term growth strategy, and we would like to continue to build a stable BS and PL that will achieve a stable ROE of 10%. The Company has resolved to repurchase 10 billion yen of its own shares for the period from November 14, 2024, to March 14, 2025, and plans to amortize the amount at the end of March 2025.

That is all from me. Thank you for your kind attention.



I: FY2024 Q2 Results

II: FY2024 Full Year Plan

**III: Next Medium-Term Management Plan
(FY2025-FY2030)**

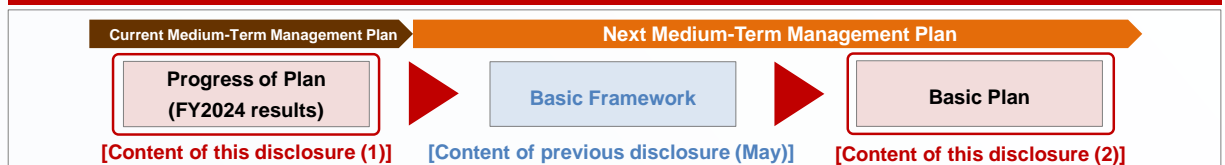
Toshiyuki Hosoya, Director, Representative Executive Officer, President and CEO

From here, Hosoya would like to give an explanation.

- **Disclosure Flow and Digest of Disclosures**
- **Progress of the Current Medium-Term Management Plan (Results)**
- **Management Objectives**
- **Environmental Awareness**
- **Corporate Strategy**
- **Business Strategy**
- **Group Platform Strategy**

First of all, we have listed seven items here as a table of contents for the next medium-term management plan.

Disclosure Flow



Digest of Disclosures

- **Progress of the current Medium-Term Management Plan**
 - Forecast consolidated operating income of 72 billion yen for FY2024 due to significant progress in key strategies
 - Business restructuring progressed ahead of schedule, and regional department stores and domestic affiliates returned to profitability
 - Number of identified customers almost reaches 7.6 million, and net sales to identified customers increased significantly
- **"Basic Plan" of the next Medium-Term Management Plan**
 - The "intra-group coordination" is a means of deepening cooperation among businesses and establishing a global standard of "individual customer business." Aim for consolidated operating income of 85 billion yen in FY2027 and 100 to 110 billion yen in FY2030
 - Evolving into an "individual customer business" that gathers customers from all over the world, identifies and connects them, and proposes diverse customer values to them.
 - ➔ Intra-group coordination activities will deepen cooperation among businesses and expand profits by capturing new business opportunities
 - Design new mechanisms to maximize intra-group coordination profits by increasing the number of identified customers and deepening the connection with individual customers
 - ➔ Establish a group intra-group coordination structure in the urban community development preparation phase. Aim for a 16 billion yen level of intra-group coordination profits and a market share of over 14% out of a 110 billion yen level of operating income in FY2030
 - Plan to increase business profits and intra-group coordination profits and improve asset efficiency while keeping in mind capital costs
 - 'Invest in human capital' in a balanced manner to achieve both "employee growth" and the "realization of corporate strategy"
 - Strengthen efforts in four key initiatives (materiality). In addition, some FY2030 targets were revised

This is a digest of the disclosure process and disclosures.

We have about four months left in the current mid-term plan, and I will first give you an update on the progress of the current mid-term plan. Next, I explained the framework of the upcoming medium-term management plan in May, and today I will provide more detailed information, with figures, as I go along.

As a digest of disclosures, we plot the progress of this time, the contents of the next medium-term plan, and the contents of the next medium-term plan.

Progress of Current Medium-Term Management Plan (Results) "Profit Step"

[Previous plan] Achieved long-term operating income target **ahead of schedule in FY2023**, and plans for FY2024 operating income of **"64 billion yen"**
Current plan] Operating income for FY2024 revised significantly upward to "72 billion yen"

Unit: 0.1 Billions of yen / Disclosure period		FY2023	FY2024	Long term (10-year span)
Baseline (Disclosed in November 2021)	Gross sales	-	11,100	-
	Operating income	-	350	500
	ROE	-	5.3%	-
Previous plan (Disclosed in May 2024)	Gross sales	12,246	12,800	-
	Operating income	543	640	-
	ROE	9.8%	8.8%	-
Current plan (Disclosed in November 2024)	Gross sales	12,246	13,200	-
	Operating income	543	720	-
	ROE	9.8%	9.7%	-

*Including special factors in FY2023

The original three-year plan, announced in 2021, is now in its final year of implementation.

Initially, I said that I wanted gross sales to exceed 1.1 trillion yen and operating income to exceed 34.6 billion yen, the highest ever.

I also said that our ROE target was 5.3% and that we were aiming for an operating income of 50 billion in the future.

In the current fiscal year, we expect gross sales to eventually exceed 1.3 trillion yen, operating income to double our initial target of 35 billion yen to 72 billion yen, and ROE to reach 9.7%, which is close to 10%.

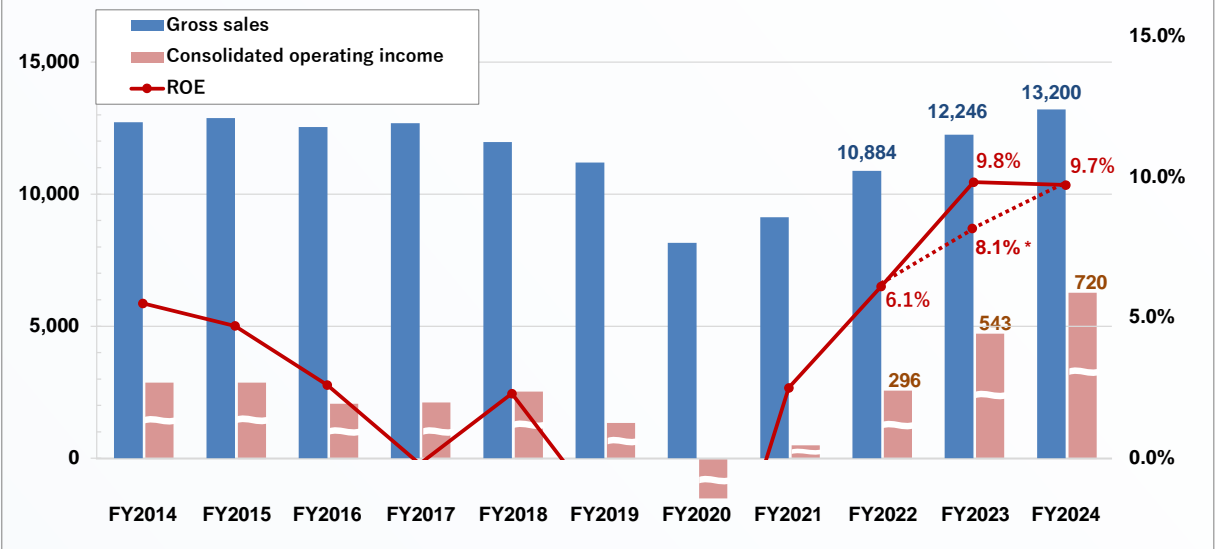
The next slide looks at this over a longer, 10-year span.

Progress of Current Medium-Term Management Plan (Results) "Trends in Net Sales, Consolidated Operating Income, and ROE"

[Gross sales] Since the COVID-19 outbreak, the external environment has improved, and we have leveraged our unique strategies and strengths to achieve double-digit growth compared to the previous year.

[Operating income] Significant growth due to "business restructuring based on science"

Unit: 0.1 Billions of yen



* FY2023 ROE results excluding special factors

This graph shows consolidated gross sales, operating income, and ROE.

The blue bar graph is gross sales, where it is down in the middle. The red bars are operating income and the line graph is ROE.

Before COVID-19 decline, gross sales were roughly 1.2 trillion to 1.3 trillion yen, with operating income of 20 billion to 30 billion yen, which I believe was the business model structure of a traditional department store.

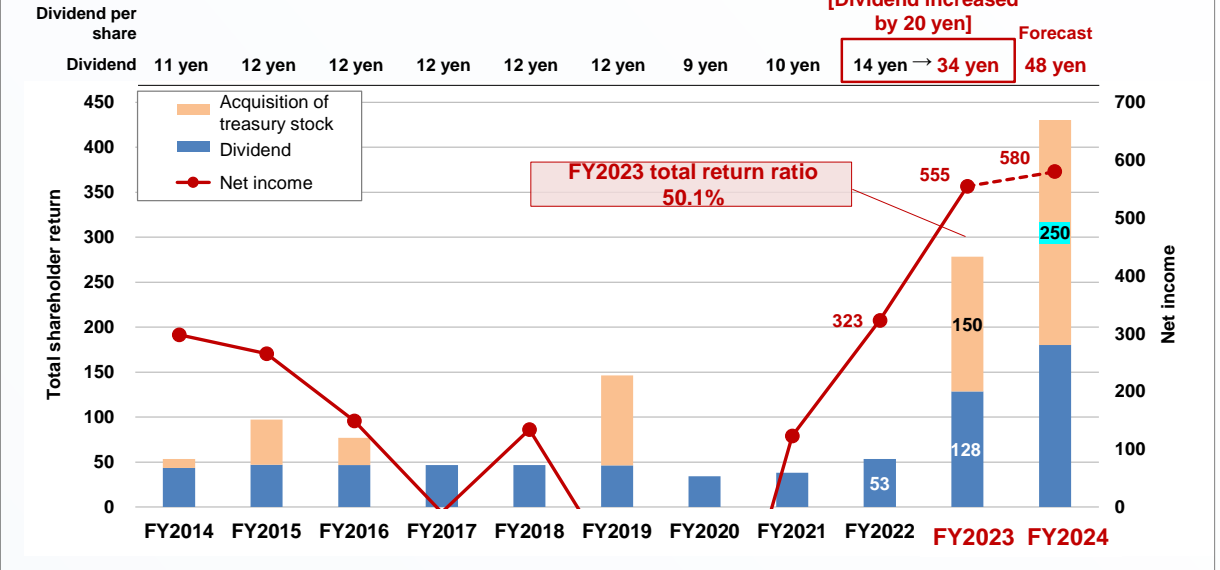
From there, we have set forth a three-year plan to drastically change the structure of our business model. As a result, the business model has changed to one in which gross sales reach 1.3 trillion and operating income nearly doubles.

In addition, ROE has changed to the point where it can aim for 10%, and I feel that control is beginning to work very well.

Progress of Current Medium-Term Management Plan (Results) "Changes in Net Income and Dividends"

[Net income] Increase in operating income and thorough control of extraordinary losses will lead to a gradual and significant increase in profits from FY2022 onwards.
 [Dividend per share] Before the COVID-19 pandemic, it was at the 12 yen level. 34 yen dividend for FY2023 due to flexible dividend increase

Unit: 0.1 Billions of yen



The chart plots shareholder returns over a 10-year period.

The blue bars indicate total dividends. For the past 10 years, we have returned to shareholders by paying dividends plus share buybacks on a year-to-year basis. During this period, we have always referred to this as a stable dividend.

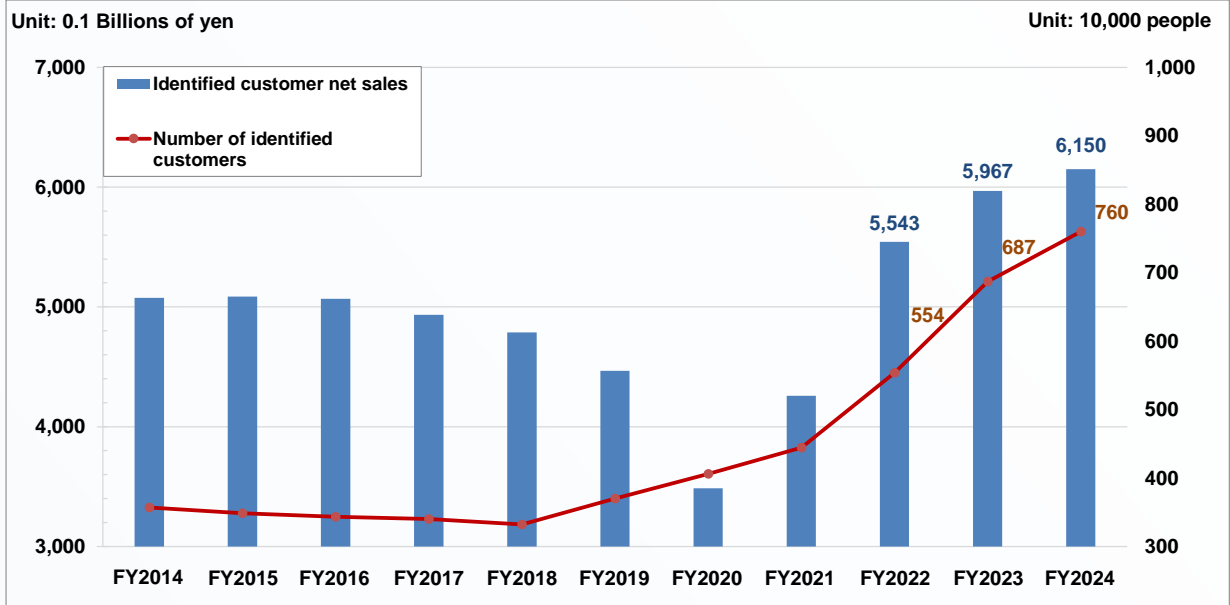
The fact that our dividend, which for a long time hovered around 12 yen, has changed significantly over the past two to three years is proof that we have changed the structure of our business model to meet the expectations of the market.

I believe that we must keep this trend going.

Progress of Current Medium-Term Management Plan (Results) "Changes in Number of Identified Customers and Identified Customer Net Sales"

[Number of identified customers] Since the COVID-19 pandemic, the number of identified customers has been steadily increasing, mainly due to a significant increase in **app members**

[Identified customer sales] Steady growth due to an increase in the number of identified customers and the **sophistication of individual marketing**.



This slide shows the number of identified customers and identified customer sales.

We would like to shift from mass to individual, from department store business to individual customer business.

Uniquely, this graph shows the number of identified customers and identified customer sales, which we call identified customers.

The blue bar graph shows identified customer sales and the red line graph shows the number of identified customers. COVID-19 pandemic is right in the middle, and both graphs continue to rise rapidly.

How the number of identified customers and identified customer sales will change in the future is the topic of today's discussion.

Progress of Current Medium-Term Management Plan (Results) "Financial KPIs"

[Gross sales] Forecast to reach **1,320 billion yen (107% of the previous year)**, due to strong sales at Isetan Mitsukoshi and inbound sales.

[Operating income] Expect to reach **72 billion yen**, exceeding the highest profit since the integration for the second consecutive year

[ROE] Expect to be **9.7%** (+1.6% in actual YoY differences), close to the 9.8% of the previous year (actual result excluding special factors: 8.1%)

	FY2022		FY2023		FY2024	
	Results	YoY difference	Results	YoY difference	Prospects	YoY difference
Gross sales	1,088.4 billion yen	+176.3 billion yen	1,224.6 billion yen	+136.1 billion yen	1,320 billion yen	+95.3 billion yen
Selling, general and administrative expenses	256.9 billion yen	+19.1 billion yen	264.5 billion yen	+7.6 billion yen	269 billion yen	+4.4 billion yen
Operating income	29.6 billion yen	+23.6 billion yen	54.3 billion yen	+24.7 billion yen	72 billion yen	+17.6 billion yen
Net income	32.3 billion yen	+20 billion yen	55.5 billion yen	+23.2 billion yen	58 billion yen	+2.4 billion yen
ROE	6.1%	+3.7%	9.8% *1	+3.6%	9.7%	-0.1% *2

*1 FY2023 ROE: Actual result excluding special factors: 8.1%

*2 Difference excluding FY2023 ROE special factors: +1.6%

This is about financial KPIs.

Here are the financial KPIs for FY2022, FY2023, and FY2024.

I believe that we can see how well the figures are being controlled, both in the steadily rising numbers and in the selling, general and administrative expenses.

As a result, I believe that profits have also become more stable.

The next slide shows our unique customer KPIs.

Progress of Current Medium-Term Management Plan (Results) "Customer KPIs"

- All four KPIs are expected to **exceed those of the previous year**. In particular, initiatives to increase app membership among de-identified customers were successful
 ➔ **Sales from members with Digital ID only** are expected to grow significantly

	FY2023		FY2024	
	Results	Compared to FY2022	Prospects	Compared to FY2023
(1) Identified customer net sales	596.7 billion yen	108%	615 billion yen	103%
(2) MICARD members sales	463 billion yen	103%	470 billion yen	102%
(3) Sales from MICARD members purchasing more than 1 million yen per year	246.4 billion yen	106%	251 billion yen	102%
(4) Sales from members with Digital ID only	133.7 billion yen	129%	145 billion yen	108%

This table explains that the KPIs are created with a focus on customers.

For 2023 and 2024, identified customer net sales are growing steadily and MICARD member sales are also growing steadily.

At first, we said that we would increase the number of customers purchasing more than 1 million yen per year, but now we are working on measures not only for card members but also for app members and digital ID members, and our performance is steadily increasing.

Management Objectives "Financial KPIs"

[FY2027 Plan] Aiming to further surpass the highest profit since the merger, we plan to achieve **operating income of 85 billion yen**

[FY2030 Plan] Aiming for operating income of over 100 billion yen, planning for **operating income of 100 to 110 billion yen**

	FY2024 plan		FY2027 plan		FY2030 plan	
	Prospects	Difference from FY2023	Planned value	Difference from FY2024	Planned value	Difference from FY2027
Gross sales	1,320 billion yen	+95.3 billion yen	1,400 billion yen	+80 billion yen	1,500 to 1,550 billion yen	+100~ +150 billion yen
Selling, general and administrative expenses	269 billion yen	+4.4 billion yen	290 billion yen	+21 billion yen	310 to 315 billion yen	+20~ +25 billion yen
Operating income	72 billion yen	+17.6 billion yen	85 billion yen	+13 billion yen	100 to 110 billion yen	+15~ +25 billion yen
Net income	58 billion yen	+2.4 billion yen	62 billion yen	+4 billion yen	72 to 79 billion yen	+10~ +17 billion yen
ROE	9.7%	-0.1% *	9.8%	-	10 to 11%	-

*Difference excluding FY2023 ROE special factors: +1.6%

From here, I would like to explain the KPIs for the next mid-term plan.

First I will touch on the financial KPIs. The financial KPIs have not changed at all from the five items in the current mid-term plan.

In FY2027, I would like to increase sales from 1.3 trillion to 1.4 trillion yen, while defending an operating income of 85 billion yen.

And we will aim for an ROE target of 9.8%.

Furthermore, six years from now, in fiscal 2030, we hope to achieve gross sales in excess of 1.5 trillion yen, operating income in excess of 100 billion yen, and ROE in excess of 10%.

Our own customer KPIs are listed on the next slide.

Management Objectives "Customer KPIs"

- Identify customers around the world, propose various values to connected customers, and further promote usage
 - ➔ Set net sales to identified customers, including overseas app members, and net sales to customers who purchase more than 3 million yen per year as a group as KPIs.

KPI Target Clients	Until Now		From Now			
	(1)	MICARD members (general/out-of-store sales) + members with Digital ID only (including app members in Japan)	MICARD members (general/out-of-store sales) + members with Digital ID only (including app members in Japan) + International app members, international out-of-store customers			
(2)	MICARD members purchasing 1 million yen or more per year	Customers purchasing more than 3 million yen per year across the Group				

	FY2024	FY2027 plan		FY2030 plan	
	Prospects	Planned value	Compared to FY2024	Planned value	Compared to FY2027
(1) Identified customer net sales	615 billion yen	687 billion yen	112%	714 to 731 billion yen	104~106%
(2) Net sales to customers purchasing more than 3 million yen per year across the Group	184 billion yen	190 billion yen	103%	191 to 195 billion yen	101~103%

I would like to slightly change the customer KPI items from those in the current mid-term plan.

The reason is that our company should no longer focus only on Japanese customers, but also on customers around the world.

In the future, we will launch a global application to further strengthen our overseas companies and build our clientele overseas.

We want to stop the current inbound situation where customers just happen to come and shop with us. In the future, our company would like to firmly grab customers all over the world and make proposals to them.

In order to change to a model that focuses on customers worldwide, we dare to make our KPIs include even overseas customers.

As a result, our plan for FY2027 and FY2030 is to achieve a large growth rate in identified customer sales, rather than the 1% or 2% year-on-year growth rate we have achieved in the past.

Furthermore, until now our business has only been within department stores, but by taking initiatives outside of department stores, we hope to deepen our connection with our customers.

To this end, we will expand the scope of capturing the annual purchase amount to include the entire Group and still increase the monetary setting from 1 million yen to 3 million yen.

Environmental Awareness "External Environment (Macro Environment, Customer Changes)"

- The overall feeling is **that the situation is likely to become more severe**. On the other hand, factors such as the global population and the domestic increase in the number of wealthy people are also emerging as **growth prospects**
- The trend toward **highly satisfying goods and services** is expanding, with consumers those are willing to spend money and effort for their **special consumption**

Changes in the macro environment			Changes in customers	
Factors	Risk	Opportunity	Factors	Opportunity
Population movements	<ul style="list-style-type: none"> ◆ Decline in domestic population ◆ Aging population 	<ul style="list-style-type: none"> ◆ Growing world population ◆ Expansion of urban population 	Living	<ul style="list-style-type: none"> ◆ Balance between savings and luxuries ◆ Fusion of real and digital
Economic growth	<ul style="list-style-type: none"> ◆ Slowing economic growth ◆ Abnormal price increases 	<ul style="list-style-type: none"> ◆ Increase in domestic wealth ◆ Inbound increase 	Consumption	<ul style="list-style-type: none"> ◆ Polarization of consumption ◆ Sympathetic/recommended consumption



[Directions]

[To whom] Target individual customer	Targeting all customers worldwide who are interested in "sophisticated and high-quality" consumption
[What] Value provided	Propose a variety of "sophisticated and high-quality" contents that meet the needs of each and every customer
[How] How to provide	We will thoroughly attend to "individuals" with the power of "human/people" and "digital"

From this page, specific strategies are described. First of all, the external environment is described in terms of what phase retailers like us are in and what kind of situation we are in now.

There are two main categories.

One is how macroeconomic conditions, such as demographics and the economic environment, will evolve over the next six years.

On the other hand, we are also aware of how our customers' buying patterns, lifestyles, and consumption are changing, and we are incorporating these changes into our external environment.

Based on our perception of the external environment, the direction we must move in is described below.

I believe that the most significant content is the expansion of target customers from Japan to the world. We must offer value not only to our Japanese customers, but also to our customers around the world, by adapting our proposals to their buying patterns and by picking up on their needs.

We must provide value through a recognition of the external environment where we desire to connect more deeply with customers. We will attain this goal through the power of people, including out-of-store sales, and through the power of digital technology using apps and AI.

Environmental Awareness "Internal Environment"

- Significant progress in **business revitalization** centered on department stores, building a corporate structure capable of **generating stable profits**
- In the next Medium-Term Management Plan, we will promote **intra-group coordination activities** that make the most of the **identified customer base**

[Major items to be addressed]

[Major actions]

[Results and progress]

<p>Improving productivity from a scientific perspective</p>	<ul style="list-style-type: none"> • Thorough control of selling, general and administrative expenses • Facilitate business restructuring • Optimize the number of personnel in domestic department stores 	<p>Effects of income and expenditure structure reforms</p> <ul style="list-style-type: none"> • Cumulative total from FY2021 to FY2024: Approx. -45 billion yen <p>Per capita sales (domestic department stores)</p> <ul style="list-style-type: none"> • Difference between FY2018 and FY2024 estimates: 140%/approx. +28 million yen
<p>Establish an identified customer base</p>	<ul style="list-style-type: none"> • Expanding the number of identified customers, especially app customers • Sophisticated individual marketing activities for identified customers • Strengthen sales activities to domestic and overseas out-of-store sales customers 	<p>Number of identified customers</p> <ul style="list-style-type: none"> • Difference between FY2018 and FY2024 estimates: Approx.+4.2 million people <p>Identified customer net sales</p> <ul style="list-style-type: none"> • Difference between FY2018 and FY2024: + approx. 135 billion yen
<p>Fostering a sense of group "intra-group coordination"</p>	<ul style="list-style-type: none"> • Moving away from a shared service focus and expanding external net sales • All the businesses that support department stores are treated equally, eliminating the idea of vertical division <ul style="list-style-type: none"> ➔ Strengthening the unique points of each business and collaboration between businesses 	<p>Intra-group coordination profits</p> <ul style="list-style-type: none"> • Intra-group coordination profit for FY2023: Approx. 7 billion yen (13% share of operating income)

This page contains perceptions of the internal environment.

We dare to refer to the internal environment as what we have done and what we have acquired during the period of the current mid-term plan.

We make three major categories.

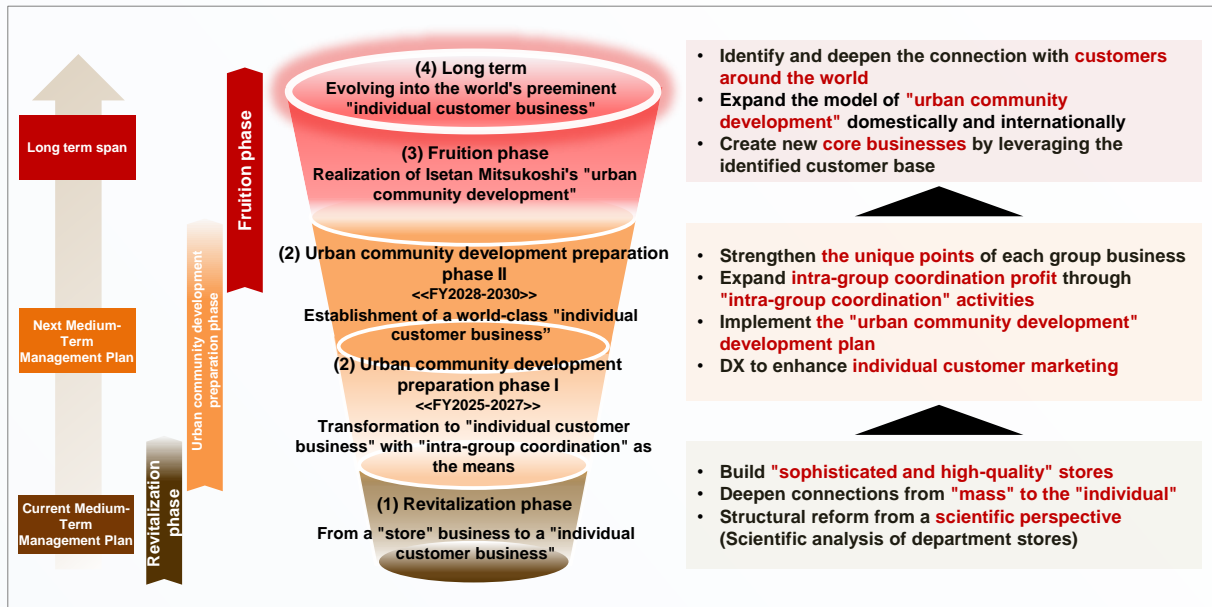
First, I have always said that I would bring in the perspective of science, in terms of "Scientific analysis of department stores." As a result, all employees were able to control selling, general and administrative expenses well, and we have been able to carry out structural reforms with a sense of crisis. What happened as a result is described in figures as results and progress.

The second is to establish an identified customer base. In the current three-year plan, I suddenly coined a term of "identified customers." I am satisfied with the significant change in employees' mindset, where all of them use this term. As a result, there has been a firm shift in marketing from mass to individual, and advertising expenses have been well controlled. This has paid off in a big way, as evidenced by the number of identified customers and identified customer net sales.

The third is that we have spent the past three years laying the foundation for the "intra-group coordination," which is the centerpiece of the next medium-term management plan. The profits of intra-group coordination are emerging within the Group companies, through efforts to move away from a shared service focus on supporting department stores. Instead, all the employees collaborated to work out what kind of proposals we can make to the customers, and eliminated vertical divisions to make proposals for new business models to the customers we collect.

Corporate Strategy "Medium- to Long-term Steps"

- Now, 120 years after the "Department Store Declaration," the company has transformed and evolved from a **"pavilion" business** (= a business model for the masses) to an **"individual customer business"** by using **"intra-group coordination"** and **"urban community development"** as the means



This page shows medium- to long-term strategic steps.

The past management plans of our Group have been on a three-year rolling basis, but from now on, we will divide the plan into sections and determine what we will do in each term, with a view to the longer term.

I believe that after the revitalization of the department stores, our long-term goal is to become an individual customer business anyway. I believe that this year, which is exactly 120th year in the term since we declared the department store, is when to make a major change in our business model. Until now, the business model has been to gather customers inside the store and have them buy something and leave as a result.

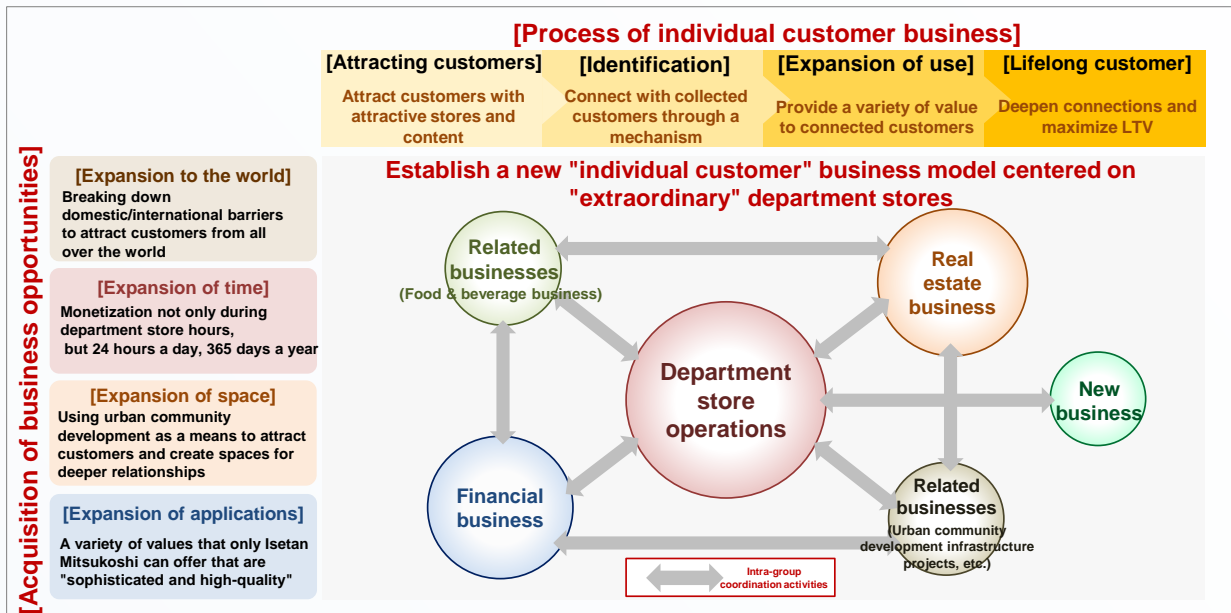
From now on, when we gather customers at the store, we want to identify them, get to know them deeply, and make proposals based on a proper analysis of what they need. The result, I believe, is a very shrinking cost structure and a successful business model from a macro perspective, since what used to be mass is now focused on each individual customer.

In the middle it says the "Urban community development preparation phase," which we have intentionally divided into phase I and II. In order for the entire Group to make money from the customers we collect, we will continue to promote the urban community development approach. Since there is a limit to what we can collect from all over the world in department stores alone, we make it an urban community. With this in mind, the Company intends to prepare for the urban community development over the next six years.

In the fruition phase, we will change the model to a more in-depth relationship with customers from all over the world who have come to visit the community by firmly identifying them.

Corporate strategy "Transformation and evolution to individual customer business"

- Evolving into an "individual customer business" that gathers customers from all over the world, identifies and connects them, and proposes diverse customer values to them
- Intra-group coordination activities will deepen cooperation among businesses and expand profits by capturing new business opportunities



This slide is about the transformation and evolution to individual customer business.

The graph title "Process of individual customer business" means that all businesses follow this process.

In the process of attracting customers, identifying them, expanding their use, and turning them into lifelong customers, we will proceed by considering what is needed in each business.

On the left side, you see how to expand customers or business opportunities.

At the bottom is the idea of expanding applications of department stores beyond just selling goods.

And the second from the bottom is to make better use of space to increase the value of the real estate we have.

Department stores are open from 10:00 to 20:00, but there is also the idea of expanding hours to spend the remaining 14 hours for strengthening relations with customers.

Furthermore, the most significant potential is how to attract not only Japanese customers but also customers from all over the world.

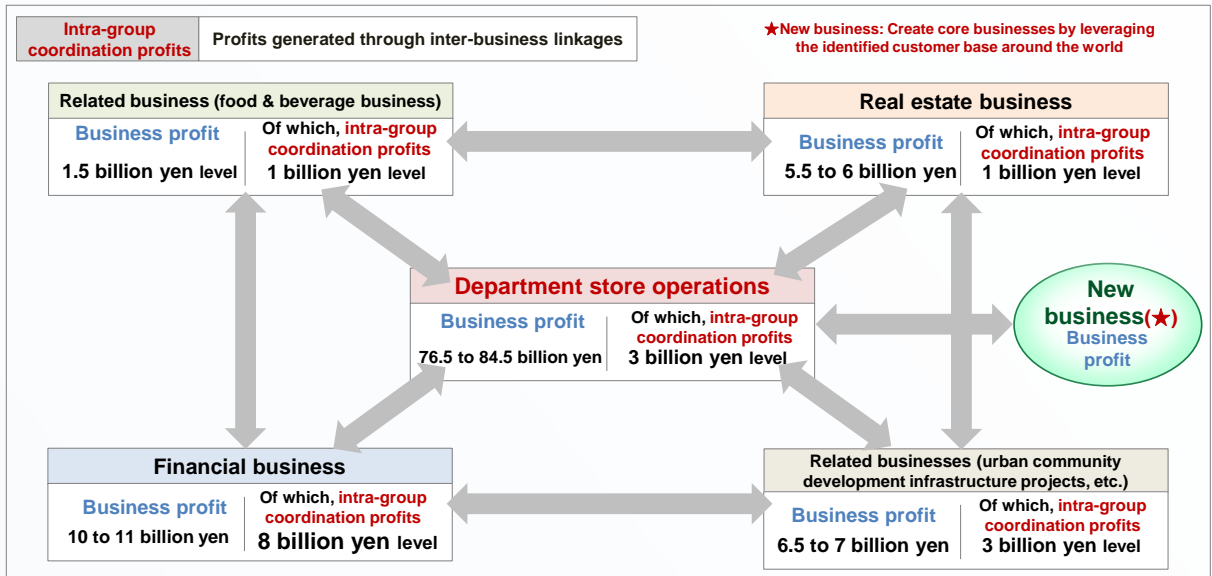
We will organically link this to the department store, real estate, financial, and other businesses that we currently own, in order to significantly increase profits.

Until now, each of them has only been vertically divided to generate profits, but we would like to think about how we can "organically relate them to each other to see what kind of profits we can generate.

That is what is written on the next slide.

Corporate Strategy "Earnings Expansion Frame (FY2030 Image)"

- Design new mechanisms to maximize **intra-group coordination profits** by **increasing the number of identified customers** and **deepening the connection** with individual customers
 - ➔ Establish a **group intra-group coordination structure** in the urban community development preparation phase.
- Aim for a **16 billion yen level of intra-group coordination profit** and a **market share of over 14%** out of a 110 billion yen level of operating income in FY2030



* Business classification differs from segment: Department store business includes overseas business, MI TOMONOKAI, and consolidated adjustments

This slide is an image of the 110 billion yen operating income target for 2030. In the middle of the chart is "Department store operations." Concerning this title, we believe that the overall operating income of the department store business will be around 80 billion yen.

Among these, the one that says "intra-group coordination profits" represents the idea that the profit that customers collected by other operating companies contribute to the department store, or the concept of adding to the profit that other businesses feed back to the department store. It means that our company will be organically combined in all our operations.

Simply put, it is an idea designed to quantify in more concrete terms how the Group companies benefit from the customer base gathered by the department stores, or how much the Group companies can be involved in the operation of the department store business. By so doing, it aims to help each employee perform a reliable job.

Additionally, on the right side is "New business," which is my ultimate goal.

We thoroughly collect customers from all over Japan and the world, and analyze the customers we collect.

Create a state of two-way communication with the customers we collect.

I am excited by the thought of how much profit we could make if we could attract 100 million loyal customers who support our department stores around the world.

* Business classification differs from segment (excluding MI TOMONOKAI, consolidated adjustments and overseas business)

Business Strategy "Domestic Department Store Operations"

- As the core of the urban community development, **"extraordinary" department stores** that attracts customers from all over the world with their **overwhelming uniqueness**

Operating income plan		
FY2024	FY2027	FY2030
56.5 billion yen 131% compared to FY2023	63.9 billion yen 113% compared to FY2024	74-81.5 billion yen 115%- compared to FY2027

Attracting customers	Expansion of use
<p>(1) Conversion to sophisticated and high-quality stores</p> <p>Evolution of flagship stores</p> <p>Construction of a new intermediate classification MD development for the 2.8th industry (fusion of the secondary and the tertiary sector) Globalization of stores</p> <p>(2) Expand individual customer contact points</p> <p>Digitization of urban community development</p> <p>Evolution from EC to "urban community" Digital interface reform</p>	<p>(1) Intra-group coordination networking</p> <p>Expand group content to customers in all stores nationwide Facilitate behavioral change through visualization of profits</p> <p>(2) One Group's out-of-store sales development</p> <p>Increase loyalty by creating an out-of-store membership club for foreign customers Deepen contacts with customers around the world through global out-of-store sales functions</p>
Identification	Lifetime customerization
<p>(1) Introduce an app for overseas customers</p> <p>Guest card function (5% discount) Disseminate information in line with interest levels Personal communication</p> <p>(2) Introduce entry cards</p> <p>No annual fee 2% points awarded for use in department stores Improve accuracy of customer information</p> <p>Both are scheduled to be introduced at the end of FY2024</p>	<p>[Expand the group's overall customer program]</p> <p>Sequential expansion</p> <p>Current status (domestic customers) → Overseas customers → Whole group → Urban community development</p> <ul style="list-style-type: none"> Expand the scope of the customer program and expand incentives

Here are some business-specific ideas.

The main focus is on the domestic department store operations, so I would like to start with the figures for the domestic department store business.

The performance of the department store business is very remarkable, with operating income increasing by 30% from the FY2023 level. We aim to raise it by about 10 billion yen every three years.

This is the same concept as the individual customer business process described earlier. To be more specific, it sets out ideas to increase profits in the department store business by 10 billion yen every three years through measures to embody strategies for attracting, identifying, expanding usage, and turning customers into lifelong customers.

In attracting customers, we thoroughly target sophisticated and high-quality consumption. We plot on this slide what it would take to develop sophisticated and high-quality consumption. What is needed for expanding customer contact is also plotted on this slide.

Incidentally, the EC business is expected to turn a profit for the first time this fiscal year, with sales likely to total approximately 40-plus billion yen.

The EC business was also profitable in the first half of the year, and I consider this to be a very epochal year in which the EC business is profitable for the first time for the full year.

As for identification, at the end of this fiscal year and toward next year, an application for international customers will be introduced.

For our overseas customers, the overseas out-of-store sales we created a year and a half ago are doing very well. We have created a very wonderful overseas out-of-store sales that generates 1.5 times the sales per person of our current sales staff. We would like to use this as a springboard to connect with our overseas customers digitally this time.

We used to give a guest card to customers who came to our store and offered a discount if they brought the card with them, but we are going to stop this guest card system and transfer everything to an app. We will encourage customers to become app members by offering discounts if they sign up for the app.

This plan intends to create such a mechanism that interesting projects can be communicated in their own languages when they are back in their home countries, only if they have signed up for the application.

In the next fiscal year, we will launch an apps division, and will be fully engaged in efforts to eventually make profits here. We believe that the core of the new business we discussed earlier is the app business.

In addition, entry credit cards will be introduced. We now have just over 2 million MICARD members. About 40% of MICARD members have withdrawn from their membership in about one year, even though they joined the program.

We thoroughly investigated the cause of this problem, and found that a great many people said they did not want to pay the ¥2,200 annual fee. We want to do something to prevent this.

In addition, we have 5 million digital members.

Since the majority of digital members do not have MICARDs, we are offering entry credit cards to these digital members to help them earn more points.

We believe that the introduction of the entry credit card will be a positive addition to our financial business.

Furthermore, we are planning to expand the Group's content not only to department stores but also to all Group companies, and to create a situation in which the Group can network itself in such a way that it can communicate this content to customers.

I believe that if we can create a situation in which concrete profits can be visualized through the Group network, and if we can visualize what kind of profits and sales the customers collected by each department store company are bringing to each operating company, we can expect to see more behavioral changes in all of our employees. I would like to do this with high expectations.

The biggest part of the behavioral changes is the One-Group out-of-store sales. We have gradually expanded our out-of-store-sales business over the past few years. Once Mitsukoshi in Nihombashi and Isetan in Shinjuku were made into a single organization in charge of out-of-store-sales operations three years ago, customers started buying at both stores. Last year we added Mitsukoshi in Ginza and branch offices to this out-of-store-sales organization. The next step is to bring the 20 Group companies altogether into a single out-of-store-sales group.

What we are aiming for is to create such a situation that when a customer from Hokkaido goes to Isetan in Shinjuku, Hokkaido-based out-of-store-sales staff can say, "Please go to 'our' Shinjuku store."

I would like to totally change the situation in the past where Group companies look at each other as if they are competitors and they would lose customers.




Furthermore, we would like to create a customer program for all Group companies and non-department store Group companies combined.

We would like to make this a common concept in Japan and around the world.

We would like to achieve this so that customers from all over the world can use the lounge in the same way as Japanese customers when they come to Japanese department stores for shopping.

Business Strategy "Domestic Department Store Operations" Direction of Three Flagship Stores

- Each flagship store will refine its uniqueness through its own concept and Mitsukoshi Isetan identity, creating "new value"
- Optimize MD balance and achieve further evolution to become the outstanding department store in the world

 <p>Isetan Shinjuku Main Store</p> <p>The world's best and one of a kind, "the latest and the most cutting edge"</p> <p>New intermediate classification "Fashion x Design"</p> <p>Value Creation Points Proposing value with ISETAN's unique innovative spirit and the themes of "class," "beauty," and "uniqueness"</p> <p>PB and new edition of "Western Confectionery"</p> <p>Value Creation Points We offer originality through collaboration with creators from around the world. A collection of cutting-edge "global sweets"</p>	 <p>Mitsukoshi Nihombashi Main Store</p> <p>Unparalleled "tradition, culture, arts and lifestyle"</p> <p>New intermediate classification "Japan Creation"</p> <p>Value Creation Points Creating a place to share creations born from "being world-class" and from "Japanese culture"</p> <p>Proposing a "Well-being Lifestyle"</p> <p>Value Creation Points Customers and specialists in each category work together to create special, personalized experiences and support daily life</p>	 <p>Mitsukoshi Ginza Store</p> <p>A "global store" that broadcasts from Ginza to the world ~Innovation, Quality, Diversity~</p> <p>New intermediate classification "JAPAN MIND x Fine Articles"</p> <p>Value Creation Points We will collaborate with creators from Japan and abroad to create and propose "Japan's proud individuality" and "aesthetic sense"</p> <p>New intermediate classification "GINZA GIFT"</p> <p>Value Creation Points Creating a glamorous and sophisticated place for MD collection that is unique to Ginza and can only be found in Ginza</p>
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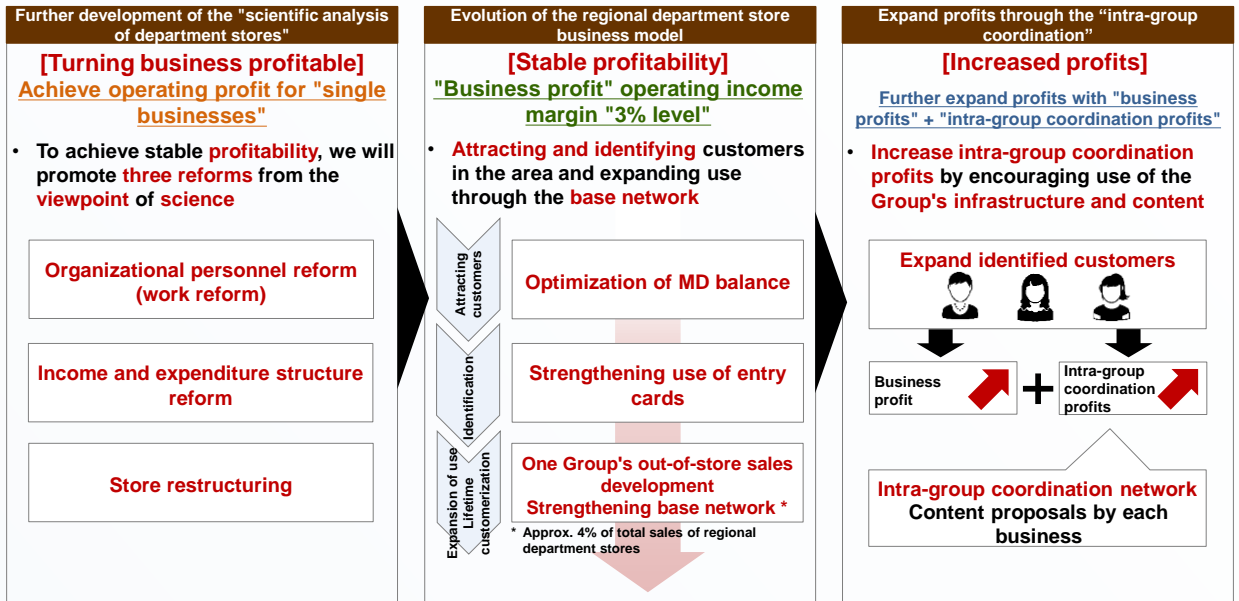
This slide shows three flagship stores among domestic department stores. Since these three flagship stores are our overwhelming strength, we need to be unique in order to make these three stores even stronger. In order to enhance this uniqueness, we have been saying that Isetan Shinjuku main store is for fashion, Mitsukoshi Nihombashi main store for traditional arts and culture, and Mitsukoshi Ginza Store for globalization, but now we are adding more unique merchandising.

During the next medium-term management plan period, new middle classifications will be created in each of the stores. Rather than using the same merchandising everywhere, we want to seek new uniqueness that matches the characteristics of each store.

Business Strategy "Domestic Department Store Operations" Regional Department Stores

- To become the **one and only** store that supports sophisticated and high-quality consumption in the region by **evolving the regional department store business model** and further advancing the **"scientific analysis of department stores"**

Operating income plan		
FY2024	FY2027	FY2030
9.4 billion yen	10.5 billion yen	14~15 billion yen
142% compared to FY2023	111% compared to FY2024	133%~ compared to FY2027



This slide represents regional department stores.

With the “scientific analysis of department stores” started this fiscal year, we expect operating income of 9.4 billion yen at regional stores in FY2024.

Also in terms of year-on-year comparison, it is very significant, up more than 40% over the previous year.

In the past, operating income was barely 5 billion yen, but the regional stores are changing to a state where they can make twice that amount of operating income and are no longer a liability.

We will transform our business model to further increase profit levels.

We will use the scientific analysis of department stores to create a more profitable system. And then in each store, we will change the merchandising balance where we can, just as we did in Tokyo. In addition, entry credit cards will be introduced to further attract customers. We believe this will have a more positive impact on the regional stores.

Furthermore, I believe that the One-Group out-of-store sales I mentioned earlier will also contribute.

I would like to create a management accounting system in which the customers collected by the One-Group out-of-store sales are linked to the Group companies, and when the Group companies make proposals to them, profits will flow into the respective regional stores.

This management accounting system is now working well because, as we call it the intra-group coordination network. In this system, when a customer from a regional store is guided to Shinjuku, sales are attached to the Isetan Shinjuku main store, but the profitable portion is transferred to the respective region.

As a result of the change in the way profits are accounted for in management accounting and internal accounting, sales at each regional store have risen dramatically.

Also for the current fiscal year, we project net sales of 20 billion yen as a network. Since the overall net sales of the regional stores is about 370 billion yen, we believe that 4% to 5% of the total sales are from this network.

I would like to expand this network sales to the areas of interior design, logistics, and human resources, and create a situation where we can guide not only individual customers in the region but also corporate customers.

Business Strategy "Overseas Business"

- Shift from the "selection and transformation" phase to a **"development and deepening"** phase. In addition, promote business expansion through **common measures** and **area measures** as overseas business

Operating income plan		
FY2024	FY2027	FY2030
2 billion yen	2.1 billion yen	2.5~3 billion yen
192% compared to FY2023	110% compared to FY2024	113%- compared to FY2027
Real estate development profits (cumulative for fiscal years 2025-2030) <small>* Equity method investment profit/loss</small>		6 billion yen level

"Development" initiatives (common measures)

[Creating food & beverage content]

- Create content based on **"Japanese food,"** which has a high ability to attract customers overseas
- Build an **in-house operating model** that combines uniqueness and profitability

<<Uniqueness>>

MD, environment, and services derived from department stores

×

<<Profitability>>

MD mix (Merchandise/Food & beverage) x (Owned-operated/Fixed rental)

➔ Starting with Thailand, **"Depachika"** and **"Food Halls"** will be expanded mainly in the ASEAN region

"Deepening" initiatives (area measures)

[Strengthening acquisition of new mixed-use real estate development projects]

- Develop a combined retail and real estate development business
- Search for **new complex development projects** for expansion

The value of goodwill

Retail (category-specific)

×

Real estate development

• Residences ...

• Offices

➔ Search for projects following **Manila, Philippines and Bangkok, Thailand.**

This slide shows overseas business.

As for overseas operations, three stores in China were closed in April and June of this fiscal year.

As I mentioned in the previous outline of the next medium-term management plan, we are firmly committed to selection and concentration, and as a result, profits increased significantly, as shown here.

As for the offensive part, we will open in Bangkok a depachika food market, one of our core competencies, and use the depachika in Bangkok as a springboard to invest in real estate on the upper floors of the store to earn large profits.

In our department store and condominium complex development project that we started in the Philippines, business income is generated from this condominium. This income constitutes a large part of the real estate development profits, which is stated in the table above, outside of the operating income. Although it will not be included in operating income, we are assuming about 6 billion yen.

From now on, we will cease any overseas business operations that were based on the old business model: low rent and low labor costs, which made us profitable.

This includes the depachika food market, food courts, and our restaurants that can offer Japanese food culture and offer the best of Japan.

I believe that we have made major changes with regard to our overseas business by creating such a structure that allows for different business profits to be generated accordingly.

Business Strategy "Real Estate Business"

* Real estate rental income, construction and interior business, logistics / Business classification differs from segment (including logistics industry)

- In addition to the realization of real estate development plans for "urban community development," strengthen the unique points of **the construction and interior business**

Operating income plan		
FY2024	FY2027	FY2030
4.1 billion yen	5.5 billion yen	5.5~6 billion yen
124% compared to FY2023	134% compared to FY2024	100%~ compared to FY2027

Efforts to materialize the development plan

- **Strengthen the foundation for refining and implementing each development plan**

Develop sophisticated and high-quality content

- **Explore hotels, restaurants, entertainment, and other content**

- Hotel materialization is underway in advance

Strengthen the human resource platform

- Continuous **secondment to outside companies to develop future-oriented professionals**
- ➔ Returning staff take charge of **real estate development** and carry out practical work

Isetan Mitsukoshi Property Design Ltd.

- **Become a company that dominates the sophisticated and high-quality "construction and interior market"**

[Offices] Executive floors	[Commercial facilities] LUX brands
[Hotels] 4-5 star hotels	[Housing] Quality renovation

Isetan Mitsukoshi Business Support Ltd.

- **Leveraging logistics know-how cultivated in department store logistics to expand business outside of department stores**

Expansion of commissioned business for outside hotels and offices toward urban community development
Expand external sales of logistics services in addition to EC

This slide represents our real estate business.

With regard to the real estate business, first, I would like you to look at operating income.

In FY2024, operating income is generated only from the real estate we own, plus the interior decoration and logistics companies.

This is still a large increase compared to the previous year, but for the next six years of the medium-term management plan, we are making figures that do not change that much.

Urban community development projects, which we will invest in aiming to make it stronger, are still in the construction start-up phase, and related profits will not be included here.

Therefore, as income for the next six years of the medium-term management plan, contributions from two group companies are stated here. One of the income sources is Isetan Mitsukoshi Property Design and the other is Isetan Mitsukoshi Business Support, which sells services to external companies.

Business Strategy "Real Estate Business" Main Action Plan and Profit Plan

[FY2025-2027] Promote the materialization and refinement of development plans for each area. In addition, explore content, applications, and business opportunities
 [FY2028-2030] Start advance projects (planned) and materialize content, applications and business opportunities

Initiatives for FY2025-FY2030

Real estate development	25~FY2027	• Elaboration of development plans for each area and town
	28~FY2030	• Start on prior projects (planned)
Content and applications	25~FY2027	• Sophisticated and high-quality content search ➡Hotel selection in advance
	28~FY2030	• Specification of content and uses in prior projects
New business opportunities	25~FY2027	• Explore opportunities for urban community development projects
	28~FY2030	• Materializing business opportunities in prior projects

Urban community development revenue and real estate development investment

- Invest 500 billion yen +α by the 2040s, mainly in the Tokyo metropolitan area
 ➡ Annual urban community development revenue of 20 billion yen level +α is expected

[Image of revenue from urban community development]



[Real estate development investment]

- Approx. 500 billion yen +α**
- Assumed investment of 45 billion yen or more in FY2025-FY2030
 (FY2025-FY2027: Approx. 15 billion yen, FY2028-FY2030: Approx. 30 billion yen)
 - The impact of higher construction costs, etc. will be reflected sequentially

This slide shows our Group's firm commitment to the urban community development projects.

On the left side, it states that we will do this over a six-year period from 2025 to 2030, while keeping a close eye on real estate development and content.

In fact, we are starting to negotiate with various content providers and hotel companies, and we want to show them what kind of businesses we need to work with and how we can determine content.

I explained about the 500 billion-yen real estate development investment over the next 10 to 15 years in the previous announcement of the outline of the medium-term management plan. Of the 500 billion yen, 15 billion yen will be used in the first three years, and 30 billion yen in the latter three years. After the six years have passed, the remaining 450 billion yen will be used over the next 10 to 15 years. Translating into the income terms, this is mentioned as something over 20 billion yen per year.

Normally, we would end up with rental income from the portion of the investment we have made, but in addition to that, we would like to add three additional benefits.

The first is income from content that we manage ourselves. Second, we want to create a fun and unique urban community, so we are responsible for the infrastructure to build this community ourselves. Our Group has many companies with a variety of content. We would like to do all the logistics, cleaning of the building, security, systems, and other behind-the-scenes stuff ourselves. I would like to put this kind of infrastructure as additional income.

In addition, I believe what matters most is to identify customers who have entered this urban community from all over Japan and the world, and how to link department stores with them.

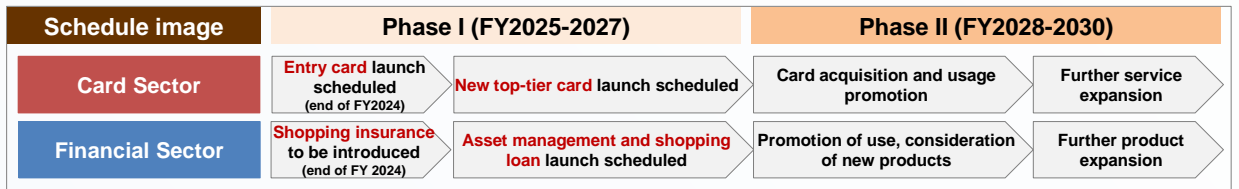
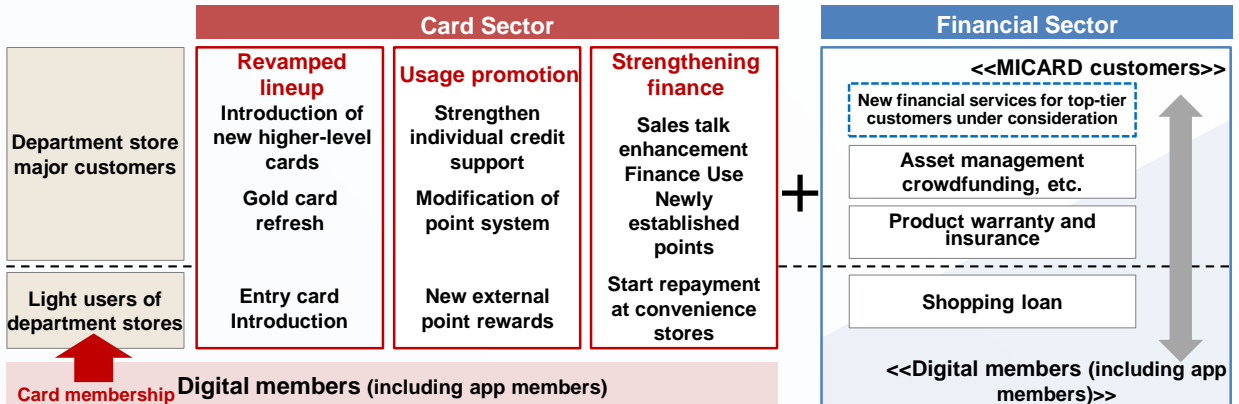
This further boosts department store sales and identifies them. Department store's interesting content will in turn be conveyed to its customers, creating a good cycle.

Business Strategy "Financial Business"

* Business classification differs from segment (excluding MI TOMONOKAI)

- Establish a financial services business that provides **"unique value"** by leveraging the value of goodwill and the Group's customer base

Operating income plan		
FY2024	FY2027	FY2030
6.1 billion yen	8 billion yen	10~11 billion yen
140% compared to FY2023	131% compared to FY2024	125% compared to FY2027



This slide is about the financial business.

In the past, our financial business was almost 100% dependent for its income on highly sensitive, high frequency users in department stores.

This is more than 2 million people, which is 6 billion yen in terms of operating income for the current fiscal year. Here is a table showing what areas will be expanded in addition to this.

It is about targeting new casual users of department stores, and the Group still has 5 million digital customers who are not cardholders.

Included in the plan is the expansion of the number of casual users by targeting new customers who do not want to pay the annual membership fee of 2,200 yen, along with digital members who have not yet joined this card.

We also have many heavy users who place more trust in us in the financial area, and we would like to gradually expand our business in this area.

More to the point, there are plans to issue new special cards among these heavy users.

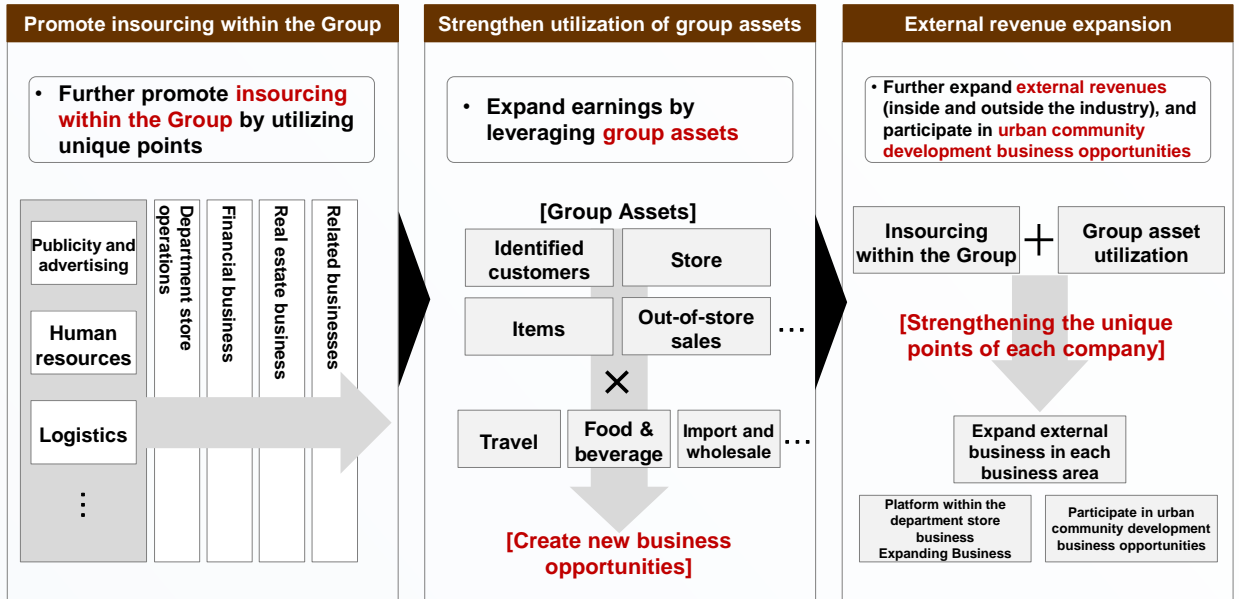
Schedule images in several credit sector are mentioned at the bottom of the slide, which I hope you will find useful.

Business Strategy "Domestic Related Businesses"

* Media business, human resources services, travel industry, etc. / business classifications differ from segments (excluding logistics and consolidated adjustments)

- **Expand earnings** in each business and **evolve business models** through expansion of BtoB and BtoC businesses

Operating income plan		
FY2024	FY2027	FY2030
3.3 billion yen	5.5 billion yen	8~8.5 billion yen
126% compared to FY2023	161% compared to FY2024	145%~ compared to FY2027



The next slide is about domestic related business.

As I mentioned earlier, I believe this will be the heart of the Group's intra-group coordination and urban community development preparations.

It is about whether we can stop thinking of operating companies whose main purpose is to support the department stores. Instead, by working side by side, think of whether we can serve customers collected at the department stores with the department store business, or carry out all other businesses by ourselves.

That is the first point: the promotion of insourcing within the Group. We have already made some progress in this area. A good example is Studio Alta. We have witnessed that this loss-making subsidiary of the Group suddenly changed its structure into making billions of yen in profit, just by receiving orders to take responsibility for all advertising functions of the Group. We are going to do whatever we can do regardless of areas, including human resources and logistics.

Furthermore, the chart in the middle indicates that the Group's assets should be used more. The largest asset of our Group is our customers. The Group companies can make proposals to these customers through better coordination, or, since the stores themselves are our assets, we can consider whether we can promote them more at the stores. This is about products, or about out-of-store-sales customers. The Group companies are not yet making good use of Group assets, so this is about adding value to them.

Furthermore, we will make efforts to externally sell the know-how we have accumulated here. As we sold the system used in our department store business to other companies, several of them have agreed to use our system. So we are working with them to expand our know-how to other companies.

As a result, operating income exceeded 3 billion yen in FY2024, a significant increase compared to FY2023. We hope to further increase this figure to nearly 10 billion yen in FY2030.

Group Platform Strategy "Financial Strategy" Profit by Business and Capital Efficiency

- Plan to increase **business profits and intra-group coordination profits** and **improve asset efficiency** while keeping in mind **capital costs** [Department store operations] **Profit scale and efficiency will continue to grow**, backed by an increase in the number of identified customers from around the world and the value provided
- [Financial business] Expand business scale while keeping an eye on increasing working capital. Plan **to achieve 10 billion yen operating income with improved business ROIC**
- [Real estate business] ROIC level remains flat due to increase in assets through development. However, it will contribute greatly to **increasing profits for other businesses by creating more visitors to the area**

* Business classification differs from segment
 * Department store operations: Domestic department store operations and overseas operations.
 Including MI TOMONOKAI and consolidation adjustments.

Unit: Billions of yen		Current Medium-Term Management Plan		WACC by business (Recognition at this time)	Next Medium-Term Management Plan	
		FY2023	FY2024		FY2027	FY2030
Department store operations * Including MI TOMONOKAI	Operating income	44	58.5	5 to 6%	66	76.5 to 84.5
	ROIC	6.9%	9.3%		10.3%	12-13%
Financial business *Excluding MI TOMONOKAI	Operating income	4.4	6.1	2 to 3%	8	10 to 11
	ROIC	2.5%	3.2%		4.0%	4-5%
Real estate business	Operating income	3.3	4.1	3 to 4%	5.5	5.5 to 6
	ROIC	5.9%	6.9%		* Monitored by investment evaluation using ROI/IRR	
Related businesses	Operating income	2.6	3.3		5.5	8 to 8.5
	ROIC	8.9%	9.7%		12.8%	16-17%
Consolidated	Operating income	54.3	72		85	100 to 110
	ROIC	5.3%	7.0%		7.8%	8-9%

I will now explain about financial strategies.

The table below shows operating income and ROIC by business segment.

It contains figures for FY2023 and FY2024, as well as figures for WACC by business.

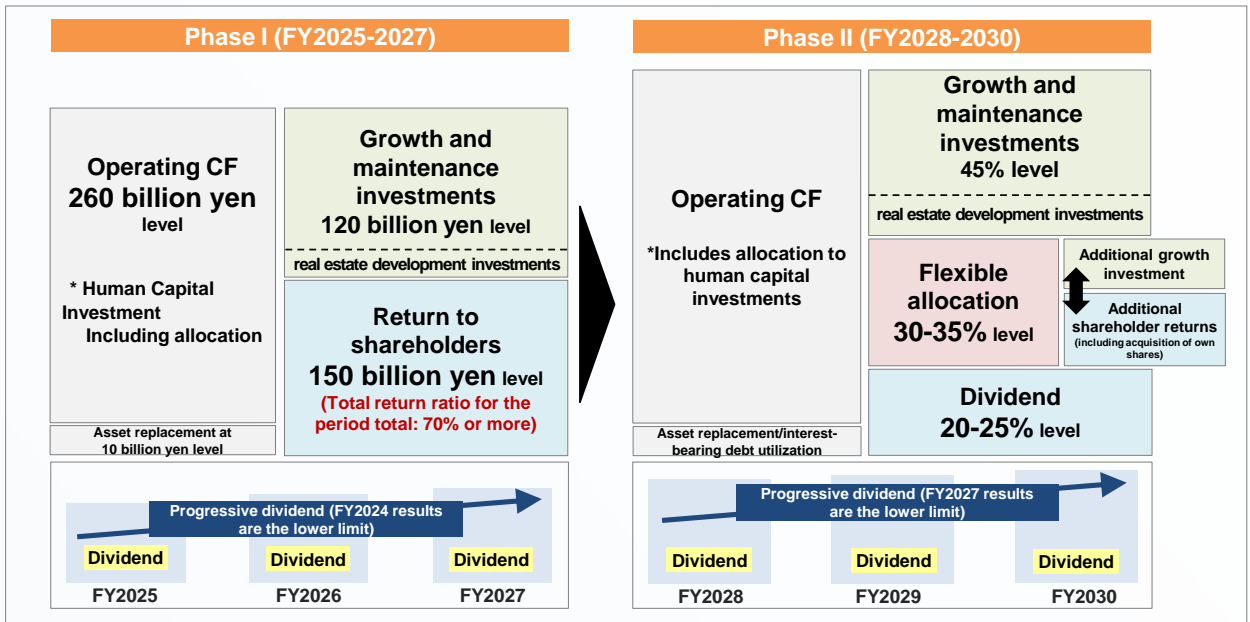
Of course, we are likely to be able to significantly exceed the WACC by business in FY2024. Furthermore, in FY2027 and FY2030, we would like to conduct more efficient business by adding business profit and the intra-group coordination profit we discussed earlier, while keeping a firm awareness of the cost of capital.

Group Platform Strategy "Financial Strategy" Cash Allocation Plan

[Phase I] In the period prior to the start of real estate development, the allocation of capital was focused on **improving capital efficiency through shareholder returns**

* Assumed shareholder return of **150 billion yen over 3 years** through "progressive dividend" and "flexible share buyback" (total return ratio of 70% or more for the period)

* Consider reviewing the level of shareholder returns in the event of **additional large-scale investments**, such as M&A that contribute to medium- to long-term growth



The next slide represents cash allocation.

I would like to divide this explanation into the first three years of Phase I and the second three years of Phase II.

I believe that cash flow for the first three years will be roughly 260 billion yen, based on current calculations.

This is divided into investments to sustain growth and shareholder returns.

With regard to shareholder returns in particular, the current medium-term management plan calls for a total return ratio of 50%, but for the next three years, we would like to raise this ratio significantly to 70% or more.

In addition to that, we would like to offer progressive dividends. We will continue to raise dividends while also returning profits to shareholders at least for the next three years.

The reason for this is that, as I mentioned earlier, the major real estate investment is about 15 billion yen here, and even the second half is about 30 billion yen. I would like to explain about the second half in more detail at another time.

We have plotted only the percentages here this time.

However, we intend to continue to pay progressive dividends. I believe this is such a sign of confidence that the department store business will generate stable profits.

Group Platform Strategy "Financial Strategy" Investment Classification, Evaluation and Discipline

- Strengthen **investment in growth**, including expansion of sophisticated and high-quality content and investment in human capital. Allocate certain resources to **maintenance investments**
 - While being **disciplined** from a financial and strategic perspective, also take an **aggressive approach** to growth investments

Investment Items		Investment Discipline and Evaluation
Growth Investment	Contents	Department store remodeling
		Investment in urban community development (Expansion of functions and contents)
	DX and system	System development investment
		DX investment for individual customer business
	Real estate	Increasing the value of real estate holdings
Maintenance Investment	Increased productivity	Human capital investment
		Business reform DX investment
	Safety and security	LCC investment (building repairs, repairs, etc.)
Investment in existing system modifications		

- Evaluated by ROI/IRR>WACC
- Evaluation based on achievement of customer KPIs
- Evaluated by ROI/IRR>WACC
- Discipline the total amount of investment for each fiscal year
- Quantitative evaluation of business productivity improvement
- Implemented in accordance with renewal standards

Phase I Total (FY2025-FY2027)

Planning for a 100 to 120 billion yen level

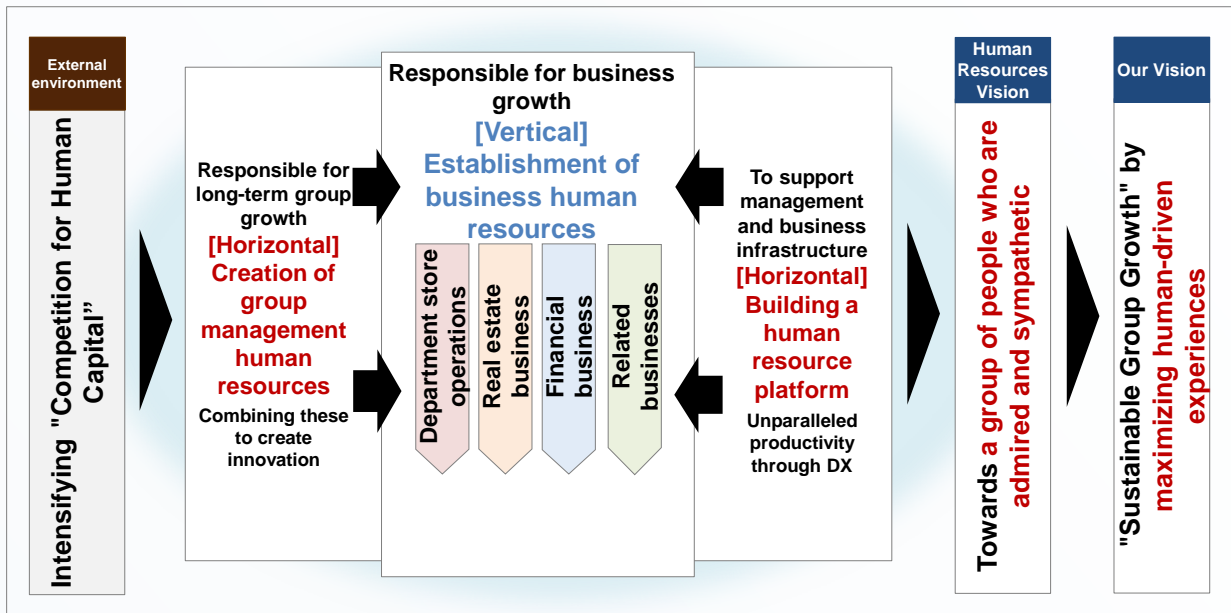
Within the financial strategy, I would like to talk a little bit about investment classification and discipline/evaluation.

We have a plan to invest about 100 billion to 120 billion yen over the three-year period I mentioned earlier. Within that plan, we will divide the investment into growth investment and maintenance investment. Within each investment category, we will plot out items for investment, firmly decide what exactly we are going to do with them, and with what discipline and under what evaluation we will do them. By so doing, we will make more prudent investments while deciding whether or not to do so.

We want to create a state of discipline that is more planned or scientifically analyzed than ever before.

Group Platform Strategy "Human Resource Strategy"

- Strengthen "vertical" measures to "establish specialized personnel for the business" and "horizontal" measures to "create group management human resources" and "rebuild the human resource platform"
- Implement well-balanced human capital measures (human capital investments) according to the "expected roles of human resources"



From here, I will explain about the human capital strategy.

The year before last, the Group reworked its corporate philosophy in the form of a redesign.

This corporate philosophy was developed through discussions among all employees, and we were reminded once again that the core of our company is our people.

This is the strategy we have created on how to build a human capital strategy for this, "people."

We believe that we will have to divide our human resource strategy into three main categories compared to what we have done so far.

The first is the creation of group management human resources to generate group innovation. This is called "horizontal." This group considers how to attract, train, and evaluate human resources who can create innovations when looking at each business side by side.

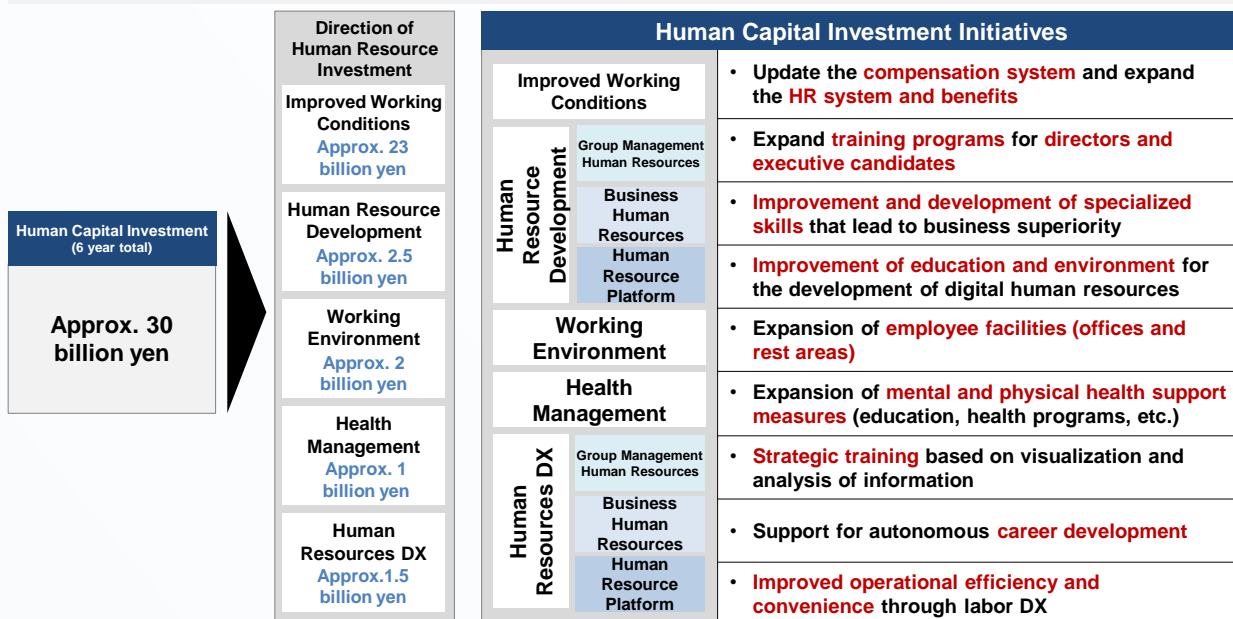
And the second is how to build the human resources of the group responsible for business growth, looking vertically at each business. This human capital is also an important human capital pool that will help generate significant profits, so we would like to create a solid plan for this as well.

The third is a team that can operate more efficiently by looking at the management and business infrastructure as a whole from a horizontal perspective. We call this group a human resource platform for the entire group. We would like to proceed with our human resources strategy while keeping these three major groupings in mind.

This point is specifically described in the following slide, from perspectives such as what kind of money to spend to develop or reward these human resources.

Group Platform Strategy "Human Resource Strategy" Human Capital Investment

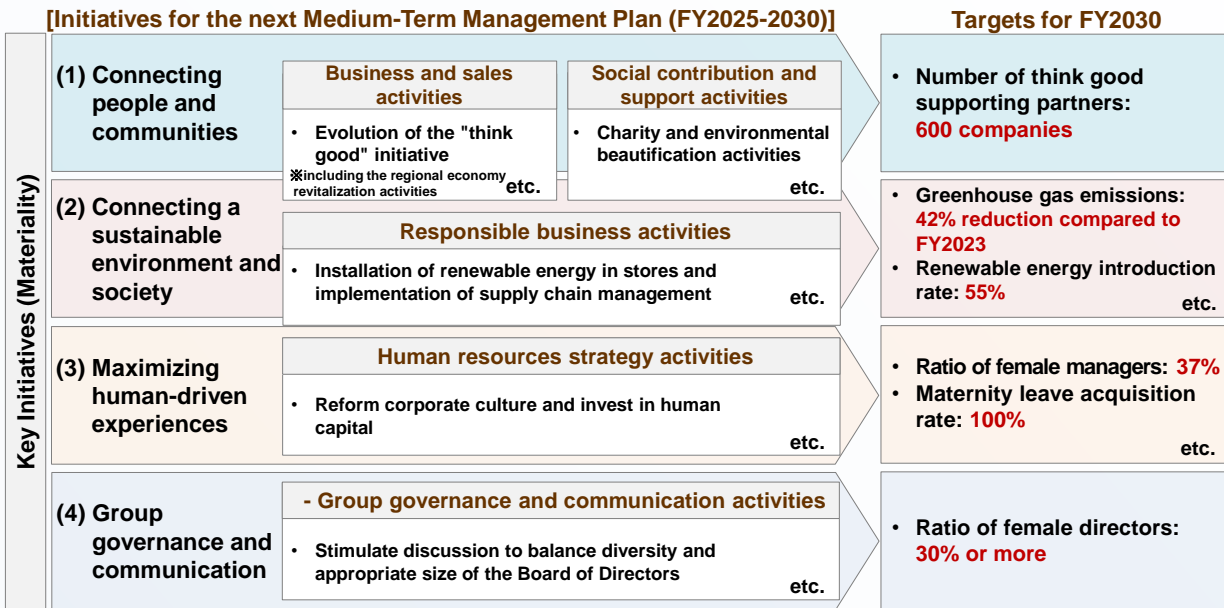
- 'Invest in human capital' in a balanced manner to achieve both "employee growth" and the "realization of corporate strategy"



We have started discussions on details for allocating money that amounted to about 30 billion yen earmarked for human-resource investment. We divided the category into five, including working-condition improvement, human resource development, and working environment. We also discussed specific details of what we needed to do for each category. We are now ready to formulate a specific human resources development or human resources strategy based on the details of the plan.

Group Platform Strategy "Sustainability" Key Initiatives (Materiality)

- Strengthen efforts in four **key initiatives (materiality)**. In addition, some FY2030 targets were revised



Lastly, I will explain about sustainability.

The Sustainability Report will be issued on November 29.




The four key initiatives of materiality are plotted here.

The four materiality are: Connecting people and communities, Connecting sustainable environment and society, Maximizing the power of people, and Group governance and communication. A slight change has been made from the previous materiality.

Group Platform Strategy "Sustainability" Initiatives for Social Issues

- The company has identified "co-creation with local communities" and "cultural inheritance and innovation" as social issues that need to be addressed
 ⇒ think good, expanding efforts as a social contribution activity

[Examples of current initiatives]

Cultural exhibitions	Charitable activities	Other initiatives
<ul style="list-style-type: none"> • Hold special exhibitions to promote culture 	<ul style="list-style-type: none"> • Implementing initiatives such as fundraising for reconstruction assistance 	<ul style="list-style-type: none"> • Implementing industry-academia collaboration initiatives 

[Initiatives for "co-creation with local communities"]

- Build and strengthen partnerships with local businesses and municipalities
- Collaboration with local industries and utilization of resources

etc.

[Initiatives for "cultural inheritance and innovation"]

- Support for local traditional and cultural events
- Inherit traditional culture, arts, and crafts through industry-academia collaboration and events

etc.

This slide describes our efforts to address specific social issues related to sustainability.
 We have started our own "think good" initiative, centering on department stores.
 From this fiscal year, we are expanding this initiative to all Group companies, while placing more emphasis on think good activities as key strategies.

Some of the information in this material may contain forward-looking statements. These statements are based on reasonable judgments made in accordance with information available at the time of disclosure and are subject to various risks and uncertainties.

It involves various risks and uncertainties.

Therefore, actual performance figures and results may differ from forecasts due to factors such as future business operations and changes in economic conditions.

That is all from me.

Thank you very much for your kind attention.