Isetan Mitsukoshi Group Financial Results
Fiscal Year Ended March 31,2023
Explanation Meeting

May 9, 2023

ISETAN MITSUKOSHI HOLDINGS

Table of Contents

I : Results of FY 2022
(for Year Ended March 31, 2023)

II : Full Year Plan for the FY 2023

III : Progress of Medium-term Management Plan (FY 22 to FY 24)

【Yoshinori Makino, Managing Executive Officer, CFO】

I would like to discuss our results for fiscal 2022 and our plans for fiscal 2023, focusing on the figures.

Table of Contents

I : Results of FY 2022
(for Year Ended March 31, 2023)

II : Full Year Plan for the FY 2023

III : Progress of Medium-term Management Plan (FY 22 to FY 24)

First, I would like to report on our full experience for fiscal 2022.

FY 22 Cumulative Consolidated Results

- Gross sales recovered to 1 trillion yen: Substantial increase in sales due to strong domestic consumption and recovery of tax-free sales
- Operating income exceeded before COVID-19 * by 29.6 billion yen: both due to increased revenue and expense restructuring
- Net income exceeded 30 billion yen: Much higher than last year

*Before COVID-19 = FY 2018

(Billions of yen)	FY 22 Results	Year-on-Year	Year-on-Year change	February IR differences
Gross sales	10,884	119.3%	+1,763	+84
Net sales	4,874	116.5%	+690	(25)
Gross profit	2,865	117.6%	+428	(4)
Selling, general and administrative expenses	2,569	108.1%	+191	(40)
Operating income	296	-	+236	+36
Recurring income	300	-	+204	+40
Net income	323	-	+200	+68

Gross sales were 1088.4 billion yen, increase of about 170 billion yen from the previous year.
Operating income increased by 23.6 billion yen from the previous year to 29.6 billion yen, as gross profit increased by more than 42 billion yen while SG & A expenses were kept to just over 19 billion yen. This is higher than the 29.2 billion yen achieved in fiscal year 2018, when our company was completely unaffected by COVID-19 pandemic.

Recurring income was 30 billion yen.
Net income was 32.3 billion yen, a 20 billion yen increase from the previous year, and this is the first time in 11 years since fiscal 2011 that net income exceeded 30 billion yen.

Isetan Shinjuku Main Store Sales Trend (After Integration)

- **Gross Sales at Isetan Shinjuku Main Store hit record high**
  We will continue to pursue a high sensitivity, fine quality and CRM strategy to increase sales by expanding the number of identified customers.

Isetan Shinjuku Main Store Gross Sales by Year

FY2008 to 2022



* Before application of revenue recognition standards, based on gross sales

Following this, the chart shows the sales of the Isetan Shinjuku Main Store, which particularly contributed to the overall top line revenue. We finished fiscal 2022 with a record high of just over 327 billion yen.

Increase (decrease) in Consolidated SG & A Expenses

- Cost reductions due to structural reforms are on track: down 6.2 billion yen for the year, down more than 4.7 billion yen from the initial plan
- "Progress of Scientific analysis of department stores" Contributes: Further expenses control

(Billions of yen)	FY 22 Results	Year-on-Year Changes	Breakdown of Changes in the Previous Year					
			Previous year's return	Change in FY2022				
			emergency measures extraordinary loss on COVID-19	cost structure reform	sales linkage	Sales enhancement measures	New consolidation	Others
Personnel expenses	929	+64	+61	(33)			+37	(1)
Advertising expenses	87	+4		(4)		+7	+1	
Lease payments	321	+19	+7	(2)	+2		+17	(4)
Business consignment expenses	289	+5	+3	(13)		+10	+6	
Depreciation and amortization	233	+3	+6				+3	(5)
Others	707	+95	+3	(10)	+42		+31	+29
Total	2,569	+191	+79	(62)	+44	+17	+95	+19

Next is the sales and SG & A expenses that I mentioned earlier that we were able to keep it at just over 19 billion yen.

SG & A expenses increased mainly by 7.9 billion yen due to emergency measures such as bonuses and the reversal of the COVID-19 special loss, 4.4 billion yen in sales-linked expenses, 9.5 billion yen in additional expenses from Q2 to Q3 of IM Food Style as a new consolidation, and 2.9 billion yen in other water and utility expenses. (See expense-others items, etc., breakdown-others, etc.).

While taking these factors consideration, we were able to limit the growth of SG & A expenses to 256.9 billion yen by reducing expenses by 6.2 billion yen as disclosed in the fourth quarter due to expense restructuring.

Results by Segment (full-year results)

- Department store business: Sales increased due to increased opportunities to go out and improved consumer confidence. Improved operating income by 26.7 billion yen
- Credit and finance business: Net sales increased, although profit decreased from the previous year due to changes in group accounting
- Real estate business: Gross sales increase due to strengthening of construction and interior business, but real estate income declines

(Billions of yen)	Gross sales	Year-on-Year	Net sales	Operating income	Year-on-Year change
Department store business	10,175	118.1%	4,160	204	+267
Credit & finance business/ Customer organization management business	335	101.8%	308	37	(22)
Real estate business	205	113.5%	205	40	(15)
Others *	168	(6)	200	13	+7
Total	10,884	119.3%	4,874	296	+236

* Others include adjustments

The following is a breakdown of results by segment.
In particular, the recovery of the department store segment contributed to the profit. When operating income was 5.9 billion yen in the previous fiscal year, the department store segment was in the red, but with Isetan Mitsukoshi recovering by a little over 20 billion yen, regional stores by 5.5 billion yen and overseas stores by 500 million yen, the department store segment has returned to an operating income level in excess of 20 billion yen.

In the Credit & finance business/ Customer organization management business, the impact of the change in the revenue structure of the group due to the timing of non-retention of card information was a decline of approximately more than 2 billion yen at IM Card. This is flat on a consolidated basis and represents a shift toward the department store segment.

Because of the other segment plus, the total operating income is estimated at 29.6 billion yen.

Table of Contents

I : Results of FY 2022
(for Year Ended March 31, 2023)

II : Full Year Plan for the FY 2023

III : Progress of Medium-term
Management Plan (FY 22 to FY 24)

Next, I would like to talk about our full-year plan for fiscal 2023, starting with our environmental awareness.

- Strong Japanese Sales Aim for Further Expansion by Expanding Identified Customers
- Inbound assumes continuation of recent recovery trend
- Continued to reduce SG & A expenses by promoting structural reforms
- Cost increases associated with price increase will continue to be considered

Operating income of 35 billion yen is planned to be the highest profit after integration

We will aim to increase our current solid sales in Japan by expanding the number of identified customers, including strong sales from (Individual) out -store-sales.

For inbound, we expect the latest recovery trend to continue, and we project about 60 billion yen, 80% of the fiscal 2018 level.
We assume that the reduction in SG & A expenses due to the promotion of structural reforms will continue, and we would like to maintain a balance between closing and spending.

In addition, we expect costs to increase as prices rise, and as we will discuss later, we expect water and utilities costs to be somewhat conservative.

Among these plans, in the current medium-term plan, we had originally planned to achieve an operating income of 35 billion yen in fiscal 2024, above the post-merger high of 34.6 billion yen in fiscal 2013. We plan to bring this record profit forward one year.

Consolidated Plan (Full Year FY23)

- Gross sales grow further: Identified customer expansion and inbound recovery
- SG&A expenses managed properly: The spillover effect of Scientific analysis of department stores across the group
- We plan to record an operating income of 35 billion yen, the highest since the merger. The original plan for FY 24 was brought forward.

(Billions of yen)	Full Year	Year-on-Year change	Year-on-Year
Gross sales	11,400	+515	104.7%
Net sales	5,100	+225	104.6%
Gross profit	3,010	+144	105.0%
Selling, general and administrative expenses	2,660	+90	103.5%
Operating income	350	+53	118.2%
Recurring income	370	+69	123.3%
Net income	280	(43)	86.5%

This is the fiscal 2023 plan for this 35 billion yen and net income. Gross sales of the top line increased by 51.5 billion yen. On a consolidated basis, sales were 104.7% of the previous year. I will talk about the department store segment later.

Operating income increased by 5.3 billion yen to 35 billion yen. With recurring income slightly improving from operating income to recurring income of 37 billion yen compared to fiscal 2022, and net income only looking at a certain management risk buffer and the payment of taxes associated with the effective tax rate, we are planning to post net income of 28 billion yen.

Domestic Department Store Same-store Sales Plan

- Domestic department stores' same-store sales plan is expected to be 103% of FY 22
- At Isetan Mitsukoshi, gross sales excluding inbound were 109% compared to FY 18 (101% compared to FY 22).
  Inbound sales planned to be 80% compared to FY 18 (131% compared to FY 22)

	first half		second half		Full Year	
	Compared to FY 22	Compared to FY 18	Compared to FY 22	Compared to FY 18	Compared to FY 22	Compared to FY 18
Isetan Mitsukoshi Total	106%	104%	101%	108%	103%	106%
(of which) Excluding inbound	102%	107%	101%	110%	101%	109%
(of) Inbound	209%	73%	100%	87%	131%	80%
Total of regional operating companies	104%	94%	103%	97%	104%	95%
Total domestic department stores	105%	100%	102%	104%	103%	102%

* Isetan Mitsukoshi: Excluding Isetan Sagamihara, Isetan Fuchu and Ebisu Mitsukoshi / Regions: Excluding Iwataya Kurume, Matsuyama Mitsukoshi and Niigata Mitsukoshi

Next, I will explain how we view the sales of (existing) domestic department stores.

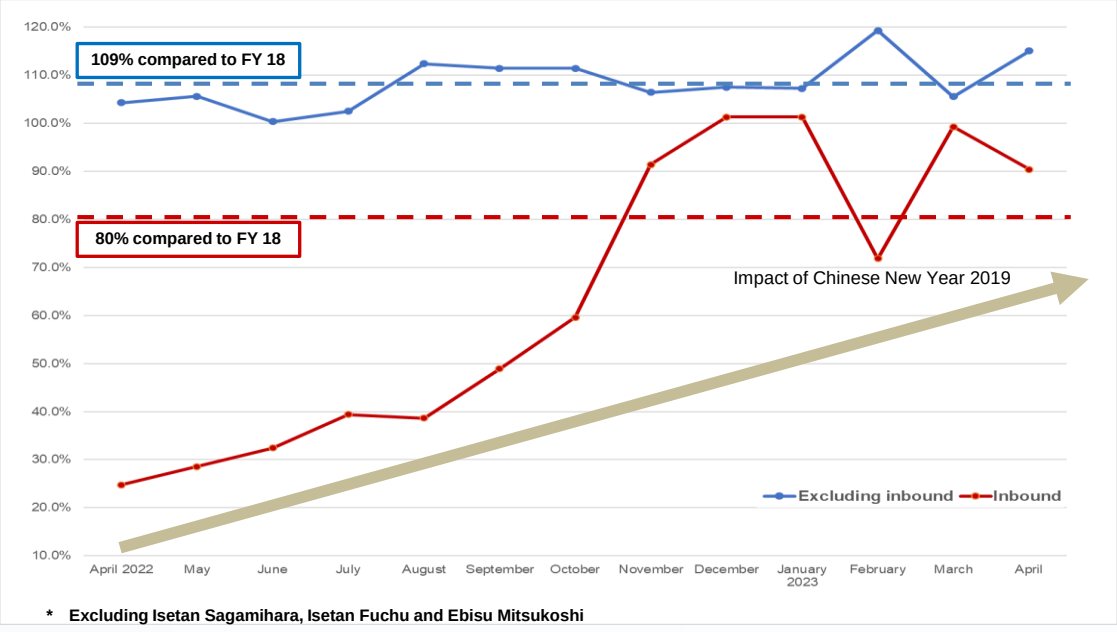
For the full year, Isetan Mitsukoshi in the Tokyo metropolitan area accounted for slightly more than 103% of the total for the previous fiscal year and 106% for the fiscal year 2018.
The ratio for regional companies was 104% for fiscal 2022 and 95% for fiscal 2018.

Overall, domestic department stores total 103%. At Isetan Mitsukoshi, which accounts for slightly less than 70% of the total, Japanese sales excluding inbound sales have risen to 109% compared to fiscal 2018, while inbound sales have risen to 80%. Please look at the following page how current situation is changing.

Isetan Mitsukoshi Same-store Sales Trends

- **Based on the latest sales trends, Isetan Mitsukoshi plans for non-consolidated sales of 106% in FY 23 compared to fiscal 18 (109% excluding inbound sales, 80% inbound sales)**

  *** The table below shows monthly results for FY 18 since April 2022.**



* Excluding Isetan Sagamihara, Isetan Fuchu and Ebisu Mitsukoshi

The blue dotted line at the top is the 109% line for fiscal 2018. On the other hand, we draw a line graph on a monthly basis, and since about August last year, the rate has been almost on the line, almost exceeding this 109% line.

In February, the Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store held invitations to their (Individual) out - store-sales customers, which were very successful, and the number of visitors has been increasing at a fairly good pace, about 115% in April.

Inbound, on the other hand, is 80% of the FY 2018 level, which is seen in the Tokyo metropolitan area at a similar level, but in the Tokyo metropolitan area, the level has been slightly above this level since around November due to the easing of immigration restrictions on October 11, 2022.

The Chinese New Year sales were slightly lower than in March due to the large fiscal 2019 numbers, and the April sales were slightly lower than in March due to a very large special demand at the Mitsukoshi Ginza store in April 2019, but have generally remained above this line.
Here's a look at the top line.

Consolidated SG & A Expenses (Full Year FY23)

- Plan costs appropriately: Sales linked expenses and utilities
- Further promotion of expense restructuring by Scientific analysis of department stores: Cost Cuts Continue

			Breakdown of Changes in the Previous Year				
			Change in FY2022				
(Billions of yen)	FY 23 Plan	Year-on-Year Changes	cost structure reform	sales linkage	price increase	New consolidation	Others
Personnel expenses	932	+2	(21)		+9	+13	+1
Advertising expenses	96	+8		+8			
Lease payments	324	+2	(8)	+3		+6	+2
Business consignment expenses	288	(1)	(4)			+2	
Depreciation and amortization	236	+2				+2	
Utilities	137	+37			+37		
Others	647	+39	(7)	+33		+11	+3
Total	2,660	+90	(40)	+44	+46	+34	+6

Next, the figures for SG & A expenses.

We see an increase of 4.4 billion yen linked to sales and 4.6 billion yen in price increases, including a 3.7 billion yen increase in water and utility costs, as factors for this year's increase. In addition, the first quarter of IM Food Style worth 3.4 billion yen was newly consolidated.

In response to these impacts, we will implement an expense structure reform of 4 billion yen, resulting in a total increase of 9 billion yen to 266 billion yen.

Plan by Segment (Full Year FY23)

- Department store business: Sales and profit increased as we continued to push both sales growth and expense restructuring in the current fiscal year.
- Credit and finance business: Revenue increased due to higher transaction volume, investment planned to promote medium- to long-term strategy
- Real estate business: Plan to increase revenue and profit by strengthening construction and interior business

(Billions of yen)	Gross sales	Year-on-Year	Net sales	Operating income	Year-on-Year change
Department store business	10,450	102.7%	4,257	240	+35
Credit & finance business/ Customer organization management business	355	105.8%	325	40	+2
Real estate business	290	141.3%	290	45	+4
Others *	305	181.3%	228	25	+11
Total	11,400	104.7%	5,100	350	+53

* Others include adjustments

Next, we present our plans for fiscal 2023 by segment.

Against operating income of 35 billion yen in fiscal 2023, the department store business is the driving force. Year-on-year increase of 3.5 billion yen. Isetan Mitsukoshi has been growing quite a bit, so the regional growth has been slightly higher with some expectation. Also, we are looking at overseas business a little conservatively.

In the Credit & finance business/ Customer organization management business, MICARD posted a slight increase in profits. In the real estate business, profit increased at Isetan Mitsukoshi Property Design. In Other businesses, we are seeing profit increases of about 1.1 billion yen at IM Food Style, Mitsukoshi Isetan Nikko Travel, Isetan Mitsukoshi System Solutions and Studio Alta.

As a result of these activities, operating income will increase by 5.3 billion yen to 35 billion yen.

Table of Contents

I : Results of FY 2022
(for Year Ended March 31, 2023)

II : Full Year Plan for the FY 2023

III : Progress of Medium-term Management Plan (FY 22 to FY 24)

【Toshiyuki Hosoya, Director, President and CEO】

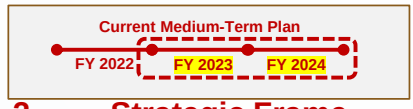
This is the progress of the Medium-Term Plan from 2022 to 2024.

Table of Contents

I: Strategy Progress

1. Progress in medium- to long-term strategic steps
2. Progress of Revitalization Phase

II: 2 year plan (FY 23 and FY 24)



1. Financial KPIs
2. Strategic Frame
3. Strategies by Business Segment
4. Key Strategies

III: Financial Policy

1. Way of Thinking
2. 10 year Cash Allocation
3. Future Directions

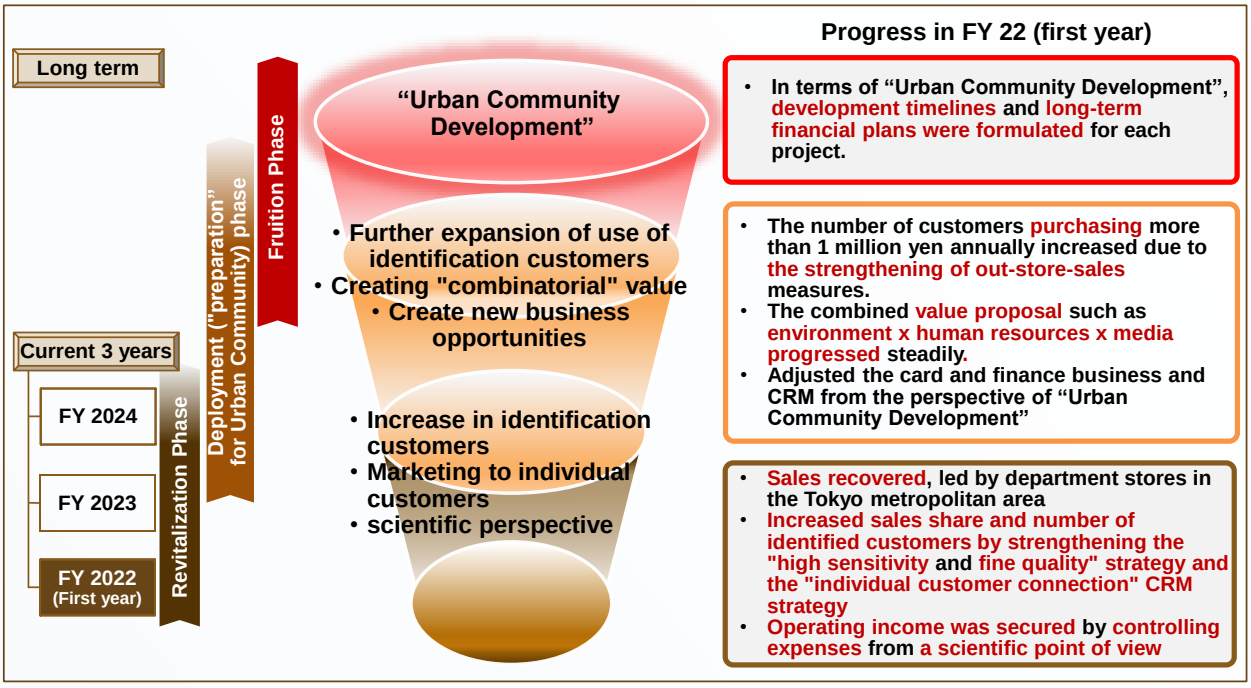
IV: Management Platform

1. Human Resource Platform (human capital)
2. Sustainability
3. New Corporate Philosophy System

From I to IV, I will explain the progress of the strategy, the 2 year plan (FY 23 and FY 24), the financial policy, and the management platform in this order.

1. Progress in medium-to long-term strategic steps

- **Revitalization Phase advanced ahead of schedule. In addition, we are steadily promoting initiatives aimed at the Deployment ("preparation" for Urban Community Development) and Fruition Phase.**



Before I explain the first year of three years, I'd like to look back at the whole experience again.

It is not just a single-year plan centered on department stores, but a policy of considering things in the medium-to long-term.
On the left is the arrow for Revitalization phase. We have completed the first year of the first three years.

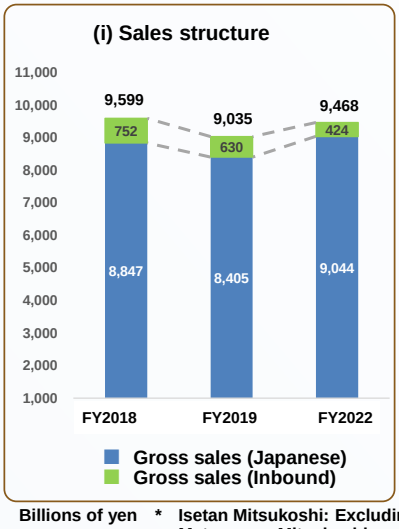
Then there's the deployment phase. This is the phase to prepare for the "urban community development." After 10 years, we will be in the "Fruition phase," which means that we have made a firm start on "urban community development."

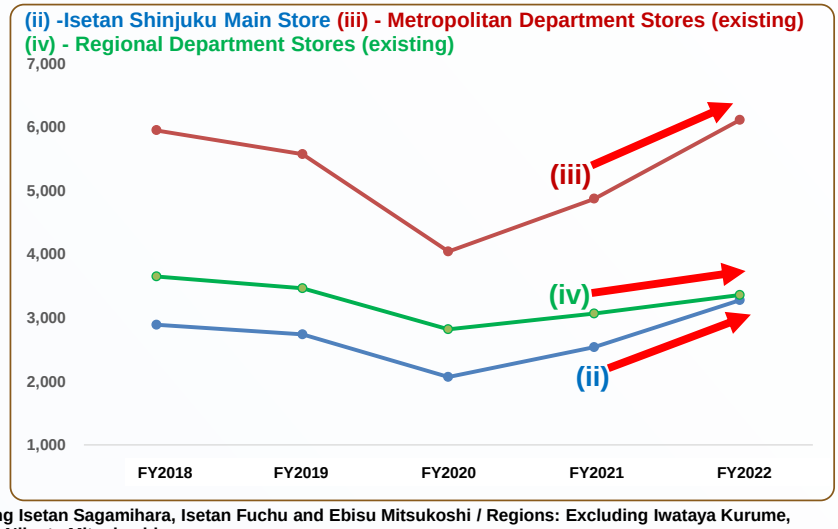
During the first three years of the "revitalization phase," we are talking about changing the business model of the department store itself. It is about marketing from mass to individual, "Approach all customers and engage them with high sensitivity and fine quality," "Connect with all the customers you've drawn in and make profits more concretely," and this is the kind of business model we want to do.

2. Progress of Revitalization Phase "Gross sales"

TOPICS

i)	Sales structure:	Decrease in inbound gross sales offset by growth in sales to Japanese customers
ii)	Isetan Shinjuku Main Store:	Gross sales 327.6 billion yen. Record high sales
iii)	Metropolitan Department Stores:	In addition to the above, Mitsukoshi Nihombashi Main Store recovered to pre-COVID-19 net sales of 138.4 billion yen Sales to Japanese customers at Mitsukoshi Ginza Store also grew compared to pre-COVID-19
iv)	Regional Department Stores:	Gross sales are recovering, especially in large metropolitan areas such as Iwataya Mitsukoshi and Sapporo Marui Mitsukoshi.





Billions of yen * Isetan Mitsukoshi: Excluding Isetan Sagamihara, Isetan Fuchu and Ebisu Mitsukoshi / Regions: Excluding Iwataya Kurume, Matsuyama Mitsukoshi and Niigata Mitsukoshi

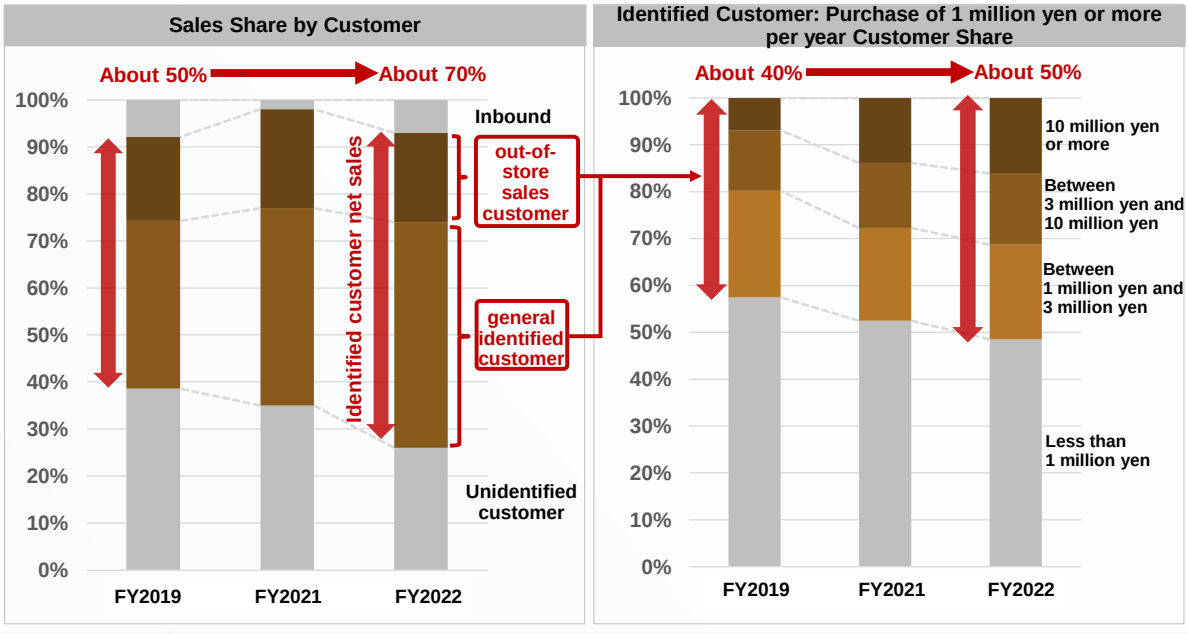
This is about "sales" in the revitalization phase.In the bar graph on the left ((1) Sales structure), I would like to show you how the figures before the COVID-19 were compared with the figures for fiscal 2022.

First of all, the overall picture is that FY 22 results are only slightly lower than the pre- COVID-19 figure of 99% compared to FY 18, but most of the figures are inbound. As a whole, inbound sales totaled 75 billion yen in FY 18 to about 40 billion yen in FY 22, which is about 55% of the FY 18 level, but Japanese sales have cleared significantly and exceeded FY 18 and FY 19 levels.
Focusing on that, where sales increased was Isetan Shinjuku Main Store in Topics (2). Gross sales exceeded 327 billion yen, the highest ever. It has exceeded 300 billion yen only once in the past, and the price was about 305 billion yen during the bubble in 1991. In other words, much more than that happened last fiscal year.

At the same time, as for department stores in the Tokyo metropolitan area, the Mitsukoshi Nihombashi main store also recovered before the COVID-19. However, only the Mitsukoshi Ginza store has seen a significant Japanese resurgence, but we have not been able to recover the numbers of mainland Chinese customers, and we are still in a bit of a fix.
Regional department stores are also showing a very good signs of recovery in urban department stores such as Kyushu and Hokkaido. However, there are still some areas that need to be addressed.

2. Progress of Revitalization Phase "Customers" * Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store

- Our "high sensitivity and fine quality" strategy and "CRM strategy connecting with individual customers" increased our share of identified customer sales to approximately 70%.
- Among identified customers, customers purchasing 1 million yen or more a year increased their share of sales to about 50%, deepening their personal ties with customers



Next, I would like to talk about the progress of the revitalization phase with regard to "customers."

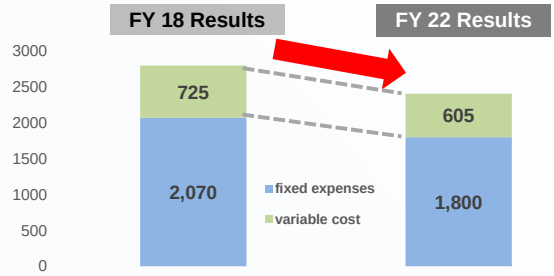
This is the primary focus of our strategy to move from mass to individual. How can we attract identified customers? It's about how we can connect with the customers we collect.
For the past 10 years, most of the identification has been in the sales of MI Card Members, with a share of about 50%. Of that, 50% is the bar graph on the left, which has grown significantly over the past year or two to 70%.

This graph captures figures only for the Isetan Shinjuku main store and the Mitsukoshi Nihombashi main store, and we believe this trend can spread nationwide. With this 70% identification, the bar graph on the right shows how people buy. In particular, the share of extremely connected customers who bought more than 1 million yen a year is increasing. Of course, the overall figure is rising, but until now, the number of customers who bought more than 1 million yen was about 40%, but it grew to 50%. In particular, customers who buy more than 10 million yen a year showed a nearly 2 times increase.

2. Progress of Revitalization Phase "Revenue Structure"

- Maintain operating income by controlling expenses from the perspective of Scientific analysis of department stores
- Continue to reduce fixed costs and flexibly control variable costs to improve earnings structure

SG & A expenses trend



Billions of yen

	Major Initiatives			
	Item	FY 18 Sales ratio	FY 22 Sales ratio	Remarks
fixed expenses	Personnel expenses	8.0%	7.2% (0.8%)	• Workforce efficiency and in-house production
fixed expenses	Business consignment expenses	3.2%	2.6% (0.6%)	• Review of operations and in-house production
variable cost	Advertising expenses	1.3%	0.7% (0.6%)	• Shift from mass appeal to individual advertising

* Domestic department store business (before application of revenue recognition standards)

TOPICS

- "Scientific analysis of department stores" was launched at Isetan Mitsukoshi to break away from the existing department store business model
- Full-scale expansion to regional operating companies in FY 23

	Major Initiatives of Scientific analysis of department stores	
❶	Income and Expenditure Structure Reform	• Maximizing Cost-effectiveness
❷	Organizational Workforce Reform	• Multitasking Workforce
❸	Store Structure Reform	• MD Balance Optimization

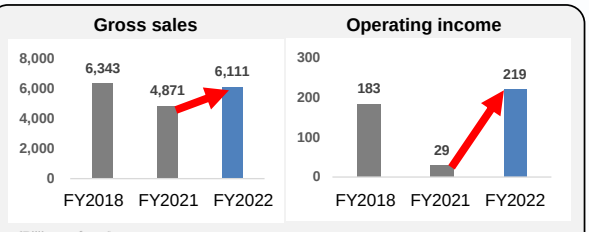
I'd like to talk about the revenue structure.

With regard to our profit structure, we thoroughly control expenses in the sense of "Scientific analysis of department stores." This is the result of controlling expenses while incorporating a scientific perspective, such as considering the sales ratio, considering personnel expenses per person in terms of sales, and incorporating PL for each customer in terms of advertising expenses, rather than following the previous year's business model.

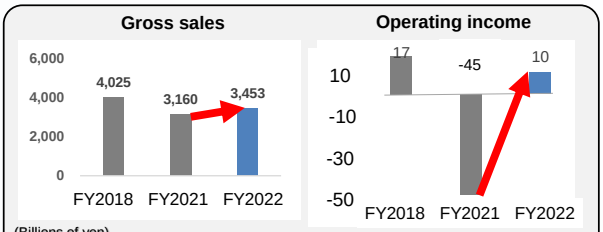
2. Progress of Revitalization Phase "Major Companies"

i)	Isetan Mitsukoshi:	Performance rebounded significantly, achieving Revitalization Phase ahead of schedule
ii)	Regional Operating Companies:	A recovery trend. Steady progress toward Revitalization
iii)	Domestic Affiliates:	Impact of changes in intra-group transactions in the financial business (down 2.2 billion yen year on year), all profitable except travel business
iv)	Overseas Affiliates:	The U.S. and ASEAN performed well. Initiate stabilization and business structural reform

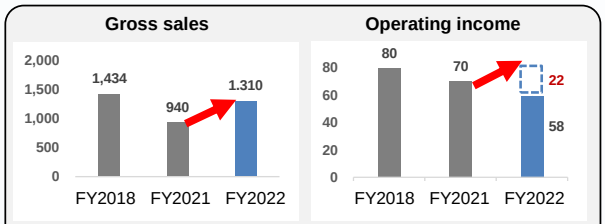
i) Isetan Mitsukoshi



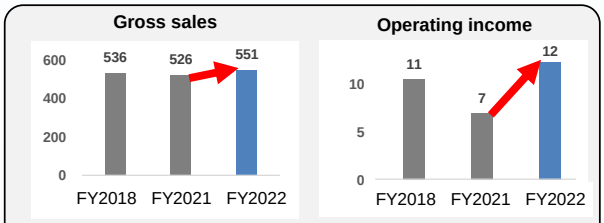
ii) Regional Operating Companies



iii) Domestic Affiliates *Finance, real estate, human resources services, logistics, etc.



iv) Overseas Affiliates



This is a breakdown of the major companies in the revitalization phase.

As Makino mentioned earlier, Isetan Mitsukoshi has made a big comeback. The regional business companies are also coming out of the red. Domestic affiliates are looking a little negative due to replacement of the non-retention of card information in the financial business, but as a result, it is a positive trend. Positive trends can also be seen for overseas affiliates. I hope you can think of it as a significant positive for all of our businesses.

1.Financial KPIs

i) Operating income and net income

FY 23 Operating income exceeded maximum profit after integration of 34.6 billion yen, plan ahead of the original plan of 35 billion yen for FY 24.
Net income temporarily decreased due to the impact of tax effect accounting in FY 22.

FY 24 Operating income revised upward to 40 billion yen, up 5 billion yen from the original plan
In addition, net income was revised upward to 33 billion yen, up 5 billion yen from the original plan.

ii) ROE: ROE is expected to be 5.0% in FY 23 and 5.7% in FY 24, but it will respond more flexibly to future capital policies

Unit (Billions of yen)	initial plan (Disclosed November 2021) FY 2024	This time plan						
		FY 2022		FY 2023		FY 2024		
		Actual	Year-on-Year change	Planning	Year-on-Year change	Planning	Year-on-Year change	Initial plan difference
Gross sales	11,100	10,884	+1,763	11,400	+515	11,800	+400	+700
Selling, general and administrative expenses	2,750	2,569	+191	2,660	+90	2,730	+70	(20)
i) Operating income	350	296	+236	350	+53	400	+50	+50
i) Net income	280	323	+200	280	(43)	330	+50	+50
ii) ROE	5.3%	6.1%	+3.7%	5.0% Response	(1.1)%	5.7% Response	+0.7%	+0.4%

Now I will talk about financial KPIs.

Regarding the original plan on the far left, fiscal 24, we wanted to achieve gross sales of 1.11 trillion yen and operating income of 35 billion yen in fiscal 2024, the last fiscal year of 3 years, exceeding the previous record of 34.6 billion yen. We have also committed to a ROE of 5.3% for net income.

We were able to surpass that on several measures in fiscal 2022 and plan to achieve the highest operating income in fiscal 2023, 1 year ahead of schedule. In terms of net income, we have not included any details of the tax effect in this report, so the figures are as shown here. In terms of ROE, we have not taken into account the positive effects of shareholder returns due to the capital policy, which we will explain later, so the figure is 5.0%.

For the next fiscal year, the plan calls for net sales of 1.18 trillion yen and an operating income of 40 billion yen, which is more than the 35 billion yen budgeted for this fiscal year.

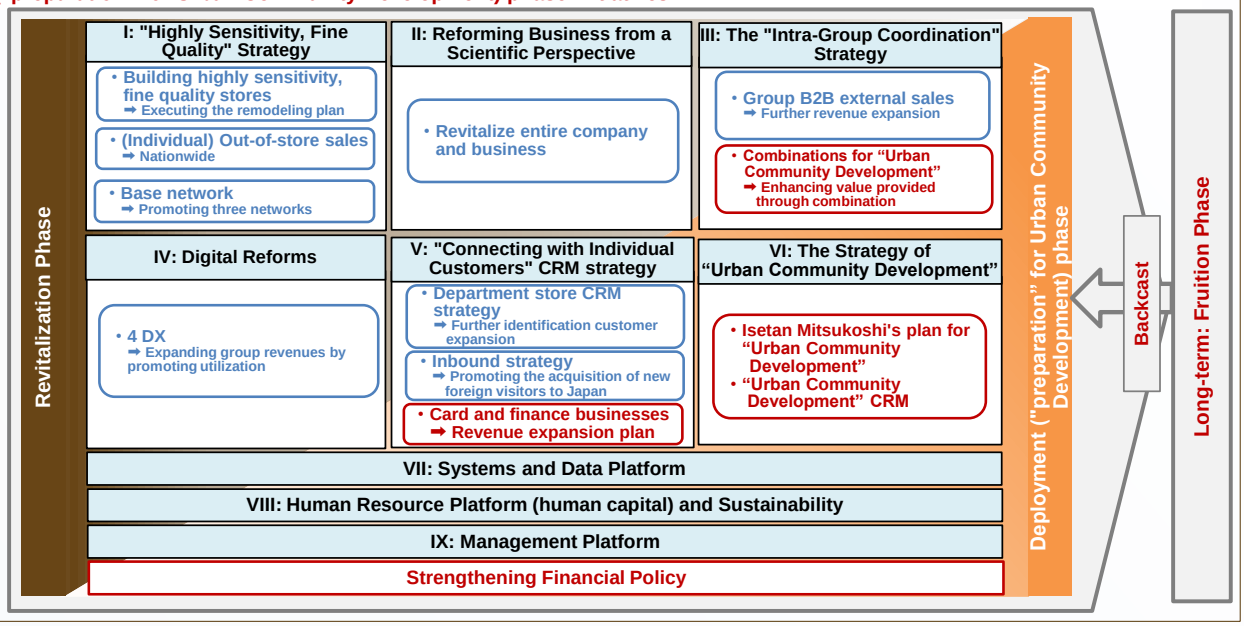
At the same time, as I mentioned earlier in FY 2023, ROE is presented here in the form of figures, which do not specifically include the details of tax effects and capital policies.

2.Strategic Frame

Positioned as a two-year plan

- Advance the revitalization phase and develop a concrete action plan for the Deployment ("preparation" for Urban Community Development) and Fruition phase
- Strengthen Financial Policy Initiatives to Establish Ideal Financial Structure
- State in which the newly formulated corporate philosophy system is pervasive and the engagement of all employees is concentrated

Addition of financial policies to the Nine Key Strategies (I-IX), shifting from fruition to backcasting Deployment ("preparation" for Urban Community Development) phase initiatives



This page describes the specific strategies and reforms of the strategic framework described earlier, with the vertical axis consisting of the "Revitalization phase," the "Deployment (" Preparation" for Urban Community Development) Phase," and the long-term "Fruition phase."

The implication is that we will consider the "deployment phase" with an awareness of longer-term issues, and from there, we will make sure that we carry out the "Intra-Group coordination" strategy, which was backcast, and then " Urban Community Development " this fiscal year.

The reason is that we want to move on to the next phase because we are confident that the revitalization of the department store is going better than originally planned.

3. Strategies by Business Segment Department Store Business "Isetan Mitsukoshi"

From Revitalization to rock-solid

Directions	• Building highly sensitivity, fine quality stores and further strengthening ties with individual customers through department store CRM ➡ Remodel to achieve market-appropriate MD balance and enhance customer service functions

Isetan Shinjuku Main Store

'Cutting-edge fashion' proposal to become the world's No. 1 department store
- Further sharpening of product lineup toward sales of 350 billion yen



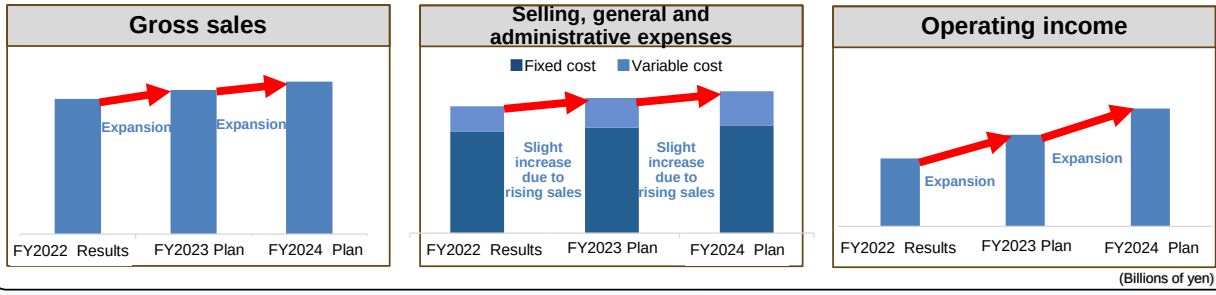
MD	• Expansion of LUX brand, jewelry and watches
Deployment	• Creation of new zoning • Efficiency of the category
Environmental Services	• The Lounge extension • New Premier Salon

Mitsukoshi Nihombashi Main Store

To stores with strengths in "tradition, culture, arts and living"
- Further deepening of hospitality unique to Mitsukoshi's 350 year anniversary



MD	• New expansion of food • Expansion of beauty and health categories
Deployment	• Expansion and efficiency of categories
Environmental Services	• Improving the environment of the Lightwell (atrium)



I would like to tell you about Isetan Mitsukoshi in our domestic department store business.

Let me explain about the Isetan Shinjuku Main Store and the Mitsukoshi Nihombashi Main Store, which are the two main stores of Isetan Mitsukoshi.As for Isetan Shinjuku Main Store, we want to do fashion thoroughly and attract fashion-loving customers from all over the world. We achieved record sales of 327 billion yen last fiscal year, and we hope to surpass that by 350 billion yen. To that end, we will evolve our merchandising. Creating new zoning and category balance will be carefully considered and scientifically balanced.

We are also looking to expand our jewelry, watches and luxury. Also, since we need to reflect the increase in the number of out-store-sales customers here, we would like to greatly expand The Lounge and create a new premier salon.As for the Mitsukoshi Nihombashi Main Store, we will make it a department store that displays its strengths in "tradition, culture, art and lifestyle," which is completely different from how Isetan Shinjuku Main Store looks.

Both main stores have high sensitivity and fine quality, but the taste is very different. We would like to create a team of out-store-sales customers who can come to both main stores and make purchases based on the feelings of each customer.This fiscal year marks 350 years since Mitsukoshi was founded. We are working on a variety of events, and we hope you will see them.

3. Strategies by Business Segment
Domestic Department Store Business: Regional Operating Companies

Revitalization

Directions	• Revised business structure through Scientific analysis of department stores. In addition, increase revenue by promoting a base network • After achieving a stable profit, the Company has implemented measures to appropriate store space and increase property value.

Step1

Thorough Scientific analysis of department stores
i) Maximizing cost-effectiveness
ii) Multitasking Workforce
iii) MD Balance Optimization

＋

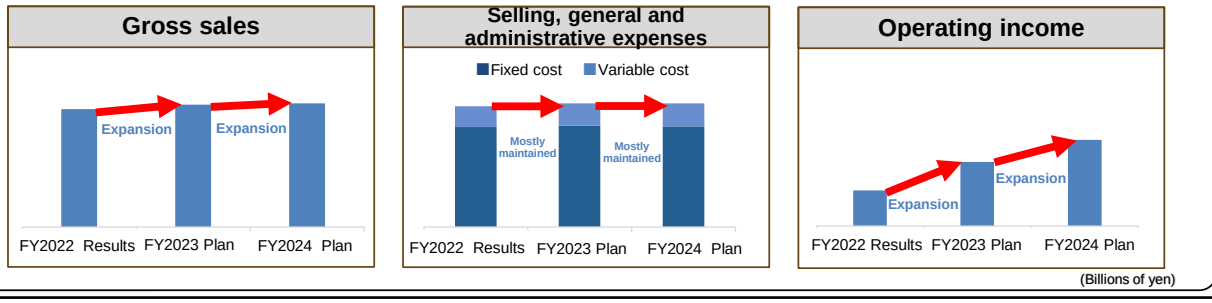
Promoting a base network
i) Network through out-of-store sales
ii) Network by Content Ordering
iii) Networks through the use of digital

Single store revenue + Related business contribution revenue ➡ Stable profit

Step2

Adequate store space

Property value up



This is about regional business companies.

The community has a clear agenda. I want to thoroughly introduce Scientific analysis of department stores in Step 1. As I mentioned earlier, Isetan Mitsukoshi in the Tokyo metropolitan area is doing well, and we would like to spread this to the regional business companies.

Iwataya Mitsukoshi was one of the first to start this business, and its operating income, which used to be about 500 million yen, increased to 2.5 billion yen this fiscal year. The record high was around 1.5 billion yen 3 years ago, so we have been able to build a structure that significantly surpasses that and is profitable even during this pandemic.The plan is to spread this throughout the country.

At the same time, the base network uses the power of products from the Isetan Shinjuku Main Store and the Mitsukoshi Nihombashi Main Store, as well as the power of out-store-sales, to digitally introduce various things throughout the country. Based on these, it will expand the profits of each single store. In addition to that, we want to work on how to increase profits for the entire Group company for each single store customer.

Step 2 will add to that by right-sizing stores, or even merchandising. The Scientific analysis of department stores is also incorporated here, and we have an index of how much store size is needed, so we would like to incorporate that.In addition, there are many places in the area where we own real estate, so we plan to increase the value of those properties as well.

3. Strategies by Business Segment Overseas Business Revitalization

Directions

Existing businesses: "Selection and conversion" according to the conditions of each region, taking into account the period of contracts and profitability
New initiatives: explore initiatives for "new business models" utilizing commercial operation know-how

Existing business

China ASEAN United States	×	structural reform Performance improvements New Growth Strategy (NEW GLOW)

→ Formulating concrete plans for "selection and transformation"

TOPICS

Commercial + Real Estate Development Model
- Participated in large complex development project in Manila, Philippines
  November 2022: MITSUKOSHI BGC, a commercial facility, soft open
  Summer 2023: Grand opening (planned)

→ structural reform
→ future profit



Explore in other areas

Now about our overseas business.

Concerning overseas business, some are clearly doing well, and some are not ~~well~~. In particular, we will look closely at the length of the contract and profitability as we make choices and make changes in the future.

However, in addition to where things are going well, we will start new initiatives little by little. We are thinking of a number of locations as a precursor to the "Urban Community Development" that we are doing in Japan to expand overseas in the future. One of them is a store we are opening in the Philippines. While incorporating the value of the department store Mitsukoshi, we will build a condominium on top of it and invest in the condominium. That's how we want to run our business.

3. Strategies by Business Segment Domestic Related Business

*Real estate business, human resources services business, logistics business, etc.

Revitalization

Directions	
	• Promote business structural reform from a scientific perspective and strengthen Intra-Group coordination external sales utilizing the Group's customer platform. In addition, further expansion of non-group net sales • Strengthen Business Platform to deploy infrastructure business (real estate, human resources services, logistics, etc.) in "Urban Community Development"

Initiatives (1)

Completion of business structural reform from a scientific perspective

Science of Related Business

i) Income and expenditure structure reform

ii) Organizational Workforce Reform

Initiatives (2)

Strengthen intra-Group coordination external sales by leveraging Group Customer Platform

B2B External Sales Results

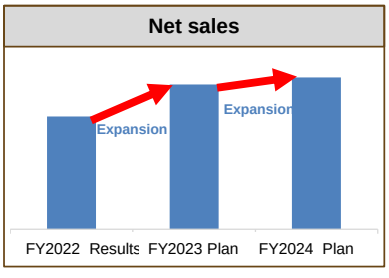
Sales of Corporate Out-store-sales		Y on Y: 112%
Sales share	Intra-Group coordination sales	14%
	business as usual	86%
Intra-Group coordination sales	Net sales	Approx. 4 billion yen
	Number of new customers acquired	About 200 companies

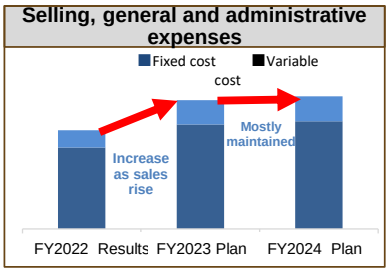
Initiatives (3)

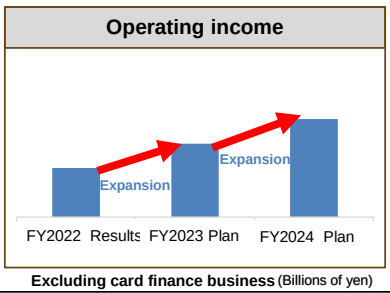
Balancing the share of net sales within and outside the group

Concept of Sales Share

• Shifting market share from traditional shared services to non-group sales







Excluding card finance business (Billions of yen)

Domestic related business.This page shows domestic related businesses, excluding financial services.

As Makino mentioned earlier, we can see a resurgence in the related businesses, but I think that starting with the content of "How these businesses will benefit from a group of customers, abandoning the department store idea of sharing" is bearing fruit little by little.

As part of the initiative (1), we are working to incorporate a scientific perspective, not only in department stores but also in all of our operating companies, and we are thoroughly implementing our income and expenditure structure reforms.

In addition, as a new initiative (initiative (2)), we are starting a new initiative in corporate out-store-sales to see how we can spread the customers gathered as a group or corporate customers throughout the company.

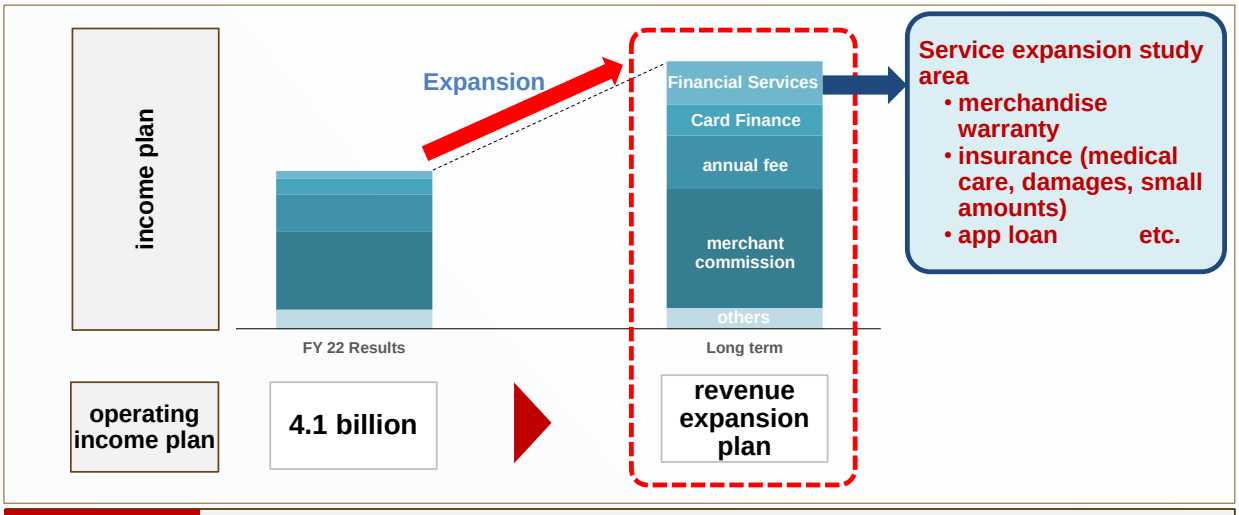
In addition, as part of our initiative (3), we are not only focusing on in-house production within the Group, but also on how to sell our products outside the Group.We believe that the operating income of the Group companies will expand further in the future.

3. Strategies by Business Segment
Domestic related Business “Card and Finance Business”

Reinforce into “preparation” for Urban Community Development phase

Directions

- Responding to the “requests related to life and living in general” of identified customer, connected through the department store business, and improving customers' LTV
  - ➡ Target revenue growth plans in areas beyond traditional merchant commissions and annual fees
  - ➡ Aim to expand number of card member and transaction volume by enhancing pre-order, exclusive and preferential content at department stores



TOPICS FY 22 Results MI Card external transaction volume hits record high

I will explain the "card and finance business" among the Group companies.

MI Card posted an operating income of 4.1 billion yen last fiscal year. There was also about 2 billion yen for the non-retention of card information, so I think it's about 6 billion yen. We will expand that significantly in the future.

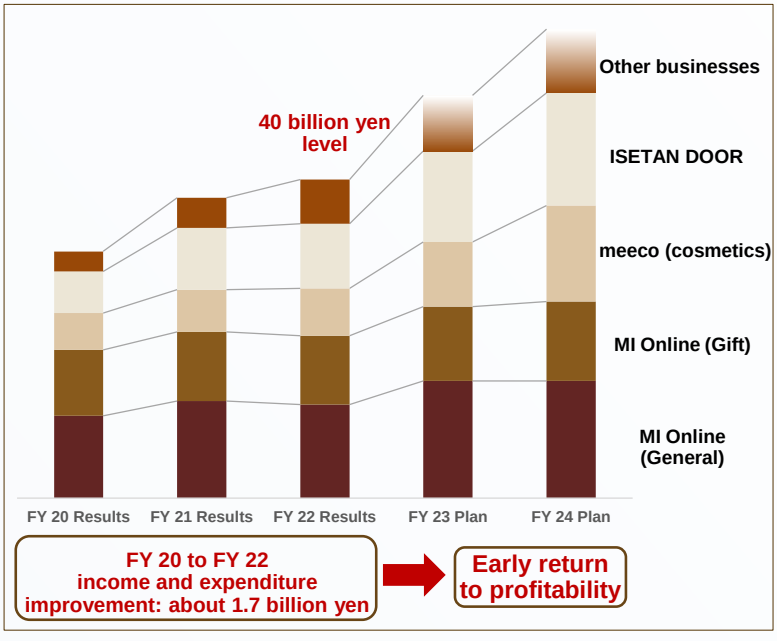
Up until now, most of the credit card companies' profits have been for customers collected at department stores, with commissions from department stores, annual fees, and external commissions paid to customers who buy outside. In addition to that, we will continue to solidly provide financial services. It says that the financial business will also be engaged to connect more deeply with customers gathered at department stores.

In addition, looking into card financing, we found that even high-quality customers use installment payments well, so we would like to take that approach.
I think there's still a lot of potential here.

3. Strategies by Business Segment Online Business/DX

significant achievement

Directions	• In FY 22, we made progress toward profitability by focusing on income and expenditure of business rather than sales growth. • Aim to make each online business profitable as soon as possible



TOPICS



Virtual urban metaverse with REV WORLDS

Number of dedicated app downloads 350% YoY



Personalizing information delivery with the Isetan Mitsukoshi app Strengthening Coupon Policies

Number of MI App Members Exceeding 2 million



New shopping experience with the Isetan Mitsukoshi Remote Shopping App

Net sales 157% YoY



Launch of "MEECO" (Cosmetics) WEB Media

Net sales 113% YoY

This is our online business.

Our Group has department stores at its core, so I think the “real” is very strong, but in addition to that, I think there's a point in how we add online and digital. How can we provide new experiences for our customers, rather than simply aiming for EC sales? We would like to offer new products with that kind of thinking, both digital and real.

We are working to significantly reduce costs for our Digital Online sales, which were around 40 billion yen last year, and we are close to turning a profit. We hope to be fully profitable in fiscal 2024. Also, in the topics section, you will find information about several apps and digital businesses. We saw significant year-over-year growth in all parts, which we believe is a major strength for our company.

4. Key Strategies

significant achievement

CRM Strategy “connecting with individual customers" "Department store CRM strategy"

Directions

- Further expand identified customer platform by strengthening department store CRM and acquiring new members
  ➡ Utilize as a platform for "creating new business opportunities"

Expanding the number of connected individual customers

FY 22: MI App members growth nearly doubled FY 23: Aim for double-digit growth over FY 22

Domestic department stores (year-on-year)	FY 22 Results	FY 23 Plan
Number of identified customers	114%	↗
Number of digital members	141%	↗
Number of MI App members	213%	↗

Expanding use of connected individual customers

FY 22: Significant growth in all KPIs from the previous year FY24: KPI revised up significantly from original plan

	FY 22 Results	FY 2024 initial plan (Formulated in November 2021)	FY 2024 revised plan
Identified customer net sales	554.3 billion yen	580 billion yen	↗
MI Card Members sales	450.7 billion yen	500 billion yen	↗
Digital ID only members sales	103.6 billion yen	80 billion yen	↗
Purchase at least 1 million yen a year MI Card Members sales	233.4 billion yen	230 billion yen	↗

This is the most core of the key strategies, the CRM strategy to connect with individual customers.

In our three-year plan, we have shown that we will focus on individual customers by disclosing the individual customer KPI, and I would like to inform you that the PDCA flow is firmly established.

In particular, the number of identified customers, digital members, and MI App members are growing at a high rate, and we are on track to achieve the goals we set in fiscal 24 at an early date, so we will set new targets and move forward.
Our sales growth rate is also high, so we recognize that this is a result of the solid progress of strategy to move from “mass” to “individual” with a lot purchase.

4. Key Strategies

significant achievement

"High Sensitivity, Fine Quality" Strategy "(Individual) out-of-store sales Measures"

Directions

- Expanded Isetan Mitsukoshi initiative to regional department stores
- Deep-dive into existing customers with high purchasing power and promote acquisition of new customers
- Providing Japan's Strengths to the World
  ➡Established the out-of-store sales Department "in charge of overseas customers" (From October 2022)

FY 22: Growth of 2 digits from the previous year, led by out-of-store sales in the Tokyo metropolitan area. Revenue from non-department store MD transactions expanded to 5.5 billion yen (257% year-on-year)
FY 23: Promote measures for out-of-store sales and base network. Planned year-on-year growth

Domestic Department Stores	FY 2022		FY 23 Plan
	Actual	Year-on-Year	Year-on-Year
Revenue from out-of-store sales transaction	Approx. 204.2 billion yen	116%	↗

Major Initiatives

(MD outside department stores)
➡ Further expansion of content and provision by utilizing new out-of-store sales websites
Base Network
➡ Promotes content ordering network, aims for double-digit Year-on-Year revenue growth

Among the growing connection with individual customers, one area where we are making particularly good progress is the (Individual) out -store-sales reform.

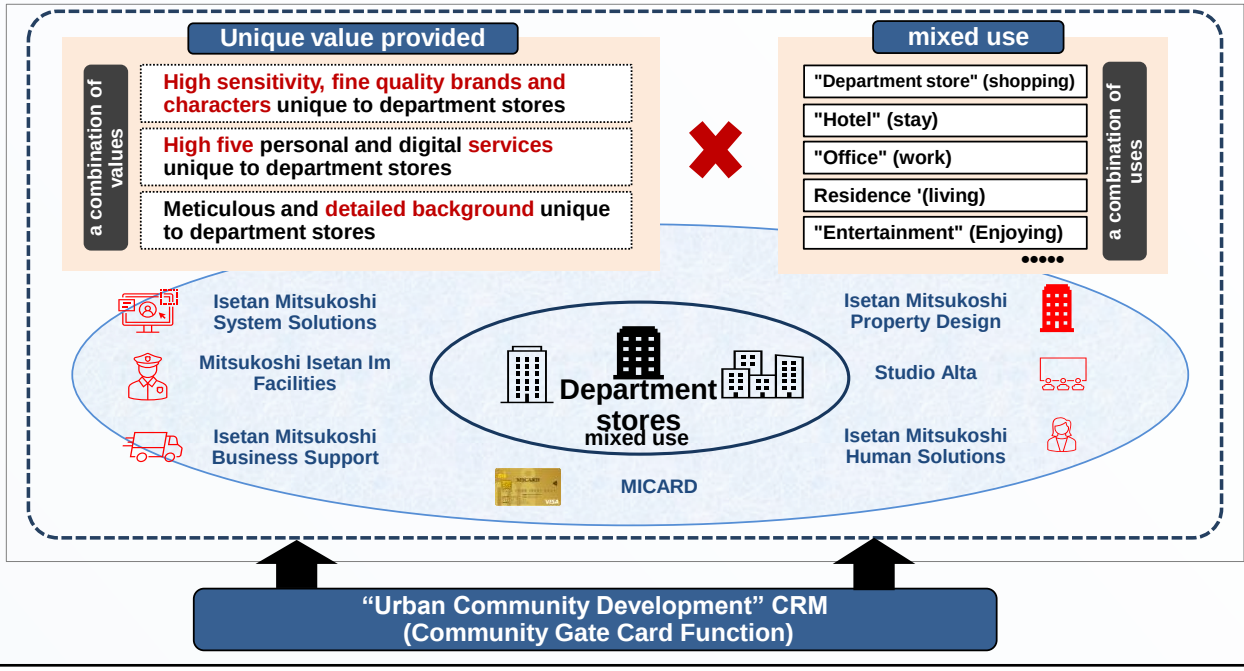
Total out -store-sales transaction revenues exceeded 200 billion yen. This is a very high growth rate of 116% compared to the previous year during the pandemic, a figure that has hardly been seen before. I think it is the result of various reforms in out -store-sales.

In this context, we created a new position in charge of overseas customers as "Providing Japan's Strengths to the World" which was launched in October 22. With a force of about 30 people, our annual sales are about 7 billion yen, and we are doing very well.

4. Key Strategies The strategy of “Urban Community Development”

Reinforce into “preparation” for Urban Community Development phase

Directions	• Deployed mixed-use products with department stores at its core. “Urban Community Development” to attract more customers • Multiply the "value provided" derived from department stores by various "multiple uses." Create a unique customer experience • Apps and cards with digital IDs ➡ Seamless customer experience



It is about “Urban Community Development" from a long-term perspective. From this fiscal year, we will start preparing how to create a urban community development unique to our Company.

How should we combine the spirit of hospitality, merchandising and the power of out-store-sales that we have cultivated in department stores with the idea of providing unique value? In addition to department stores, we will combine various types of uses, such as staying, working, living, and enjoying, as "mixed uses." The plan also states that we would like to develop the infrastructure within that framework throughout our Group. This plan started this fiscal year.

4. Key Strategies The strategy of “Urban Community Development”

Reinforce into “preparation” for Urban Community Development phase

Directions

- Increase the value of properties owned nationwide
- Link funding plans to a long-term real estate development timeline

(Timing of start of construction (image) ▢)



Development Timeline Long-Term Funding Plan → Embodying the “Urban Community Development” plan → Started nationwide real estate development, starting with regional areas → Progress in chain development and completion of "nationwide area Urban Community De velopment"

[Property owned that can be developed in the future]

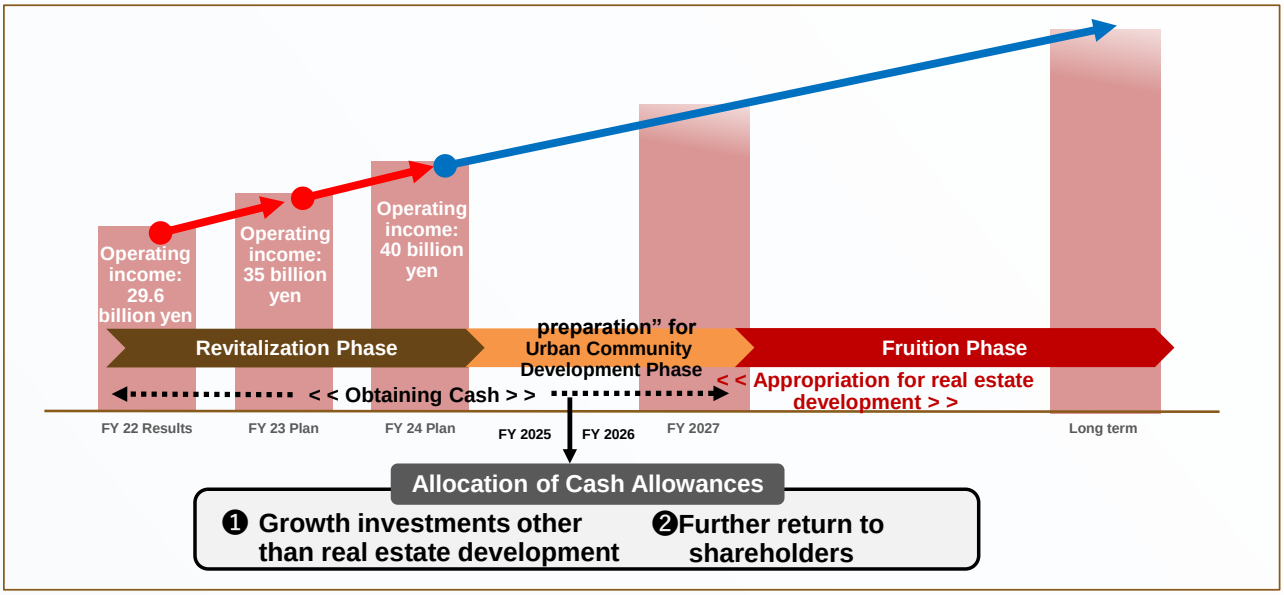
- Properties around Shinjuku
- Nihombashi Property
- Properties mainly in large cities

Here, the blue square indicates the timing of the start of construction.

We are plotting the area where we can start construction. With this timing in mind, we hope to prepare the image, content and infrastructure of “Urban Community Development." In addition, we would like to move forward with this timeline linking what kind of funds and how to invest.

1. Concept

Directions	• Cash acquired during the "preparation phase" of revitalization and "Urban Community Development" will be used for large-scale real estate investment in future (Capital Investment) • Aggressively seize new growth investment opportunities by taking advantage of additional cash allowances generated • For shareholder returns, the company plans to increase dividends in a stable manner. The dividend was increased to 14 yen in fiscal 22 and is scheduled to increase to 16 yen in fiscal 23. In addition, raising awareness of the 50% level of total return ratio



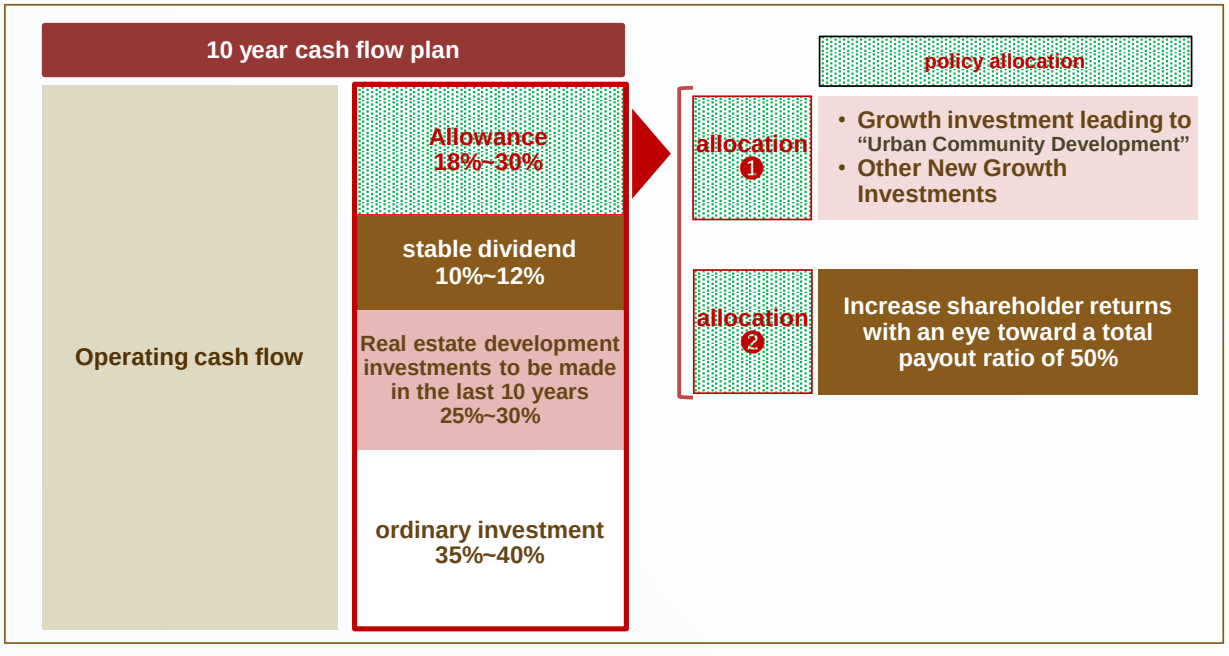
Together with the financing plan for "Urban Community Development" mentioned earlier, this is a discussion of financial policies.

We are targeting an operating income of 35 billion yen in fiscal 23 and 40 billion yen in fiscal 24. After that, we have an image that once the preparation and actual " Urban Community Development " is realized, the business will be transformed into a new entity that can generate significant profits. However, even in the midst of major changes, the plan is to invest for growth while making good use of profits made by the Group, including department stores. In addition, we hope to use the cash allowance to invest in areas associated with " Urban Community Development " and other areas.

On the other hand, we plan to return 14 yen to shareholders in fiscal 22 and another 2 yen to 16 yen in fiscal 23, a stable increase in dividends. At the same time, we have indicated for the first time that we would like to steadily return profits to shareholders at the level of a total return ratio of 50%.

2. 10 year Cash Allocation

- Policy allocation planned for the next 10 years with an eye to long-term "large-scale real estate investment in Urban Community Development"
- Policy allocation of cash allowances to be created to growth investment and increase shareholder returns



This is a 10 year cash flow plan.

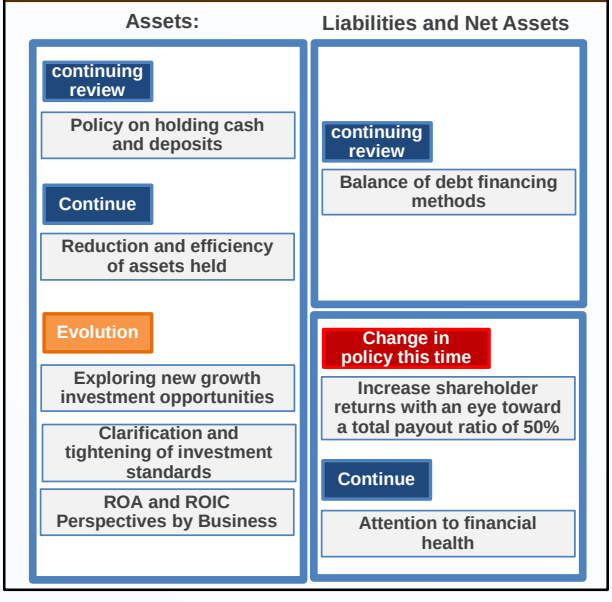
Operating cash flow is expected to be substantial over a 10 year period. I'd like to show you a breakdown of them. Ordinary investment is expected to be about 35 ~ 40%, investment in real estate development for the last 10 years only is expected to be about 25 ~ 30%, and stable dividend is expected to be about 10 ~ 12% on the assumption of dividend increase.

On this basis, the 18 ~ 30% allowance will be used to increase shareholder returns with an eye to a total return ratio of 50%, and to further grow investment for growth and new investment growth leading to "Urban Community Development" after 10 years and beyond.

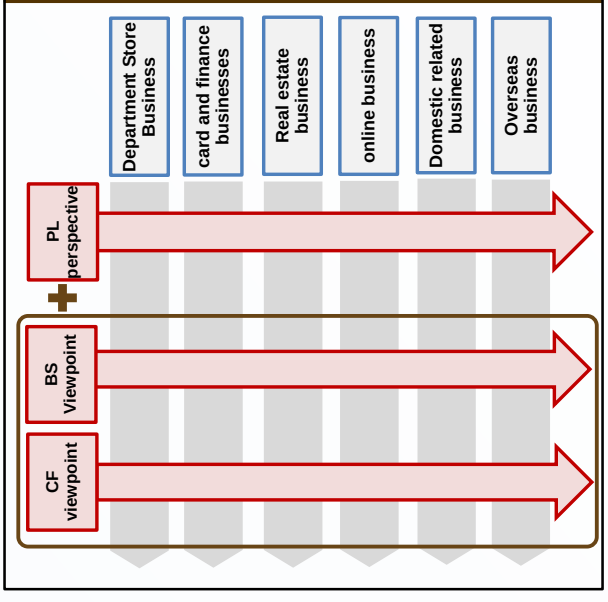
4. Future Directions

Directions	• Strengthen balance sheet control to continue to achieve ROE above cost of equity • Mid-term study of a management system that controls KPI across all business lines from a PL, BS and CF perspective

Direction of BS control



Management system for maximizing group profit



In our future financial policies, we would like to firmly implement BS control.

We invite outsiders to join us and work together on BS science. On the right side, we have listed the management system as a first step so that we can show a sort of ROIC tree for the entire Group. We would like to focus on BS and CF as well as the business PL we have been doing.

1. Human Resource Platform (human capital)

Directions

- **Strengthen initiatives for human resources (= maximizing the power of people)** to support the realization of medium- to long-term management strategies

Human resource development (from a strategic perspective)

(1) Strengthen medium- to long-term **human resources strategy** for "Community"

i) **Portfolio of human resources for "Urban Community"**

- real estate human resources
- financial human resource
- digital talent

→
- external secondment strategy
- fluidization of in-house personnel
- strategic fit collaboration among group companies

ii) **Securing and fostering innovation talent**
- CVC and Public Offering of Internal and External Business

iii) **Improving basic skills by providing opportunities to learn**
- Expanded in-house educational e-learning program

FY 22 Results
- Total courses 418 contents (260% year-on-year)
- Total number of users: 95,269 (181%)

(2) Two-Year Priority Initiatives
- Securing and developing key strategic enablers over the medium to long term

Maximizing people's power (from the point of view of o tissue activation)

(1)Improve employee **engagement**
(= Employees' motivation is maximized)

i) **Promotion of dialogue activities**

FY 22 Results
- Dialogue sessions to formulate corporate philosophy 1600 times
- All 83 meetings of dialogue with management, held nationwide in FY 22
- Periodic 1 ON 1 dialogue in affiliation

ii) **Achieving a life work balance**
- Expanded support system for work-life balance and appropriate management of working hours

iii) **Autonomous career development**
- Providing job information and expanding career dialogue

FY 22 Results
- Number of users of Challenge Career System ➡ 227% YOY

(2) Two-Year Priority Initiatives
- Revitalize human resources and organizational capabilities by improving job satisfaction

It's about the Human Resource Platform.

The left side is about human resource development. A human resource strategy for long-term " Urban Community Development " has been added. As we build our talent portfolio, we would like to move forward with external assignments and internal studies. At the same time, we focus on in-house education. In e-learning, which we develop in-house, we have nearly 100,000 employees participating in more than 400 content programs.

We also value employee engagement on the right. I myself have held strategic dialogues with more than 1600 people, both at the manager level and above. We have held a series of dialogue sessions on our Corporate philosophy.

2. Sustainability

Key Initiatives (1): Connecting People and Local Communities

think good
三越伊勢丹の考える"サステナブル"

Department store sustainability activities

FY 22 Results
18 stores 741 matter
(compared with 170 last year)

Key Initiatives (3): Enhancing Employee Satisfaction

Promoting diversity equity and inclusion
(Promotion of Women's Participation and Advancement)

Achieving a life work balance
(Promotion of Health Management)

Key Initiatives (2): Connecting a Sustainable Society and Era

Promoting energy creation, energy conservation and renewable energy (decarbonization)

(Energy creation)
- Installation of solar cells on the roof of Tokorozawa Logistics Center

(Energy-saving)
- Use of new technologies such as AI smart air conditioning systems

Supply Chain Management

- Human Rights Policy, Procurement Policy (Revised April 2023)
- Code of Conduct for Business Partners (established June 2023)
- Building a human rights due diligence process

Promotion of 4R

Reuse
- i'm green, department store's first permanent buyback service
- April 2023: A new store opened at the Isetan Urawa store.

Recycle
- Resource recycling through recovery of soft film 「POOL PROJECT TOKYO」

Reduce
- Promote proper packaging and suitable packaging

Refuse
- Promotion of smart wrapping "Bring your own bag recommended"

TOPICS❶
CDP research on climate change
Score A obtained for the first time
CDP A LIST 2022 CLIMATE
Signing of the "United Nations Global Compact"
WE SUPPORT
Selected as a "Health and Productivity Management 2023"

TOPICS❷
From FY 23, "ESG indicators" have been established and included in the evaluation criteria for directors and corporate auditors.

It is about sustainability.

Sustainability materiality is classified into three categories. In "Connecting People and Local Communities," we have launched more than 700 "think good" initiatives. Our members, mainly department stores, are highly conscious of sustainability, and we are developing this product more and more.

In "Connecting Sustainable Society and Times," we are promoting energy conservation and renewable energy. We have installed solar cells on the rooftop of the distribution center and worked with Kobe University on AI air-conditioning on the underground food floor of the Isetan Shinjuku Main Store.

In Topics, we have approached several organizations and gained their recognition. Beginning this fiscal year, we have also introduced ESG indicators for evaluation items for officers.

3. New Corporate Philosophy System

- **Conducted with the participation of all employees of the Group as an opportunity to think about how to approach their own work and the raison d'etre of the Group**

How to proceed with the rearrangement

Step 1: Conduct a questionnaire with the participation of all Group employees
Number of respondents: More than 14,000
Response rate: 100%

Step 2: Conduct dialogue with our division and other departments
Number of times conducted: 1,600 times or more

Step 3: Conduct workshops with project members (department heads and above)
Number of times conducted: 3 times
Participating members: 28

*Disclosed on May 1

New Corporate Philosophy System



We have redesigned our new Corporate philosophy system.

Last fiscal year, we spent a year talking it over thoroughly and created something new. Because our Group had lost some of its confidence due to COVID-19 pandemic, and because the corporate philosophy had existed in each goodwill since the merger, but there was nothing for the entire Group to embrace, the entire Group discussed and redesigned the Corporate philosophy.

In Step 1, we surveyed all employees, in Step 2, we held more than 1600 dialogue sessions at various locations, and in Step 3, we had many discussions with management, which ultimately resulted in this Corporate philosophy.

Certain information contained herein may contain forward-looking statements. This information is a reasonable estimate made by our company based on information available at the time of disclosure and involves various risks and uncertainties.
Accordingly, actual results may differ from those projected due to factors such as future business operations and changes in economic conditions.