Isetan Mitsukoshi Group
Business Results Explanation Meeting
First Quarter of the Fiscal Year Ending March 31, 2022

Isetan Mitsukoshi Holdings Ltd.

July 29, 2021

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Ⅱ. Full Year Targets for FY2021

Ⅲ. Operating Conditions

Consolidated Results (Revenue Recognition Standard Applied)

- Gross sales increased substantially as a result of closures due to COVID-19 in the previous year.
- A portion of midyear gift sales were moved to 2Q as a result of applying revenue recognition standard which affected operating income as well.
- Net loss contracted by ¥21.9 billion from the previous year.

(Billions of yen)	1Q (Apr.-Jun.)	YoY change	Change from 2019	YoY difference	Difference from 2019
Gross sales	**196.3**	149.1%	69.5%	+64.6	-85.9
Net sales	**88.5**	67.2%	31.4%	-43.1	-193.7
Gross Profit	**50.1**	127.6%	60.6%	+10.8	-32.6
SG&A	**56.1**	116.3%	75.2%	+7.8	-18.5
Operating Income	**-6.0**	-	-	+2.9	-14.0
Recurring Income	**-5.7**	-	-	+4.1	-14.4
Net Income	**-8.6**	-	-	+21.9	-14.6

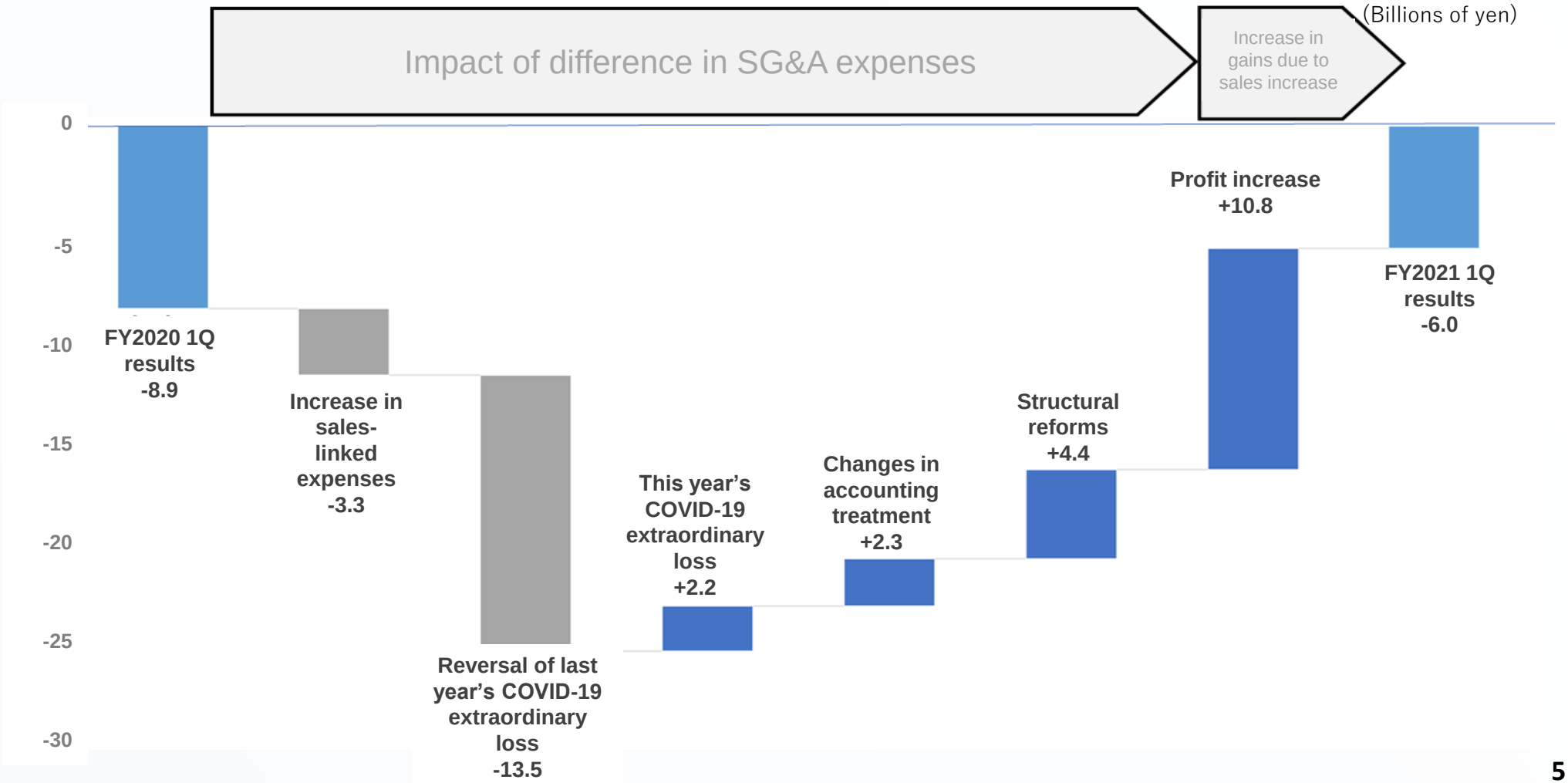
Consolidated Results
(Factors for YoY Improvements in Net Income)

- YoY increase in net income of ¥21.9 billion is attributable to an increase in operating income, gains in recurring income due to improvement in the share of profit of entities accounted for using equity method, as well as a decrease in COVID-19-related extraordinary losses and tax expenses.

(Billions of yen)	1Q (Apr.-Jun.)	YoY Change	YoY Difference
Operating income	**-6.0**	-8.9	+2.9
Recurring income	**-5.7**	-9.8	+4.1
Extraordinary loss	**2.7**	14.8	-12.1
of which, COVID-19 related	**2.5**	12.2	-9.7
Others	**0.1**	2.5	-2.4
Net income before tax	**-8.4**	-24.7	+16.2
Tax expenses	**0.3**	5.9	-5.6
Net income	**-8.6**	-30.5	+21.9

Consolidated Results
(Factors for YoY Differences in Operating Income)

- **Operating income decreased due to factors such as the impact of extraordinary losses from COVID-19 in the previous year. However, despite contributions of increased sales from the previous year due to expanded operations and progress in cost-cutting structural reforms, profitability was not realized.**



Change in Consolidated SG&A Expenses

- The achievement rate of expense reductions through structural reforms was 37% of the annual target of ¥12.0 billion.

			Breakdown of YoY change				
			Reversal of last year	Change in FY2021			
(Billions of yen)	1Q (Apr.-Jun.)	YoY change	Closures COVID-19 extraordinary loss	Structural reforms	Sales-linked	Changes in accounting treatment	Extraordinary loss (COVID-19)
Personnel expenses	21.7	+3.9	+5.2	-0.6		+0.1	-0.8
Advertising expenses	1.7	+0.2	+0.4	-0.1			
Lease payments	7.2	+2.3	+2.3	-0.3		+0.7	-0.4
Consignment expenses	6.8	+0.8	+1.8	-0.9		+0.1	-0.3
Depreciation and amortization	5.3	+0.7	+2.0	-0.8			-0.5
Other	13.4	-0.1	+1.7	-1.6	+3.3	-3.2	-0.2
Total	56.1	+7.8	+13.5	-4.4	+3.3	*-2.3	-2.2

*Because of transfer with cost, there is no impact on operating income.

Consolidated Results (Special Factors)

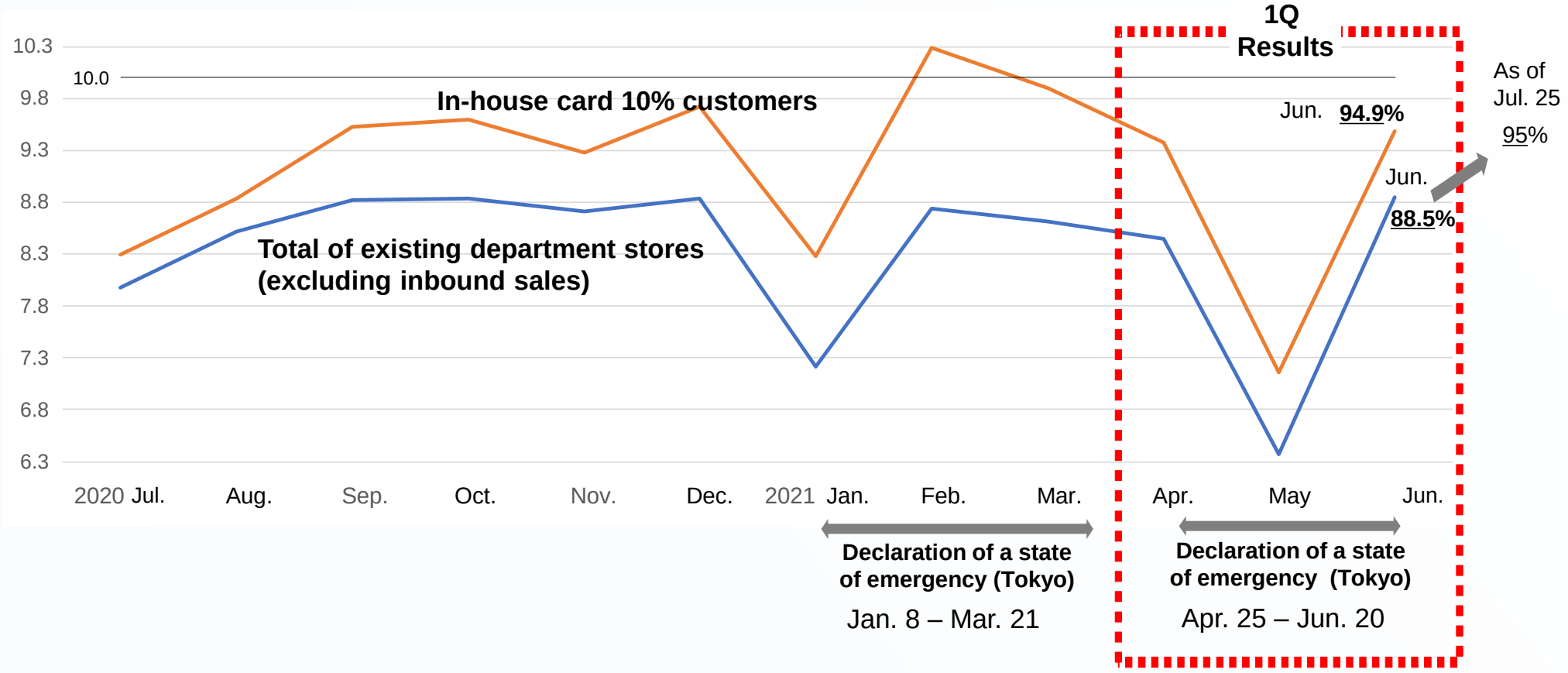
- Operating loss and net loss are estimated to be ¥-3.1 billion and ¥-5.7 billion, respectively, if the shift in the application period of revenue recognition standards for 1Q business performance (midyear gifts and annual card membership fees) is excluded.
- Another factor was the negative impact on operating income of about ¥3.6 billion as a result of partial closures following the declaration of a state of emergency. Excluding this factor would result in positive operating income.

(Billions of yen)	1Q (Apr.-Jun.)	1) Impact of change to midyear gifts	2) Impact of annual card membership fees	Special factors 1Q estimate including 1) and 2)
Gross sales	**196.3**	7.4	0.6	**204.3**
Net sales	**50.1**	2.2	0.6	**53.0**
SG&A	**56.1**	-	-	**56.1**
Operating income	**-6.0**	2.2	0.6	**-3.1**
Recurring income	**-5.7**	2.2	0.6	**-2.8**
Net income	**-8.6**	2.2	0.6	**-5.7**

Trends in Sales of Existing Department Stores Sales

- **Sales at existing department stores showed significant declines in January and May but rapidly recovered afterward.**
- **In addition, high sensitivity, fine quality consumption remained strong in February and March after declining in January, driving overall sales.**

Sales at existing department stores compared to 2019



Consolidated Results (by Segment)

- Department store business: The operating loss of ¥-8.2 billion is estimated to be a loss of ¥-2.5 billion if the ¥2.2 billion resulting from the shift in the period of midyear gifts and the ¥3.6 billion impact of the partial closures are excluded.
- Credit & finance business/customer organization management business: Operating income amounts to ¥2.2 billion if the ¥0.6 billion shift in the period of the annual card membership fees is excluded.
- Real estate business: Net sales decreased due to the sale of Isetan Mitsukoshi Real Estate in the previous fiscal year, but secured the same level of income as the previous year.

(Billions of yen)	Gross sales	YoY change	Change from 2019	Net sales	Operating income	YoY difference	Difference from 2019
Department Store Business	**183.3**	157.5%	70.2%	**77.6**	**-8.2**	+2.9	-11.9
Credit & Finance Business/Customer Organization Management Business	**8.4**	114.2%	81.8%	**7.2**	**1.6**	+0.2	-0.8
Real Estate Business	**4.1**	56.5%	56.5%	**4.1**	**1.3**	0.0	0.0
Other	**13.0**	107.4%	66.4%	**12.2**	**-0.7**	-0.2	-1.1
Total	**196.3**	149.1%	69.5%	**88.5**	**-6.0**	+2.9	-14.0

* Total includes adjusted amounts.

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Consolidated Plan (FY2021 Full Year)

- Going into July, total net sales at existing department stores (excluding inbound sales) further recovered 95% compared to 2019 (as of July 25).
  In particular, Shinjuku exceeded 100%.
  Going forward, our efforts will be further enhanced with our strong out-of-store sales strategy while pushing forward with cost-cutting structural reforms with plans for additional measures.
- Based on the above, no changes will be made to the plan announced in May 2021.

(Billions of yen)	Full year	YoY change	YoY difference
Gross sales	**965.0**	118.3%	+148.9
Net sales	**447.0**	54.8%	-369.0
Gross profit	**258.0**	113.4%	+30.4
SG&A	**255.0**	102.6%	+6.4
Operating income	**3.0**	—	+23.9
Recurring income	**3.0**	—	+20.1
Net income	**1.0**	—	+42.0

FY2021 Change in Consolidated SG&A Expenses

- The annual SG&A expense plan is as follows. In particular, the following cost-cutting structural reforms resulted in reductions of ¥19.3 billion last year, and not only will the ¥12.0 billion reduction plan be pushed forward as planned but additional cost-cutting reductions are also being considered.

			Breakdown of YoY change				
			Reversal	Change from factors in FY2021			
(Billions of yen)	FY2021	YoY difference	Closures COVID-19 extraordinary loss	Structural reforms	Sales-linked	Changes in accounting treatment	Extraordinary loss (COVID-19)
Personnel expenses	88.5	+4.0	+9.3	-4.1		+0.5	-0.8
Advertising expenses	11.5	+1.1	+1.6	-0.5	+0.2	-0.1	
Lease payments	31.4	+5.4	+3.2	-1.3	+0.7	+3.3	-0.4
Business consignment expenses	30.3	+0.3	+2.1	-1.9		+0.5	-0.3
Depreciation and amortization	24.6	+0.9	+2.3	-0.6			-0.5
Other	68.7	-5.3	+6.9	-3.6	+4.8	-14.1	-0.5
Total	255.0	+6.4	+25.4	-12.0	+5.7	* -9.9	-2.5

*Because of transfer with cost, there is no impact on operating income.

Consolidated Plan by Segment (FY2021 Full Year)

- **Regarding department store business plans, although the impact of COVID-19 continues to be uncertain, there will be no changes to the plan for each segment announced in May 2021, and cost-cutting structural reforms will continue to be further promoted.**

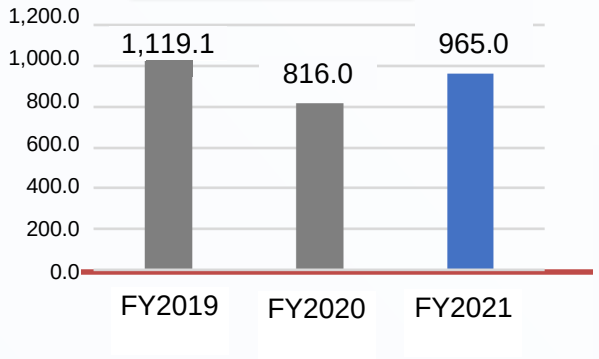
(Billions of yen)	Gross sales	YoY change	Net sales	Operating income	YoY difference
Department Store Business	922.0	122.6%	409.0	-6.5	+23.8
Credit & Finance Business/ Customer Organization Management Business	34.0	104.5%	31.0	4.5	+0.0
Real Estate Business	22.0	77.6%	22.0	5.5	+0.0
Other	55.0	86.4%	52.0	-1.0	-0.3
Total	965.0	118.3%	447.0	3.0	+23.9

* Total includes adjusted amounts.

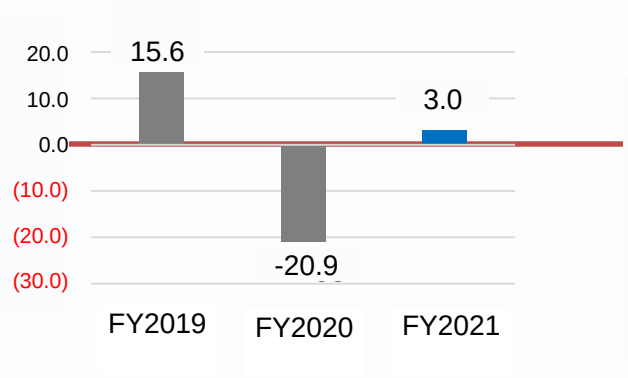
Main Financial Figures Comparison

Unit: Billions of yen

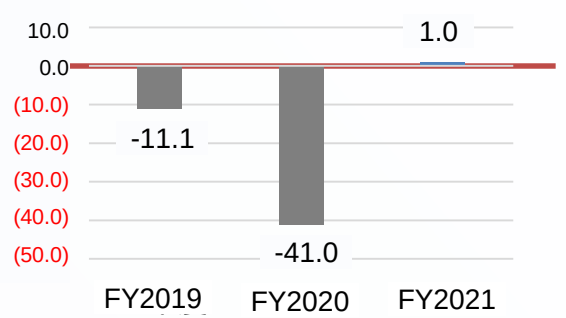
Gross sales



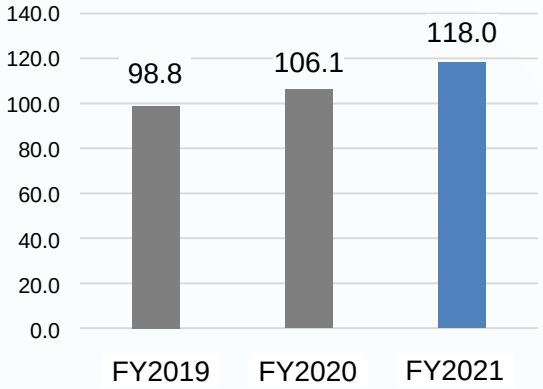
Operating income



Net income



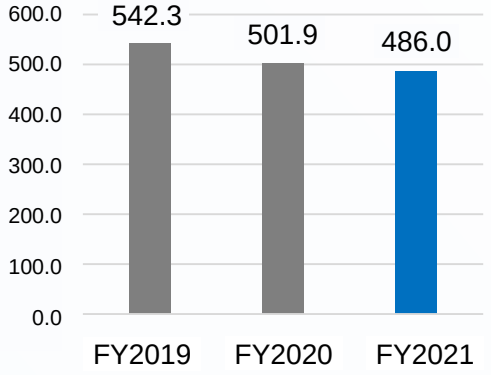
Net interest-bearing debt



NET-debt equity ratio

FY2019: 0.18 times → FY2020: 0.21 times → FY2021: 0.24 times

Shareholder's equity



Shareholder's equity ratio

FY2019: 44.3% → FY2020: 41.9% → FY2021: 42.1%

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Operating Conditions (FY2021)

- Isetan Mitsukoshi stores in the Tokyo metropolitan area with the exclusion of daily necessities sections were shut down in response to the declaration of a state of emergency on April 25.
- Isetan Mitsukoshi stores in the Tokyo metropolitan area resumed operations on May 19 (some sections remained closed).
- All stores resumed normal operations on weekdays from June 1 but with some sections closing on holidays. They have resumed normal operations on weekdays and weekends since June 21.

	April 25 to May 18	May 19 to May 30	June 1 to June 20	After June 21
Store	Operating Conditions	Operating Conditions	Operating Conditions	Operating Conditions
Isetan Shinjuku	Closed * Shortened opening hours only for daily necessities sections	Resumed operations (only for daily necessities sections) *Some sections closed	Normal operations on weekdays Jewelry, accessories and art sections closed on weekends Advance reservations required in principle for luxury brand sections	Normal operations for all sections on both weekdays and weekends (Restaurants open until 8 p.m. and alcoholic beverages are served until 7 p.m.)
Mitsukoshi Nihombashi				
Mitsukoshi Ginza				
Isetan Tachikawa				
Isetan Urawa	Shortened opening hours for restaurants only	Shortened opening hours for restaurants only	Shortened opening hours for restaurants only	Shortened opening hours for restaurants only
Marui Imai Sapporo	Normal operation	Normal operations on weekdays *Some section closed on weekends	Normal operations for all sections on weekdays Only daily necessities sections open on weekends	Normal operations for all sections (Shortened opening hours for restaurants in some stores.)
Sapporo Mitsukoshi				
Hakodate Marui Imai		Normal operation	Shortened opening hours from June 5	
Sendai Mitsukoshi			Normal operation	
Niigata Isetan				
Nagoya Mitsukoshi Sakae		Normal operations on weekdays *Some section closed on weekends	Normal operations for all sections on weekdays Only daily necessities sections open on weekends	
Nagoya Mitsukoshi Hoshigaoka				
Shizuoka Isetan		Normal operation	Normal operation	
Hiroshima Mitsukoshi		Shortened opening hours for all sections on weekdays only daily necessities sections open on weekends	Normal operations for all sections on weekdays, only daily necessities sections open on weekends	
Takamatsu Mitsukoshi		Normal operation	Normal operation	
Matsuyama Mitsukoshi				
Iwataya main store	Shortened opening hours from May 12	Shortened opening hours on weekdays Some sections closed on weekends	Normal operations for all sections on weekdays Some sections closed on weekends	
Iwataya Kurume	Normal operation	Shortened opening hours on weekdays Some sections closed on weekends		
Fukuoka Mitsukoshi	Shortened opening hours from May 12	Normal operations on weekdays Some sections closed on weekends		

During 1Q for stores in Tokyo:
48 days of normal operation, 0 days of shortened opening hours, 43 days of partial closure

Operating Conditions (FY2020)

- Closure of all sections of mainly Isetan Mitsukoshi stores in the Tokyo metropolitan area due to the declaration of a state of emergency on April 8.
- Shortened opening hours were implemented until mid-June even after the resumption of operations in May. Stores resumed normal operations from mid-June.

Store	April Operating conditions	May Operating conditions	June Operating conditions
Isetan Shinjuku	Closure of all stores from April 8	Resumed operations at all sections with shortened opening hours from May 30	Resumed operations at all sections from June 13
Mitsukoshi Nihombashi			
Mitsukoshi Ginza			
Isetan Tachikawa			
Isetan Urawa			
Marui Imai Sapporo	Closure of all stores from April 18	Resumed operations at all sections with shortened opening hours from May 28	Resumed operations at all sections from June 13
Sapporo Mitsukoshi			
Hakodate Marui Imai	Shortened opening hours only for food sections from April 20 *Closure of all stores in 25th and 26th	Resumed operations at all sections from May 27	Normal operation
Sendai Mitsukoshi	Closure of all sections except for food sections from April 21 *Closure of all stores in 25th and 26th	Resumed operations at all sections with shortened opening hours from May 16	Resumed operations at all sections from June 17
Niigata Isetan	Closure of all sections except for food sections from April 20	Resumed operations at all sections from May 18	Normal operation
Nagoya Mitsukoshi Sakae	Closure of all sections except for food sections from April 12 *Closure of all stores in 25th and 26th	Resumed operations at all sections from May 17	
Nagoya Mitsukoshi Hoshigaoka	Closure of all sections except for food sections from April 12		
Shizuoka Isetan	Closure of all sections except for food sections from April 18	Resumed operations at all sections with shortened opening hours from May 18	Resumed operations at all sections from June 1
Hiroshima Mitsukoshi	Closure of all sections except for food sections on April 11, 12, 17 to 30	Resumed operations at all sections from May 18	Normal operation
Takamatsu Mitsukoshi	Closure of all stores from April 18	Resumed operations at all sections from May 18	
Matsuyama Mitsukoshi	Closure of all stores from April 18	Resumed operations at all sections from May 19	
Iwataya main store	Closure of all sections except for food sections from April 9	Resumed operations at all sections from May 16	
Iwataya Kurume			
Fukuoka Mitsukoshi			

During 1Q for stores in Tokyo:
25 days of normal operation, 14 days of shortened opening hours, 52 days of closure