Isetan Mitsukoshi Group
Business Results Explanation Meeting
Third Quarter of the
Fiscal Year Ending March 31, 2024

February 2, 2024

ISETAN MITSUKOSHI HOLDINGS

Speaker: Yoshinori Makino
Director, Managing Executive Officer and CFO

I think we ended the third quarter, which includes the Company's busiest selling season of the year, very well.

In terms of operating income and recurring income, we were able to significantly exceed our record profit as of the third quarter.

In light of the positive results of the third quarter and going forward, the Company has revised its financial results upward. We also announced another dividend increase and a share buyback, both of which will enhance shareholder returns.

I: Results for the Third Quarter of the fiscal year ending March 2024

II: Full-Year Plan for the Fiscal Year Ending March 2024

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First of all, here are the cumulative results through the third quarter that ended.

As for the overall experience, we were able to steadily identify and connect with our customers through the high sensitivity, fine quality strategy and the CRM strategy connecting with individual customers that our company has adopted since its new structure in fiscal 2021.

This result is partly due to the progress made in controlling selling, general and administrative expenses through scientific analysis of department stores and income and expenditure structure reform.

Gross sales were 910.2 billion, approximately 90 billion increase or 111.1% year on year. As a result, we were able to limit the increase in selling, general and administrative expenses to 6.1 billion, while the gross profit increased 22.5 billion.

The operating income for the cumulative third quarter（first nine months of the fiscal year) exceeded 40 billion yen for the first time.

Operating income and recurring income were significantly higher than the previous year, exceeding the past record, and net income（first nine months of the fiscal year) was 10 billion or more than the previous year, although a simplified method was applied for the third quarter.

Consolidated Financial Results for the Third Quarter (Cumulative)

- **Significant increase in gross sales: Promotion of high sensitivity, fine quality strategy and CRM strategy that connects with individual customers.**
- **Continuing structural reform for selling, general and administrative expenses: Despite an increase in sales-linked expenses, structural reform is progressing smoothly.**
- **Operating income and ordinary income were the highest after the business integration: Posted new highs also for the first nine months of the fiscal year.**

(0.1 billions of yen)	Cumulative 2Q (April-September)	YOY difference	3Q (October - December)	YOY difference	Cumulative 3Q (April-December)	YOY difference
Gross sales	**5,614**	+657	**3,488**	+248	**9,102**	+906
Net sales	**2,485**	+256	**1,532**	+89	**4,017**	+345
Gross profit	**1,478**	+159	**906**	+66	**2,384**	+225
Selling, general and administrative expenses	**1,276**	+46	**698**	+14	**1,975**	+61
Operating income	**201**	+112	**207**	+51	**409**	+163
Recurring income	**229**	+133	**220**	+59	**449**	+193
Quarterly net income	**148**	+70	**162**	+44	**311**	+115

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Major Department Stores in Japan
(Gross sales for the first nine months of the fiscal year by store / company)

- **The Isetan Shinjuku Main Store continued to post record sales for the first nine months of the fiscal year.**
- **Stores in the Tokyo metropolitan area and five major regional companies are making steady progress.**
- **Inbound sales also continued to perform well.**

(0.1 billions of yen)	Gross sales	YoY	YOY difference
Isetan Shinjuku Main Store	2,761	113.7%	+332
Mitsukoshi Nihombashi Main Store	1,152	109.5%	+100
Mitsukoshi Ginza Store	769	137.0%	+207
Isetan Tachikawa Store	243	107.9%	+17
Isetan Urawa Store	293	105.1%	+14
Total Isetan Mitsukoshi	5,219	114.8%	+673

(0.1 billions of yen)	Gross sales	YoY	YOY difference
Sapporo Marui Mitsukoshi	450	110.2%	+41
Sendai Mitsukoshi	207	101.5%	+3
Nagoya Mitsukoshi	460	107.4%	+31
Niigata Mitsukoshi Isetan	273	102.4%	+6
Iwataya Mitsukoshi	925	112.2%	+100
Total of five major regional companies	2,317	108.6%	+183

Next, I would like to talk about the top line of department stores.

The stores in the Tokyo metropolitan area are on the left. Isetan Shinjuku Main Store is on track to meet its annual budget at a pace of 113% year on year. The Isetan Shinjuku Main Store and Mitsukoshi Ginza Store have been performing well, including the results in January that were driven mainly by these two stores.
As those of you who have been to Isetan Shinjuku Main Store and Mitsukoshi Ginza Store may be aware that much part of floors has been closed since around October and November, which is the busy season. The results were achieved in such situation.

Isetan Shinjuku Main Store has closed a part of the third, fourth, and fifth floors of the main building, as well as the second floor of the Men's Building. Mitsukoshi Ginza Store has also closed a part of the second floor of the main building.
The Isetan Shinjuku Main Store started to open after remodeling gradually from January 31.

On the right are the regional stores in large city areas. Sapporo Marui Mitsukoshi is 110% year on year, Nagoya Mitsukoshi is 107% year on year and Iwataya Mitsukoshi is 112% year on year with continued good performance. Business performance has also recovered significantly, particularly in large city areas.

As for inbound sales, they continue to reach record highs, with December's inbound sales being a big one, exceeding 12 billion.

Increase (decrease) in consolidated selling, general and administrative expenses (Results for the first nine months)

- Progress of cost structure reform: -4.8 billion yen in total for the first nine months, compared with the annual reduction plan of -5.5 billion yen.
- Price Increase: Personnel expenses are above the annual plan due to bonuses and base-pay increase, and business consignment expenses are above the annual plan due to rising costs, while water and energy costs are controlled without increase.

			Breakdown of year-on-year changes				
			Change in the current year				
(0.1 billions of yen)	Cumulative 3Q(April-December)	Year-on-Year increase	Cost Structure Reform	Sales Linked	Price Increase	New Consolidation	Other
Personnel expenses	698	+10	(22)		+19	+12	+1
Advertising expenses	72	+9	(3)	+12			
Lease payments	246	+4	(6)	+3		+5	+2
Business consignment expenses	220	+5	(8)		+7	+2	+4
Depreciation and amortization	171	(3)				+1	(4)
Utilities	73	(2)	(3)			+1	
Other businesses	493	+37	(6)	+34		+9	
Total	1,975	+61	(48)	+49	+26	+32	+2

Next is the consolidated selling, general and administrative expenses.

While the top line has been rising, the difference between gross profit and selling, general and administrative expenses seems to reflect the fact that we have been able to continue the cost structure reform that we have been carrying on for the past several years.

The overall feeling is that the cost structure reform is progressing well as we were able to increase the reduction amount from 3.2 billion in Q2 to 4.8 billion.

Results by Segment (Results for the first nine months)

- **Department store business: Gross sales increased significantly due to the successful implementation of the strategy.**
  Operating income increased sharply due to cost control and other factors.
- **Credit & finance business: External transaction volumes remain strong and profits are as planned.**
- **Real estate business: Profits declined due to a decrease in rent income, but sales of construction and design continued to be strong, progressing as planned.**

(0.1 billions of yen)	Gross sales	YoY	Net sales	Operating income	YOY difference
Department store business	8,464	111.2%	3,370	341	+166
Credit & finance business/ Customer organization management business	267	105.3%	244	29	(1)
Real estate business	183	129.4%	183	20	(9)
Other businesses *	186	99.8%	219	17	+9
Total	9,102	111.1%	4,017	409	+163

*Other businesses include adjustments.

Next, the results by segment.

The department store segment is leading the whole business, so the department store segment accounts for most of the total operating income.

However, the numbers of affiliated companies are gradually increasing, and the recovery of the performance of systems companies such as Isetan Mitsukoshi System Solutions (IMS), Studio Alta, and Mitsukoshi Isetan Nikko Travel (MINT) has contributed to the overall improvement.

I: Results for the third quarter of the fiscal year ending March 2024

II: Full-Year Plan for the Fiscal Year Ending March 2024

Next, I would touch upon the full-year plan.

Assumptions of the full-year plan

- **Gross sales were revised up by another 5 billion yen from the November plan as the company continued to pursue its strategy.**
- **Selling, general and administrative expenses were additionally reduced by 1 billion yen from the November plan by further controlling expenses through the penetration of "Scientific analysis of department stores" throughout the Group.**

Operating income is planned to reach the 50 billion yen mark
Revise the plan upward to renew the highest profit after business integration with the recurring income of 54 billion yen

This time, we revised the operating income upward by 2 billion. The top line has been increased by 5 billion supported by strong inbound sales with the increase of gross profit by 1 billion.

In addition, selling, general and administrative expenses have been reduced by 1 billion due to improved control. As for the portion that can be factored in at the moment, we made an upwardly revised disclosure at the 50 billion mark.

Recurring income was revised upward to 54 billion, up 4 billion, partly due to an improvement in non-operating income.

The full-year PL is on the next page.

Consolidated Plan for （Full-year FY 2023）

- **Gross sales: Up 5 billion yen from November plan due to strong results of domestic department stores.**
- **Selling, general and administrative expenses: An additional 1 billion yen was reduced from the plan as the increased expenses were covered by promoting cost structure reform.**
- **Operating income, recurring income: Highest profits after business integration are planned. Operating income hit the 50 billion yen mark.**

(0.1 billions of yen)	Full year	YoY difference	YoY	Difference with November plan
Gross sales	12,050	+1,165	110.7%	+50
Net sales	5,270	+395	108.1%	+20
Gross profit	3,150	+284	109.9%	+10
Selling, general and administrative expenses	2,650	+80	103.1%	(10)
Operating income	500	+203	168.9%	+20
Recurring income	540	+239	179.9%	+40
Net income	400	+76	123.5%	+30

The Company revised disclosure at - gross sales are up 5 billion, operating income is 50 billion, up 2 billion, recurring income is 54 billion, up 4 billion and net income is 40 billion, up 3 billion.

Increase (decrease) in consolidated selling, general and administrative expenses (FY 23)

- **Cost structure reform: The company steadily promoted the scientific analysis of department stores, including regional stores, and further decreased 900 million yen from the November plan.**
- **Sales-linked expenses: Decreased 500 million yen from the November plan due to improved efficiency of linked expenses, despite an increase in sales.**
- **Price increase: Personnel expenses and business consignment expenses increased, but water and energy costs are controlled and did not increase.**

			Breakdown of year-on-year changes				
			Change in the current year				
(0.1 billions of yen)	Fiscal 2023 Plan	Year-on-Year increase	Cost Structure reform	Sales Linked	Price Increase	New Consolidation	Other
Personnel expenses	947	+17	(26)		+30	+12	+1
Advertising expenses	98	+10	(6)	+16			
Lease payments	327	+5	(7)	+5		+5	+2
Business consignment expenses	295	+5	(10)		+10	+2	+3
Depreciation and amortization	232	(1)				+2	(3)
Utilities	98	(2)	(3)			+1	
Other	653	+45	(12)	+48		+10	
Total	2,650	+80	(64)	+69	+40	+33	+2

This is the forecast of consolidated full-year selling, general and administrative expenses.

By the third quarter, we were able to increase about 1.5 billion against 5.5 billion in the cost structure reform.

With regard to selling, general and administrative expenses, we would like to control the remaining two months of the current fiscal year flexibly, because there are expenses to be used or cut and some expenses are lower than the initial plan such as water and utilities.

Plan by Segment （Full year FY 2023）

- Department store business: Operating income was revised upward by 2 billion yen from the November plan by steadily controlling expenses along with an increase in sales due to the continuation of the high sensitivity, fine quality strategy and CRM strategy that connects with individual customers.
- Credit & finance business: Maintained the November plan by increasing external transaction volume and implementing cost structure reform.
- Real estate business: Sales of construction and design remained on track after the third quarter, maintaining the November plan.

(0.1 billions of yen)	Gross sales	YoY	Net sales	Operating income	YoY difference	Difference with the November plan
Department store business	11,200	110.1%	4,420	410	+205	+20
Credit & finance business/ Customer organization management business	360	107.3%	330	38	+0	-
Real estate business	290	141.3%	290	30	(10)	-
Other businesses	200	118.9%	230	22	+8	-
Total	12,050	110.7%	5,270	500	+203	+20

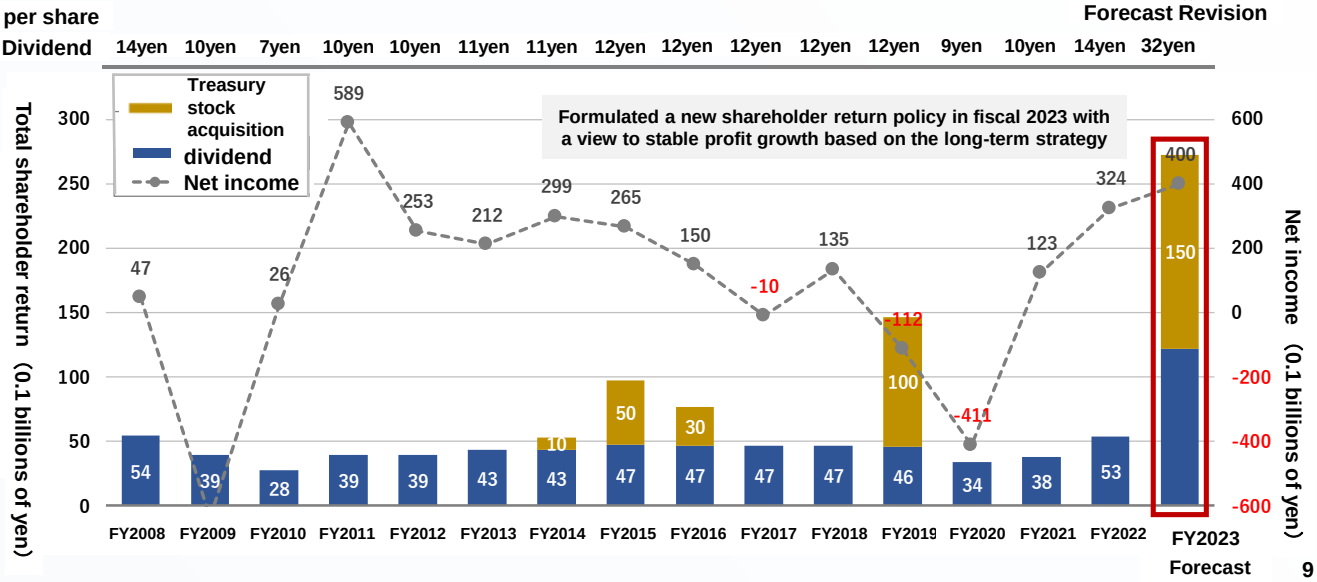
*Other businesses include adjustments.

Then by segment.
2 billion is added on this one too.
We have added to the department store segment in light of current trends.

Shareholder Returns

- Under the current Medium-term Plan, as part of management with capital efficiency and stock price in mind, the Company will implement shareholder return with a consideration of total return ratio of 50% in a single fiscal year.
- A total of 15 billion yen was set for the purchase of treasury shares within fiscal 2023, taking into account the financial soundness of the Company and the current stock price level.
- In line with the revised earnings forecast, the year-end dividend forecast for fiscal 2023 was increased from 12 yen to 20 yen (the annual dividend forecast was increased from 24 yen to 32 yen).
- In the next medium-term management plan, we will promote further shareholder return in line with profit growth and aim to achieve a ROE of more than 8%.

Changes in shareholder return (dividend and share repurchase)



The last page is shareholder returns.

I think this is the first time that we have presented this kind of material, but during our dialogue with you, in May of last year, we talked about how we wanted to enhance shareholder returns with an awareness of a total return ratio of 50% in a single fiscal year, and we increased our dividend at the beginning of the fiscal year and the middle of the fiscal year.

We plan to cancel all 15 billion of our share repurchase quotas by the end of the current fiscal year, taking into consideration the current financial soundness, current stock price, and performance.

In addition, the year-end dividend for fiscal 2023 will be increased in line with the revised earnings forecast. The annual dividend is 32 yen.

As we prepare for the next Medium-term Management Plan, we would like to reconsider the state of BS and shareholder return, but this time, we were able to revise our net income to 40 billion, resulting in an ROE of 7%. We would like to improve profits and control our equity capital so that we can aim at a higher level of ROE.

Information in this document may include forward-looking information.
These forward-looking statements are based on our company's reasonable assumptions and beliefs in light of the information currently available to it and involve various risks and uncertainties.
Accordingly, actual results may differ from the forecasts due to factors such as changes in business operations and economic conditions.