Isetan Mitsukoshi Group Business Results Explanation Meeting
Third Quarter of the Fiscal Year Ending March 31, 2023

February 3, 2023

ISETAN MITSUKOSHI HOLDINGS

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I: Results for the Third Quarter of the Fiscal Year Ending March 2023

II: Full Year Target for fiscal year ending March 2023

I would like to explain the results for the third quarter of the fiscal year ending March 2023 and full year target for FY 2023.

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I: Results for the Third Quarter of the Fiscal Year Ending March 2023

II: Full Year Target for fiscal year ending March 2023

First, the results for the third quarter of the fiscal year ending March 2023.

Consolidated Results Q3 (Oct-Dec)

I: Third Quarter Results | II: Full-year target

Q3 (Oct-Dec)
- **Gross sales increased due to the continuation of the strong trend in the first half of the year and increased duty-free sales owing to the easing of border measures from October.**
- **Operating income was 15.6 billion yen, exceeding 14.6 billion yen in FY 2018, due to a reduction in break-even sales.**
- **Recurring income and quarterly net income increased year on year following Q1 and Q2.**

(billions of yen)	First half (April-September)	YoY difference	3Q (October - December)	YoY difference	Cumulative 3Q (April-December)	YoY difference
Gross sales	**495.6**	+96.6	**323.9**	+41.4	**819.6**	+138.1
Net sales	**222.8**	+34.9	**144.3**	+17.6	**367.1**	+52.5
Gross profit	**131.9**	+23.9	**83.9**	+9.6	**215.9**	+33.5
SG&A	**123.0**	+7.2	**68.3**	+4.7	**191.3**	+12.0
Operating income	**8.9**	+16.6	**15.6**	+4.8	**24.5**	+21.5
Recurring income	**9.5**	+16.6	**16.0**	+5.0	**25.6**	+21.7
Net income	**7.7**	+15.9	**11.7**	+2.7	**19.5**	+18.6

This is the consolidated results for the third quarter, October to December.

The figures in the red frame are for the third quarter.
Gross sales were 323.9 billion yen, continuing the strong trend in the first half of the fiscal year, and tax-free sales increased due to the easing of border measures against COVID-19 pandemic from October.

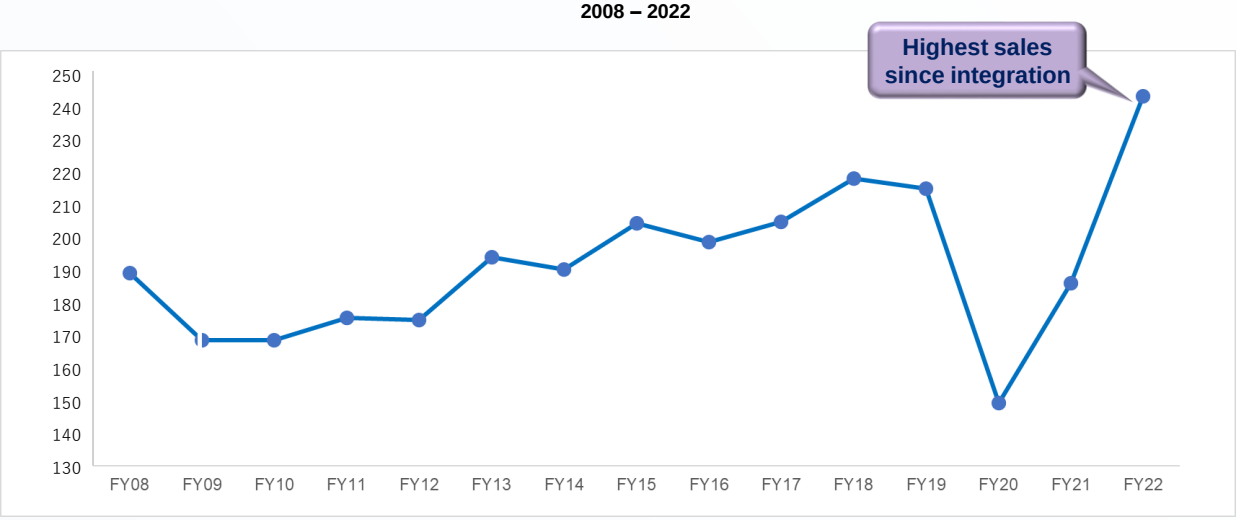
As a result of the reduction of the break-even point, operating income of 15.6 billion yen was recorded, exceeding the operating income of 14.6 billion yen in fiscal 2018.

Following the first and second quarters of the fiscal year, the recurring income and net income of the third quarter exceeded the previous year's levels.

Isetan Shinjuku Main Store Q3 Cumulative Net Sales (After Integration)

- **Cumulative sales in the third quarter at Isetan Shinjuku Main Store were the highest since the integration, following the first and second quarters.**
- **We will continue to promote our high sensitivity, fine quality strategy and CRM strategy to increase sales.**

Isetan Shinjuku Main Store 3Q Cumulative Net Sales by Fiscal Year
2008 – 2022



*Before adoption of the revenue recognition standard, on a gross sales basis

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Next, let me explain the top line (sales).

This is the sales of Isetan Shinjuku Main Store up to the third quarter. Sales were the highest in fiscal 2018 and fell sharply in fiscal 2020 due to the effects of the COVID-19 pandemic. However, sales recovered in fiscal 2021 and remained strong in the third quarter of fiscal 2022, recording the highest sales since the integration of Mitsukoshi and Isetan.

Going forward, we will continue to promote our “High sensitivity, fine quality” strategy and CRM strategy to increase sales.

Change in Consolidated SG & A Expenses

I: Third Quarter Results | II: Full-year target

- **The cost reduction through structural reforms has progressed to -4.9 billion yen against the annual plan of -5.7 billion yen announced in November.**
- **We will continue to flexibly control expenses.**

(billions of yen)	Cumulative Q3 Apr-Dec	YoY change	Breakdown of YoY Changes: Reversal of last year: Emergency measures COVID-19 extraordinary loss	Current year change: Income and expenditure structural reform	Current year change: Sales-linked	Current year change: Measures to strengthen sales	Current year change: New consolidation	Current year change: Other businesses
Personnel expenses	68.7	+2.3	+2.3	(2.9)			+2.5	+0.4
Advertising expenses	6.2	+0.4		(0.1)		+0.4	+0.1	
Lease payments	24.2	+1.9	+0.7	(0.2)	+0.6		+1.1	(0.2)
Business consignment expenses	21.4	+0.4	+0.3	(0.8)		+0.6	+0.4	
Depreciation and amortization	17.5	+0.5	+0.6				+0.2	(0.2)
Other businesses	53.1	+6.4	+0.3	(0.8)	+3.1		+2.1	+1.7
Total	191.3	+12.0	+4.1	(4.9)	+3.6	+1.0	+6.5	+1.7

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Next is the change in consolidated SG & A expenses.

SG & A expenses totaled 191.3 billion yen in the third quarter, a year-on-year increase of 12 billion yen. This was mainly due to an increase of 4.1 billion yen in the recovery from emergency measures and extraordinary loss on COVID-19 and an increase of 6.5 billion yen in newly consolidated financial statements.

The cost reduction through the income and expenditure structure reform is steadily progressing to minus 4.9 billion yen compared to the plan of minus 5.7 billion yen for the year announced last November.

Due to factors such as a decrease in the number of personnel, we reduced personnel expenses by 2.9 billion yen, and business consignment expenses by 0.8 billion yen through a review of outsourcing, etc., and we are making progress as planned.

We will continue to flexibly control expenses.

Results by Segment (Q3 YTD)

I: Third Quarter Results | II: Full-year target

- **Department store business: Increased consumer confidence due to expanded opportunities for outings without COVID-19 restrictions. Earnings improved by ¥23.7 billion.**
- **Credit & finance: Net sales remained firm despite a decrease in net income due to a change in processing within the Group.**
- **Real estate: Gross sales increased due to the strengthening of the construction and design business.**

(billions of yen)	Gross sales	YoY change	Net sales	Operating income	YoY difference
Department store business	**761.3**	118.4%	**315.8**	**17.5**	+23.7
Credit & finance business/Customer organization management business	**25.4**	100.5%	**22.9**	**3.1**	(1.6)
Real estate business	**14.2**	108.6%	**14.2**	**2.9**	(1.1)
Other businesses*	**18.6**	–	**14.0**	**0.8**	+0.5
Total	**819.6**	120.3%	**367.1**	**24.5**	+21.5

***Other businesses include adjustments**

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This is the last page on results, and this is by segment.

In the Department store business, operating income was 17.5 billion yen, a significant improvement of 23.7 billion yen from the previous year, due to the elimination of restrictions caused by the COVID-19 and improved consumer confidence due to expanded opportunities to go out.

In the Credit & finance business/ Customer organization management business, net sales continued to be strong, despite a decrease in income due to a change in processing within the Group.

The Real estate business is expanding its gross sales by strengthening its construction and design business.

Consolidated adjustments were made in other areas, resulting in an operating income surplus of 24.5 billion yen.

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I: Results for the Third Quarter of the Fiscal Year Ending March 2023

II: Full Year Target for fiscal year ending March 2023

Next is our full year target for the fiscal year ending March 2023.

Recognition of business environment

- **Gross sales were revised upward from the November forecast based on the firm trend in the department store business.**
- **Inbound takes into account the fact that the situation remains unclear despite the easing of immigration restrictions in the third quarter.**
- **A certain degree of consideration will be given to the impact of rising prices on costs and foreign exchange rates.**
- **Take flexible and agile measures to control costs.**

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As for the full-year target, we have included some preconditions, starting with recognition of the business environment.

Gross sales have been revised upward from the planned value as of November last year, based on the firm trend in the department store business.

As you know, concerning the inbound situation, immigration restrictions eased in the third quarter of this fiscal year, although the situation in China and other countries remains unclear.

In addition, a certain degree of consideration is given to the impact of rising prices on costs and foreign exchange rates.

As for cost control, we will continue to take flexible and agile measures.

Consolidated Plan (FY 2022)

I: Third Quarter Results | II: Full-year target

- **Gross sales were 5 billion yen higher than planned in November, reflecting the strong performance of the department store business in the third quarter.**
- **SG & A expenses were down 2 billion yen from the November plan as a result of detailed review of expenses in addition to income and expenditure structure reform.**
- **As a result of the above, both operating income, recurring income and net income were revised upward from the November plan.**

(billions of yen)	Cumulative 3Q (April-December)	YoY difference	Q4 (January - March)	YoY difference	full year	YoY difference	Difference with the November plan
Gross sales	**819.6**	+138.1	**260.3**	+29.7	**1080.0**	+167.8	**+5.0**
Net sales	**367.1**	+52.5	**122.8**	+19.1	**490.0**	+71.6	**(4.0)**
Gross profit	**215.9**	+33.5	**71.0**	+9.7	**287.0**	+43.3	**—**
SG&A	**191.3**	+12.0	**69.6**	+11.2	**261.0**	+23.2	**(2.0)**
Operating income	**24.5**	+21.5	**1.4**	(1.4)	**26.0**	+20.0	**+2.0**
Recurring income	**25.6**	+21.7	**0.3**	(5.2)	**26.0**	+16.4	**+2.0**
Net income	**19.5**	+18.6	**5.9**	(5.4)	**25.5**	+13.1	**+1.5**

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Now, for the consolidated plan for the full year of fiscal 2022.

Although the red frame is the full year plan, the gross sales amount is 1.08 trillion yen, plus 5 billion yen from the plan value in November last year based on the strong performance of the department store business in the third quarter.

SG & A expenses were 261 billion yen, a decrease of 2 billion yen from the planned figure for November, based on a detailed review of expenses in addition to income and expenditure structure reform .

As a result of the above, operating income and recurring income are expected to be revised upward to 26 billion yen, up 2 billion yen, and net income is expected to be revised upward to 25.5 billion yen from the November plan.

Sales Trends at Existing Domestic Department Stores (FY 2018 Comparison)

I: Third Quarter Results | II: Full-year target

Isetan Mitsukoshi: Revised the second-half plan upward based on the results exceeding the November plan in the third quarter.

Regional operating companies: Revised downward from the November plan based on the progress of customer transfer sales from the region to Isetan Mitsukoshi and current trends, although there are differences depending on the region.

	Previous (as of 11/11)			This time (as of 2/3)		
	First half results	Second half plan	Full year	First half results	Second half plan	Full year
Isetan Mitsukoshi	98%	98%	98%	98%	104%	101%
excluding duty-free Net sales	106%	105%	105%	106%	109%	107%
Total of regional operating companies	90%	98%	94%	90%	93%	92%
Total domestic department stores	95%	98%	97%	95%	99%	98%

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

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Next is the sales trend of existing domestic department stores compared to fiscal 2018.

Isetan Mitsukoshi revised up its second-half plan to 104%, based on the results of exceeding the plan announced in November of last year in the third quarter.

On the other hand, the total for regional operating companies was revised down to 93% based on the progress of customer transfer sales from regional operating companies to Isetan Mitsukoshi and current trends, although there are some differences depending on the region.

For the sales trends of total domestic department stores, we revised up 1% from 98% to 99% for the second half and from 97% to 98% for the full year.

Change in Consolidated SG & A Expenses (FY 2022)

I: Third Quarter Results | II: Full-year target

- By further reducing costs through structural reforms, the company increased the reduction amount by 500 million yen from 5.7 billion yen of the November plan to 6.2 billion yen.
- At the same time, the company is responding to the uncertain situation related to rising prices.
- Continue to control cost flexibly in Q4.

			Breakdown of YoY Changes					
			Reversal of last year	Current year change				
(billions of yen)	FY 2022 Plan	YoY change	Emergency measures COVID-19 extraordinary loss	Income and expenditure structural reform	Sales-linked	Measures to strengthen sales	New consolidation	Other businesses
Personnel expenses	93.0	+6.4	+6.1	(3.3)			+3.8	
Advertising expenses	9.0	+0.6		(0.3)		+0.7	+0.2	
Lease payments	32.7	+2.5	+0.7	(0.2)	+0.6		+1.7	(0.2)
Business consignment expenses	29.0	+0.5	+0.3	(1.3)		+1.0	+0.6	
Depreciation and amortization	23.7	+0.6	+0.6				+0.3	(0.2)
Other businesses	73.6	+12.3	+0.3	(1.1)	+5.4	+0.8	+3.1	+3.8
Total	261.0	+23.2	+7.9	(6.2)	+6.0	+2.5	+9.7	+3.4

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Next, changes in consolidated SG & A expenses.

We have also made further progress in reducing expenses through income and expenditure structure reform, and plan to reduce expenses by 6.2 billion yen, 500 million yen more than the previous plan which was 5.7 billion yen as of November last year.

At the same time, we will continue to flexibly control expenses in the fourth quarter in response to uncertain conditions related to price increases.

Plans by Segment (FY 2022)

I: Third Quarter Results | II: Full-year target

- **In the department store business,net sales will increase based on the results up to Q3, and operating income will increase by 2 billion yen due to further progress in cost structure reform.**
- **Credit & financial business and real estate business are expected to follow the November plan.**

(billions of yen)	Gross sales	YoY change	Net sales	Operating income	YoY difference	Difference with the November plan
Department store business	**990.0**	114.9%	**410.0**	**15.3**	+21.6	+2.0
Credit & finance business/ Customer organization management business	**34.0**	103.2%	**31.0**	**5.0**	(1.0)	—
Real estate business	**26.0**	143.9%	**26.0**	**4.8**	(0.7)	—
Other businesses*	**30.0**	(-6)	**23.0**	**0.9**	+0.2	—
Total	**1080.0**	118.4%	**490.0**	**26.0**	+20.0	+2.0

*Other businesses include adjustments

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Finally, let me explain the plans by segment.

In the Department store business, while increasing sales based on the results up to the third quarter, operating income increased by 2 billion yen from the planned value to 15.3 billion yen due to further progress in income and expenditure structure reform .

In the Credit & finance business/ Customer organization management business, and Real estate businesses, we expect the business to go as planned, and plan a consolidated total of 1.08 trillion yen in gross sales and 26 billion yen in operating income.