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

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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

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.

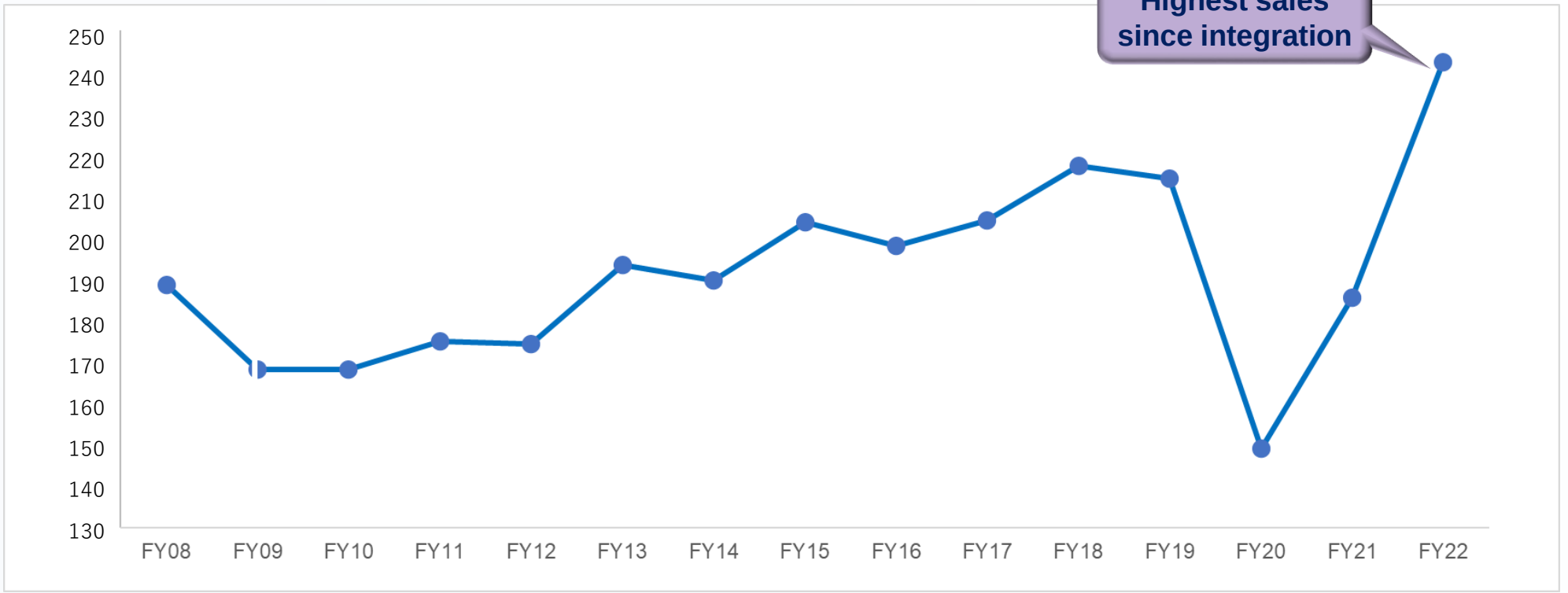
(billions of yen)	First half (April-September)	YoY difference	3Q (October - December)	YoY difference	Cumulative 3Q (April-December)	YoY difference
Gross sales	**495.6**	+96.6	**323.9**	+41.4	**819.6**	+138.1
Net sales	**222.8**	+34.9	**144.3**	+17.6	**367.1**	+52.5
Gross profit	**131.9**	+23.9	**83.9**	+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

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

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.

			Breakdown of YoY Changes					
			Reversal of last year	Current year change				
(billions of yen)	Cumulative Q3 Apr-Dec	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	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

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

II: Full Year Target for 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.

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**

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

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

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