Web financial results explanation meeting
for the Third Quarter of the Fiscal Year Ending March 31, 2022
Outline of Questions and Answers
Date and time: Tuesday, February 1, 2022, 17:30-18:30

Q. <u>You are reviewing the top line in the current full-year plan. How do you view the external and internal environment in this plan?</u>

For Isetan Mitsukoshi, while Japanese customers sales were robust, the company reviewed inbound tourists sales. In the region, the growth of the recovery in sales from October was lower than in the Tokyo metropolitan area , and it has been reviewed since January at a level slightly below 90% from the November target of 93%. Depending on the future contagion situation, there may be a little more weakness.

Q. <u>You are promoting personally focused initiatives and digital reforms among the medium-term management plans. What kind of response do you feel toward these initiatives at Isetan Shinjuku Main Store, etc.?</u>

Regarding the reform of out-of-store sales, which focuses on personalities, the company has changed its organization since October and has begun to see results from deepening collaboration between buyers and sales. In addition, the need for high-value-added products has increased due to the COVID-19 crisis, and the results of new initiatives that leverage our unique strengths of product lineups, such as linking Shinjuku and local stores while using digital to buy Shinjuku products in local communities, are beginning to emerge.

Q. <u>Regarding the cost structure reform, can the portion added this time be constantly reduced?</u>

You can think of it by reducing fixed costs on a regular basis. For example, while visualizing customer-specific PL expenses for advertising expenses, the Company controls how to use them in accordance with earnings on a company-wide level. Outsourcing costs are also being reduced by changing the work styles of each employee based on a crisis awareness, thereby curbing external outflows of costs.

Q. <u>It is said that sales centered on high-priced products are robust, but how do you see their sustainability?</u>

Needs for high-value-added products unique to us, including high-priced products, remain high even after the spread of infections by Omicron variant. The trend is also true not only for MI Card, but also for cash and other CRE customers. As we move forward with our strategy of high-sensitivity, high-quality "consumption," We feel that we have made sense as a way to rebuild the department store business.

Q. What was the gross margin in the 3Q?

In the 3Q, Isetan Mitsukoshi's margin declined by 0.1 percentage points. However, there has been no major decline as before, and the decline has stopped.We will analyze and scrutinize them further.

Q. What is your sale for sales and profits in overseas areas in the 3Q ? and what is your forecast for them in the fourth quarter?

Malaysia was affected by the lockdown in the 3Q. For China, the impact of the recent spread of infections has not yet been included and it has been trending above the previous year's level in the 3Q, but we expect the impact to emerge in Q4.

Q. Cost reductions at Isetan Mitsukoshi Ltd. have progressed to some extent, and it does not seem that we can hold much expectation as room for reduction. Will reductions outside Isetan Mitsukoshi Ltd. become the mainstream in the future?

As stated in the strategy of the medium-term management plan, there is room for cost reductions at Isetan Mitsukoshi Ltd. by scientific analysis of department store. In addition, success stories will be expanded to group department stores, which in turn will be reduced through structural reforms at group companies in the course of management by the " Stronger intra-Group coordination strategy".

Q. Earnings at regional department stores have improved significantly, starting with Iwataya Mitsukoshi, after the 3Q of the fiscal year. Is that improvement the result of reforms by President Hosoya?

Even though sales at Iwataya Mitsukoshi have not recovered, operating profit and profit margin have improved significantly, and the reforms are yielding results. Profits are also improving for regional companies as a whole by expanding the examples of reforms at Iwataya Mitsukoshi at other regional stores. Matsuyama, which underwent major renovations as a restructuring store, also began to show results, including becoming profitable in the Q3.

Q. <u>What is the state of online sales in the digital strategy?</u>

While aiming at ¥40 billion per year, the 1H showed very smooth progress, partly due to the declaration of an emergency situation.Since October, after the termination of the Emergency Declaration, sales have slowed somewhat, but ISETAN DOOR (periodic food delivery service), which has remained strong for some time, and meeco (online cosmetics shopping site) remained firm.

Q. <u>What progress has been made in the strategy of increasing the number of identified customers, which is a key strategy in the medium-term management plan?</u>

Currently, efforts to identify unidentified customers are being expanded and started. By having these customers have digital IDs, we will increase convenience while developing services similar to MI Card. Although the number of new digital ID members and MI Card members are slowing, the company is seeing signs of improvement as it is steadily expanding its proprietary services and steadily upgrading its apps.