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

November 11, 2022

ISETAN MITSUKOSHI HOLDINGS

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I: Results for the Second Quarter of the Fiscal Year Ending March 31, 2023

II: Full Year Target for fiscal year ending March 2023

III: Medium-Term Plan Progress

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Consolidated Financial Results (Q2 YTD)

- Despite the seventh wave of COVID-19 in the first half of the year, net sales rose sharply, led by department stores.
- Although selling, general and administrative expenses increased in reaction to the previous year and sales-related expenses increased, operating income increased by ¥16.6 billion year-on-year due to steady progress in cost control.
- Along with operating income, recurring income and quarterly net income also rose sharply from the previous year.

(Billions of yen)	2Q Cumulative (April-September)	YoY change	YoY difference
Gross sales	495.6	124.2%	+96.6
Net sales	222.8	118.6%	+34.9
Gross profit	131.9	122.2%	+23.9
SG&A	123.0	106.3%	+7.2
Operating income	8.9	—	+16.6
Recurring income	9.5	—	+16.6
Net income	7.7	—	+15.9

Consolidated Financial Results by Quarter

Q2 (July-September)

- **Although the second quarter coincided with the seventh wave of pandemic, new life style with COVID-19 has taken root and new consolidated companies have been added, and net sales have continued to be strong.**
- **Operating income improved by ¥6.7 billion, significantly higher than the previous year, due to strong sales.**

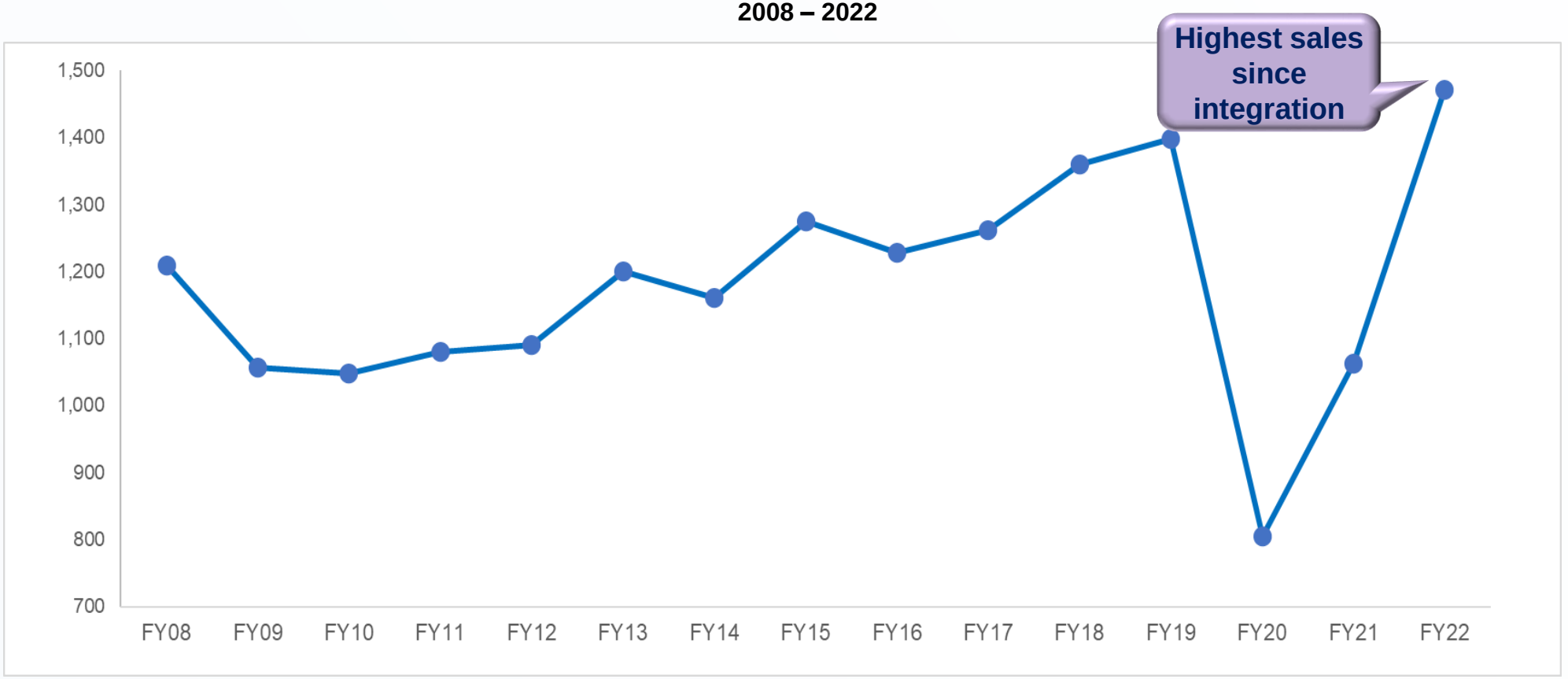
(Billions of yen)	1Q (April-June)	YoY difference	2Q (July - September)	YoY difference	First half (April-September)	YoY difference
Gross sales	242.8	+46.5	252.7	+50.1	495.6	+96.6
Net sales	101.6	+13.0	121.2	+21.8	222.8	+34.9
Gross profit	62.1	+12.0	69.7	+11.9	131.9	+23.9
SG&A	58.1	+2.0	64.8	+5.1	123.0	+7.2
Operating income	3.9	+9.9	4.9	+6.7	8.9	+16.6
Recurring income	4.5	+10.2	5.0	+6.3	9.5	+16.6
Net income	5.6	+14.3	2.1	+1.5	7.7	+15.9

Isetan Shinjuku Main Store Q2 Cumulative Net Sales (Post-Integration)

- **The Isetan Shinjuku Main Store posted the highest net sales in the second quarter since the merger even though duty-free sales have not returned.**
- **We will continue to promote our "High sensitivity, fine quality" strategy and CRM strategy to increase net sales.**

Isetan Shinjuku Main Store 2Q Cumulative Net Sales Trends by Fiscal Year

2008 – 2022



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

Change in consolidated selling, general and administrative expenses

- The cost reduction by the income and expenditure structural reform is 3.6 billion yen, and approximately half of 5.7 billion yen of the annual target announced in August.
- Continued flexible cost control in response to uncertain future risks.

			Breakdown of YoY Changes					
			Reversal of last year	Current year change				
(Billions of yen)	2Q Cumulative (April-September)	YoY change	Emergency measures COVID-19 Extraordinary Loss	Income and expenditure structure reform	Sales-linked	Measures to strengthen sales	New consolidation	Other businesses
Personnel expenses	44.1	+1.2	+2.2	(2.1)			+1.3	(0.1)
Advertising expenses	4.0	+0.1		(0.1)		+0.2	+0.1	
Lease payments	15.9	+1.1	+0.6	(0.2)	+0.4		+0.5	(0.2)
Business consignment expenses	14.2	+0.3	+0.3	(0.6)		+0.4	+0.2	
Depreciation and amortization	11.6	+0.4	+0.5				+0.1	
Other businesses	32.9	+3.8	+0.3	(0.6)	+1.8		+1.0	+1.3
Total	123.0	+7.2	+3.9	(3.6)	+2.2	+0.6	+3.2	+1.0

Results by Segment (Q2 YTD)

- **Department store business: Sales increased on the back of increased opportunities for outings and improved consumer confidence, and returned to profitability as operating income increased 17.7 billion yen.**
- **Credit & Finance: Net sales increased despite a decrease in income from the previous year due to a change in processing within the Group.**
- **Real estate business: 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	**463.3**	123.7%	**193.9**	**5.1**	**+17.7**
Credit & Finance Business/Customer Organization Management Business	**16.2**	102.7%	**14.7**	**1.7**	**(0.8)**
Real estate business	**9.0**	122.4%	**9.0**	**2.1**	**(0.3)**
Other businesses *	**7.0**	—	**5.1**	**(0)**	**+0.1**
Total	**495.6**	124.2%	**222.8**	**8.9**	**+16.6**

***Other businesses include adjustments.**

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Knowledge of business environment

- Gross sales were revised upward from the August plan based on favorable trends in the department store business (excluding inbound sales).
- Inbound continued the latest trend due to uncertainty over the future, despite a review of entry restrictions.
- A certain degree of consideration is given to the impact of further price increases on costs and foreign exchange rates.
- Expense control linked to business performance is flexible and flexible.

Sales plan for existing domestic department stores

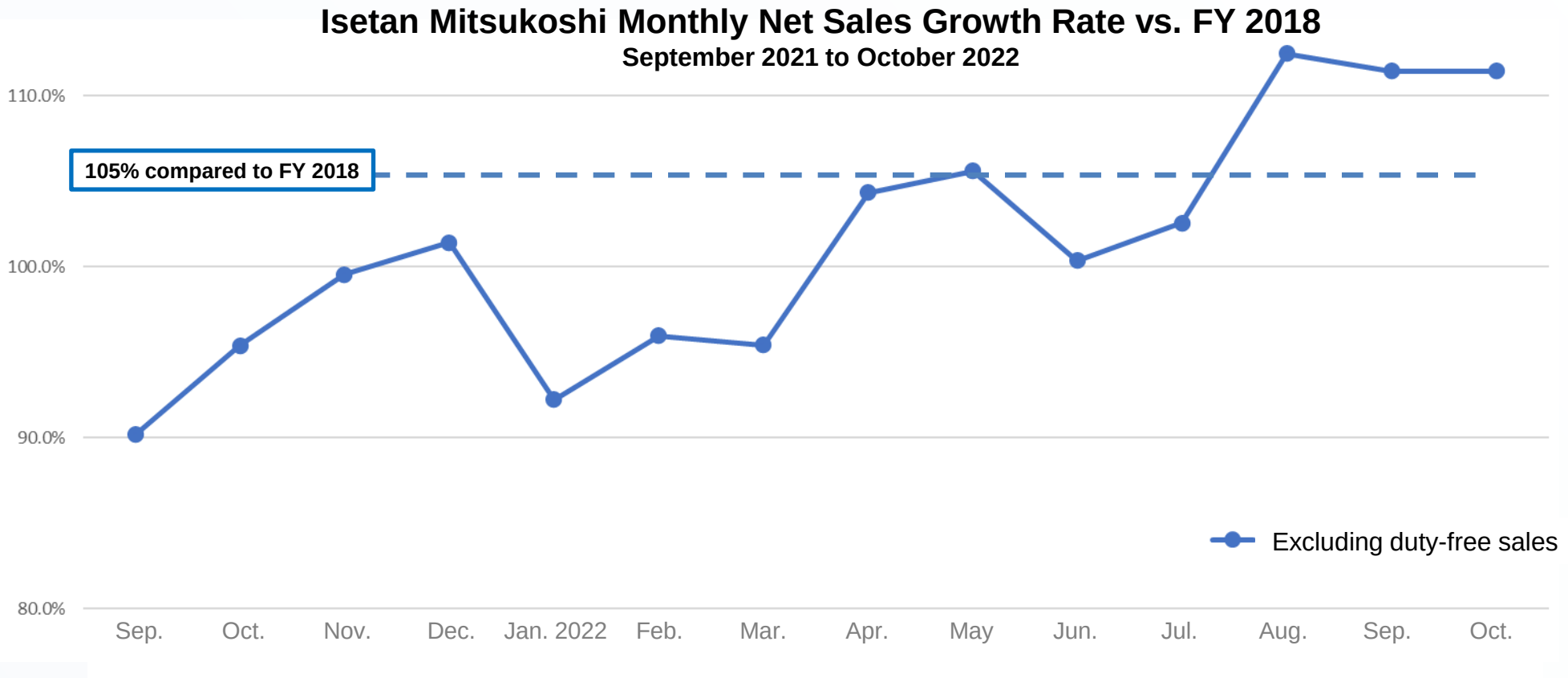
- Net sales excluding duty-free items at Shinjuku and other Isetan Mitsukoshi stores are expected to be 105% of FY 2018 levels.
- The total of the regional business companies is expected to be 94% of the FY 2018 level, but the current level is more than 96%.
- As a result, the domestic department store total aims at 117% over FY 2021 and 97% over FY 2018.

	First half results		Second half plan		Full-year plan	
	Compared to FY 2021	Compared to FY 2018	Compared to FY 2021	Compared to FY 2018	Compared to FY 2021	Compared to FY 2018
Total Isetan Mitsukoshi	133%	98%	110%	98%	120%	98%
Net sales excluding duty-free sales	130%	106%	108%	105%	118%	105%
Total of regional operating companies	113%	90%	112%	98%	112%	94%
Total domestic department stores	125%	95%	111%	98%	117%	97%

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

Sales trends at existing Isetan Mitsukoshi stores (excluding duty-free sales)

- **Net sales at Isetan Mitsukoshi continued to show improvement, exceeding the FY 2022 full-year plan line (105% from FY 2018 excluding duty-free sales).**



***Excluding Isetan Sagamihara, Isetan Fuchu and Ebisu Mitsukoshi**
***Before adoption of the revenue recognition standard, on a gross sales basis**

Consolidated plan (FY 2022)

- Gross sales are expected to increase by 25 billion yen from the August forecast on the assumption that consumer spending will continue to improve in the second half.
- Both operating income, recurring income and net income will be significantly higher than the August plan, thanks to higher sales and income and expenditure structure reform.

(Billions of yen)	First half	YoY difference	Second half	YoY difference	Full year	YoY difference	August Plan Difference
Gross sales	495.6	+96.6	579.3	+66.1	1075.0	+162.8	+25.0
Net sales	222.8	+34.9	271.1	+40.7	494.0	+75.6	-
Gross profit	131.9	+23.9	155.0	+19.3	287.0	+43.3	+8.0
SG&A	123.0	+7.2	139.9	+18.0	263.0	+25.2	+1.0
Operating income	8.9	+16.6	15.0	+1.3	24.0	+18.0	+7.0
Recurring income	9.5	+16.6	14.4	(2.1)	24.0	+14.4	+7.0
Net income	7.7	+15.9	16.2	(4.2)	24.0	+11.6	+5.0

Change in consolidated selling, general and administrative expenses (FY 2022)

- The company plans income and expenditure structure reform to minus 5.7 billion yen, the same amount as planned in August. Continued implementation of reforms in the second half of the year.
- In the second half of the fiscal year, we will continue to flexibly control costs in response to uncertain risks, such as rising fuel costs.

			Breakdown of YoY Changes					
			Reversal of last year	Current year change				
(Billions of yen)	FY 2022 Full Year	YoY change	Emergency measures COVID-19 Extraordinary Loss	Income and expenditure structure reform	Sales-linked	Measures to strengthen sales	New consolidation	Other businesses
Personnel expenses	93.2	+6.6	+6.1	(3.1)			+3.8	(0.1)
Advertising expenses	10.2	+1.8		(0.2)		+1.9	+0.2	
Lease payments	32.8	+2.6	+0.7	(0.2)	+0.7		+1.7	(0.2)
Business consignment expenses	29.3	+0.8	+0.3	(1.3)		+1.3	+0.6	
Depreciation and amortization	24.2	+1.1	+0.6			+0.3	+0.3	
Other businesses	73.3	+12.0	+0.3	(0.9)	+5.6	+0.8	+3.1	+3.0
Total	263.0	+25.2	+7.9	(5.7)	+6.3	+4.3	+9.7	+2.7

Plans by Segment (FY 2022)

- **Department store business: Operating income will be revised to 13.3 billion yen, up 6.3 billion yen from the August plan, as net sales exceed the plan.**
- **Credit finance: Operating income remains unchanged from the August forecast.**
- **Real Estate Business and Others Businesses: Based on the results for the first half of the year, operating income was revised up from the August plan.**

(Billions of yen)	Gross sales	YoY change	Net sales	Operating income	YoY difference	August Plan Difference
Department store business	985.0	114.3%	414.0	13.3	+19.6	+6.3
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)	+0.2
Other businesses *	30.0	(-6)	23.0	0.9	+0.2	+0.5
Total	1075.0	117.9%	494.0	24.0	+18.0	+7.0

*Other businesses include adjustments.

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Overview of plan progress

- Progress of the revitalization phase
- Medium- to Long-term Profit Step

FY 2022 KPIs

- Financial KPIs
- Customer KPIs
- Cash allocation

Progress of Major Initiatives

Overview of plan progress (sense of steps and positioning in FY 2022)

Fiscal 2022 Positioning

A year to improve the accuracy of "revitalization" and start preparing "development" in anticipation of "fruiting"

"Special" existence that has Japan's pride and ability to communicate to the world and is most supported in high-quality consumption in a highly sensitive manner

10 year spans

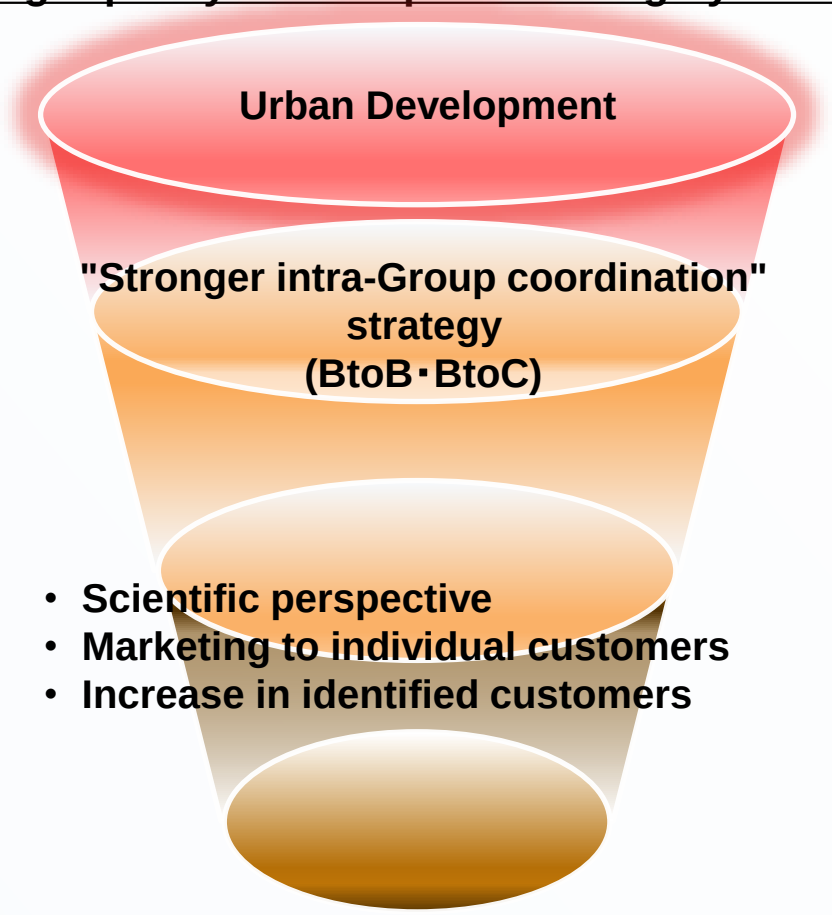
Next three years

3 years

Fruition phase

Deployment Phase

Revitalization phase



[Urban Development]

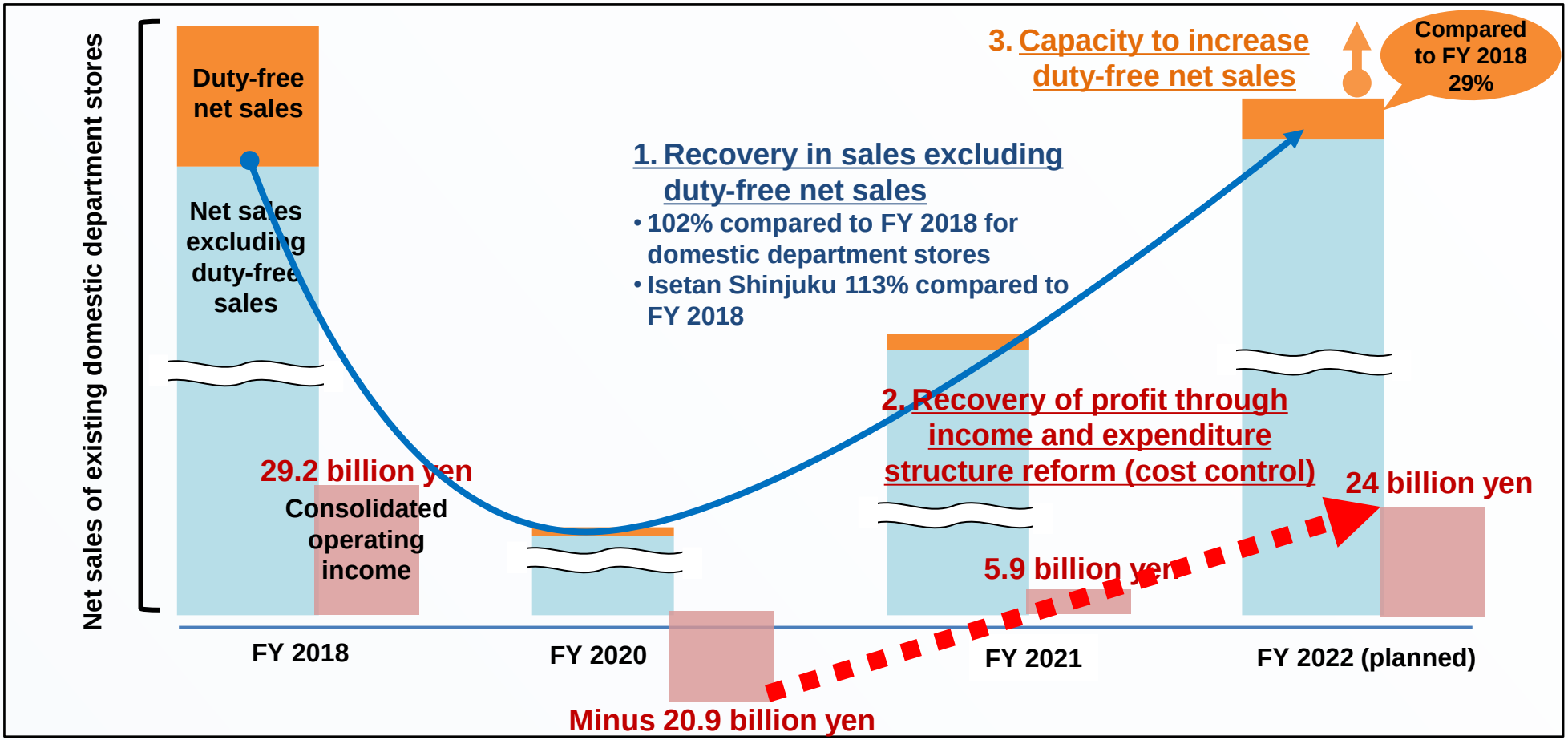
[Intra-Group coordination]

[Revitalization]

Overview of plan progress

1.Progress of the revitalization phase

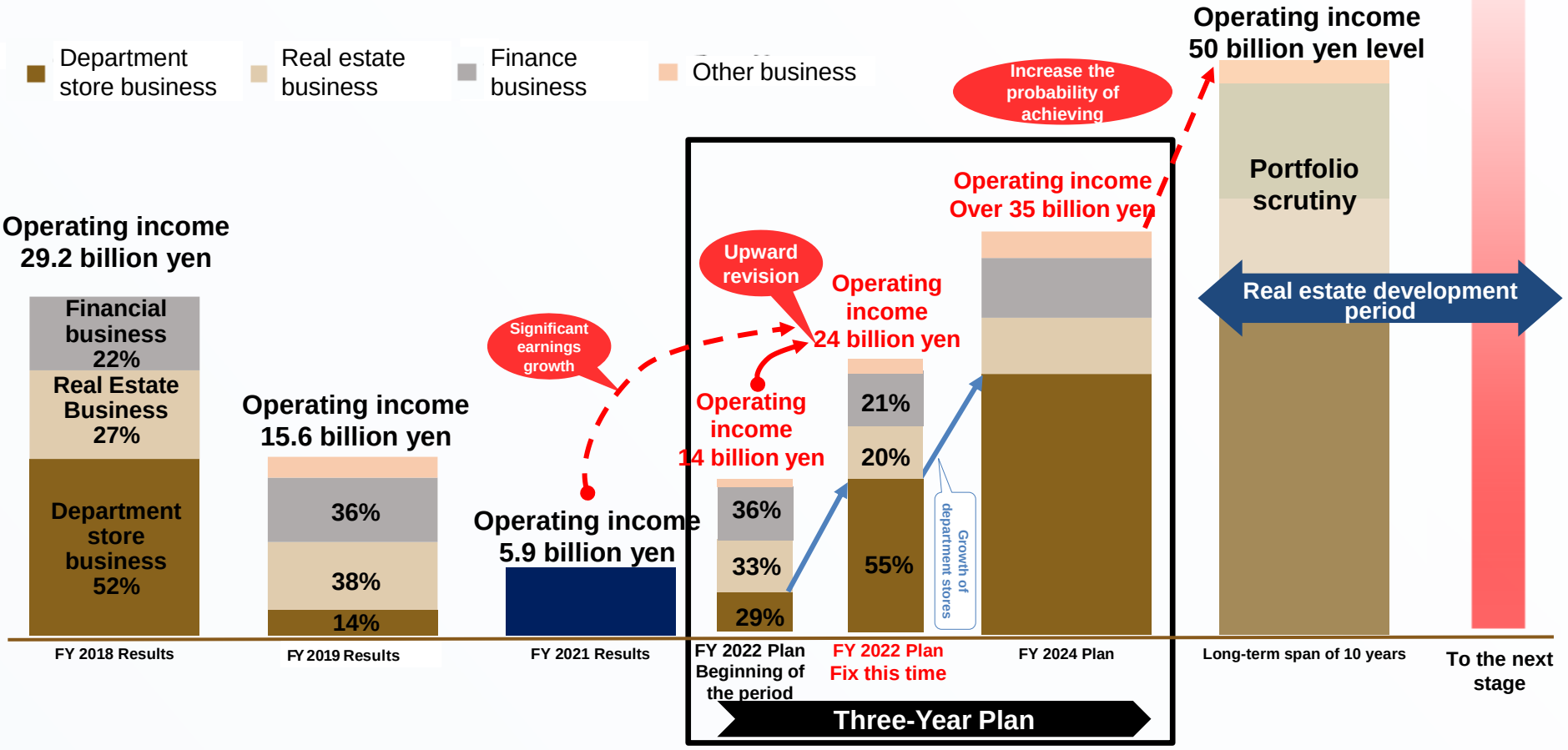
1. Net sales of domestic department stores are on a recovery trend as the "revitalization of department stores" is progressing on an on-schedule basis after a decline in sales due to COVID-19.
2. In addition, by controlling expenses through "income and expenditure structural reforms," we have transformed our business structure into one that can generate operating income.
3. In the future, measures are being expanded in anticipation of a full-scale recovery in inbound demand. Year-over-year inbound net sales in Q2 were 271%.



Overview of plan progress

2.Medium- to Long-term Profit Step

- As of August 1, the first quarter financial results announcement, the operating income plan for FY 2022 was revised upward to 17 billion yen.
- In the announcement of the second quarter financial results (today), the amount was revised upward to 24 billion yen, reflecting progress in the revitalization of department stores. (This time)
- The FY 2024 operating income plan, as originally planned, aims to achieve record high of 34.8 billion yen after integration.



FY 2022 KPIs

1.Financial KPIs

[FY 2022 Plan]

- **Gross sales: Revised upward based on the recent recovery trend in business performance and progress in the revitalization of department stores through the strengthening of CRM strategies.**
- **SG&A expenses: Control SG&A expenses by maintaining cost control and reducing costs through further income and expenditure structure reform.**

	FY 22 Full Year Plan		
	Revision plan	Difference between initial plans	Difference in FY 2021
Gross sales	1075 billion yen	+ 25 billion yen	+ 162.9 billion yen
SG&A	263 billion yen	(1 billion yen)	+ 25.3 billion yen
Operating income	24 billion yen	+ 10 billion yen	+ 18.1 billion yen
Net income	24 billion yen	+ 7 billion yen	+ 11.7 billion yen
ROE	4.5%	+1.2%	+2.0%

2.Customer KPIs

[Results for Q2]
- Revenues from identified customers and MI Card members were strong against the initial plan.
- MI Card members net sales of 1 million yen or more per year increased significantly from the initial plan.

[FY 2022 Plan]
- Customer KPIs were also significantly revised up due to an upward revision in full-year net sales.

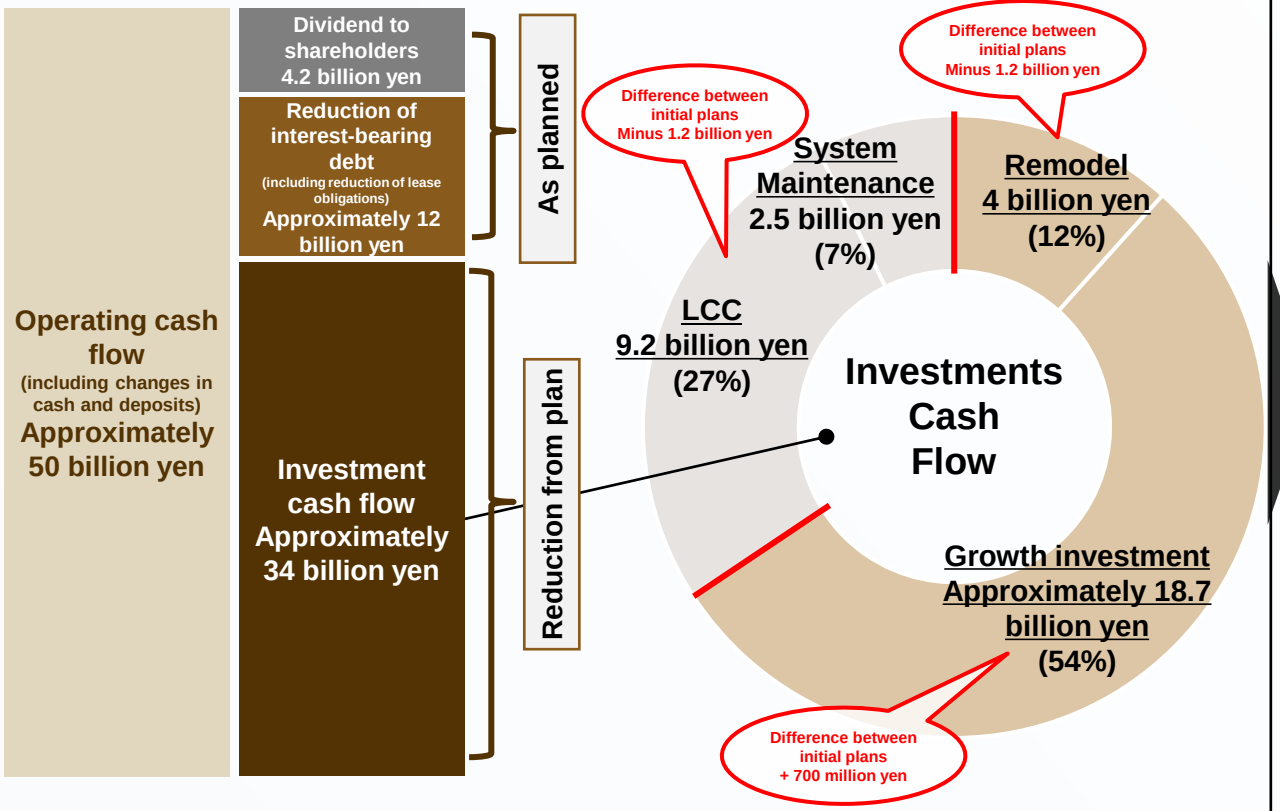
	Q2 Results			FY 2022		
	Results	Compared with the initial plan		Revision plan	Difference between initial plans	
Identified Customer Net Sales *	256.4 billion yen	112%	○	Approximately 600 billion yen	+ Approximately 100 billion yen	↗
MICARD Net Sales	211.5 billion yen	101%	○	Approximately 500 billion yen	+ Approximately 40 billion yen	↗
Purchased over 1 million yen annually MICARD net sales	81.8 billion yen	121%	◎	Approximately 240 billion yen	+ Approximately 20 billion yen	↗

*Identified customers: MI Card member + App member (non-MI Card member) + Digital ID member (EC only) - Duplicate member (not including Tomonokai member)

3. Cash allocation

- Return to shareholders: Dividend increased to 12 yen per share as originally planned. In the future, we will consider how to return profits to shareholders as a whole in accordance with our capital policy.
- Interest-bearing debt: The control of interest-bearing debt has been advanced from the end of FY 2024, which was 150 billion yen.
- Growth investment: LCC investment and remodeling investment are organized stoically from the initial plan in preparation for future large-scale real estate development investment.

FY 2022 Plan



Current plan for FY 2024
(disclosed in November 2021)

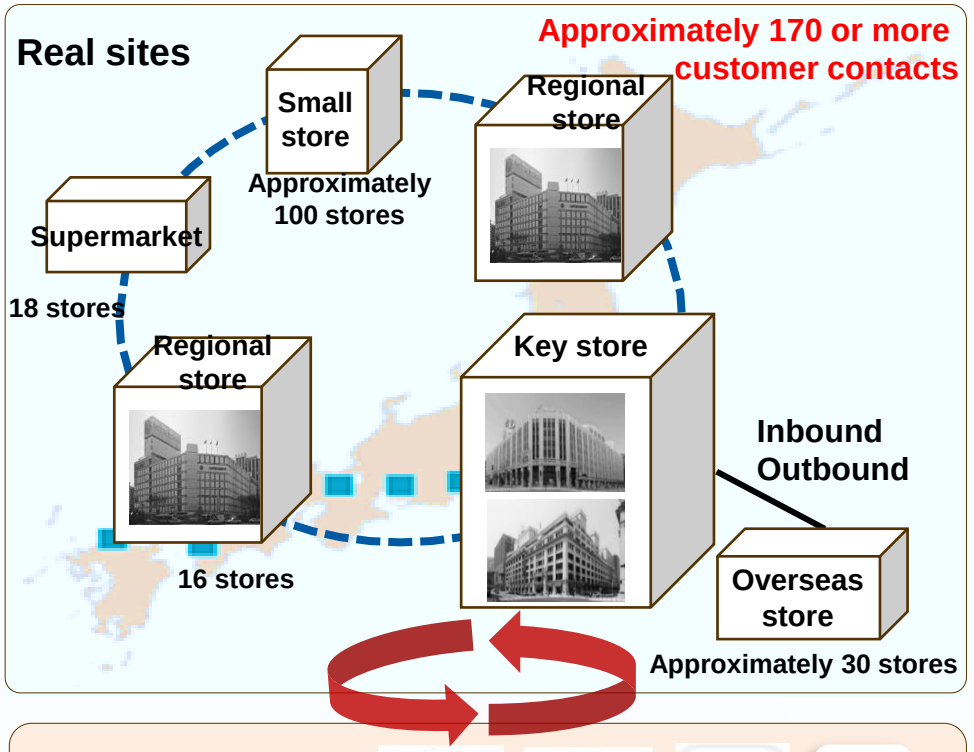
- Continued financial discipline and proper cash allocation.
- Promote the current plan on an on-schedule basis.
- Consider capital policy for the future.

ROE	5.3%
Interest-bearing debt	150 billion yen
Net Interest-bearing Debt / EBITDA multiple	1.4 times

High-Sensitivity, High-Quality Strategy

1.Building High-Sensitivity High-Quality Stores "Base Network"

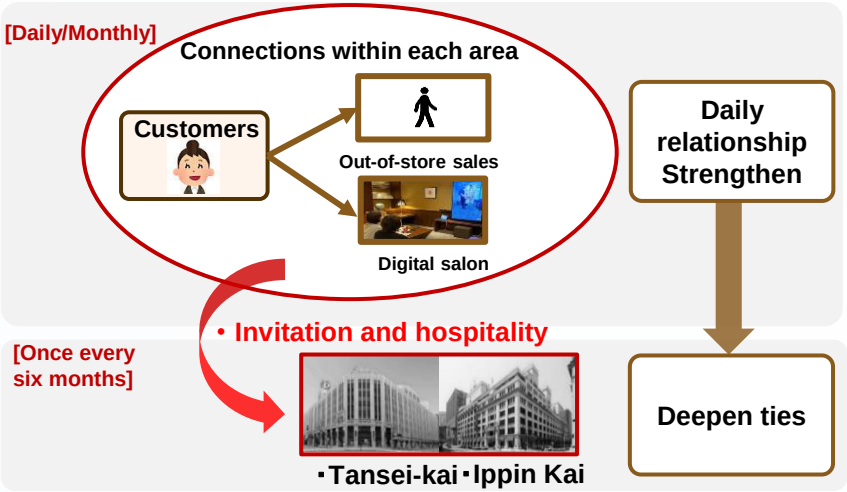
Base Network = Area Strategy



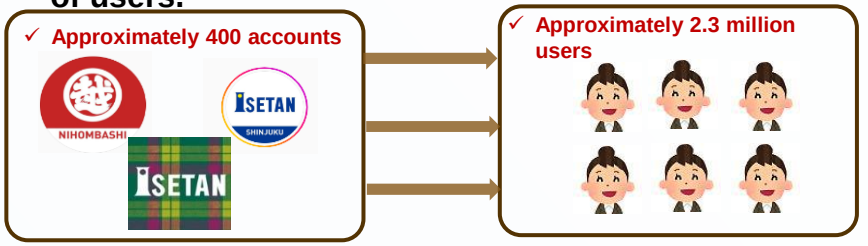
Number of customers → Profit on sales + Card revenue + Business opportunity → Maximize

TOPICS

✓ **Provides special purchasing experience value.**



✓ **Enhance our ability to connect with a large number of users.**



✓ **Open Isetan Queens stores one after another in the Tokyo metropolitan area.**

QUEEN'S ISETAN

High-Sensitivity, High-Quality Strategy

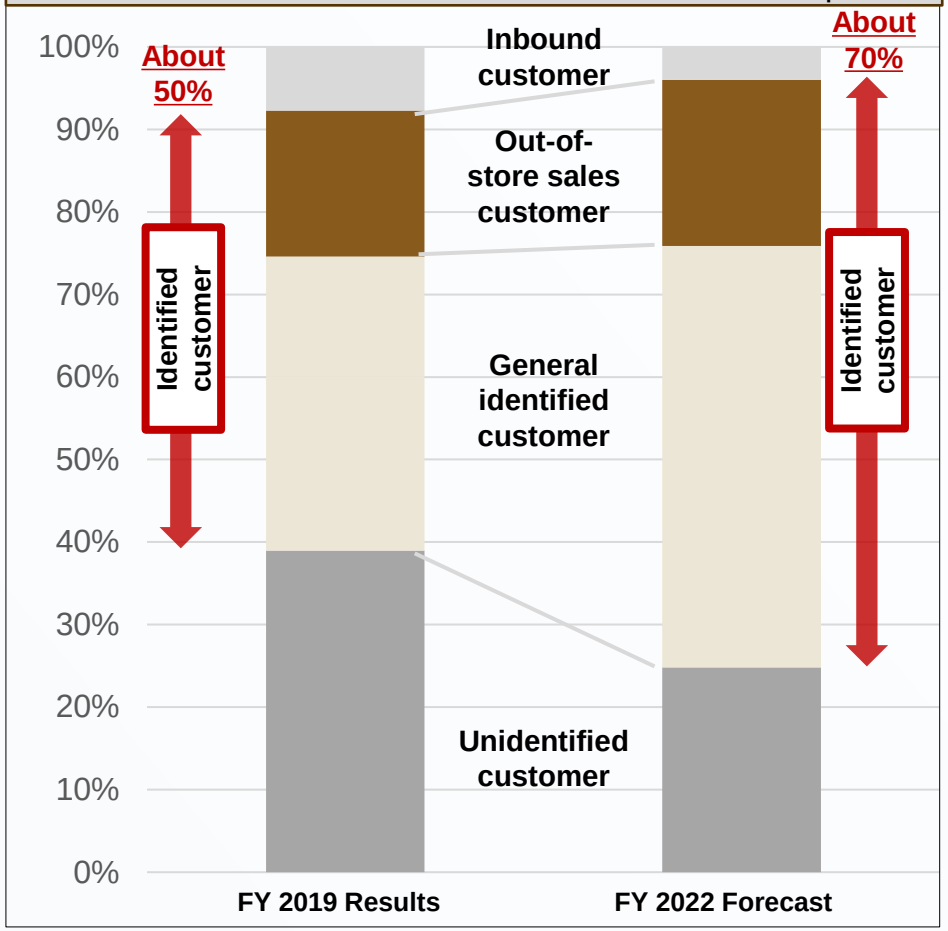
2. Building High-Sensitivity High-Quality Stores "Customer Structure/MD Balance"

*Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store

- The number of MI App members has increased, and the identified customers has progressed.
- At the same time, the net sales of luxury, jewelry and watches increased significantly due to the "remodeling effect" implemented before COVID-19 pandemic.

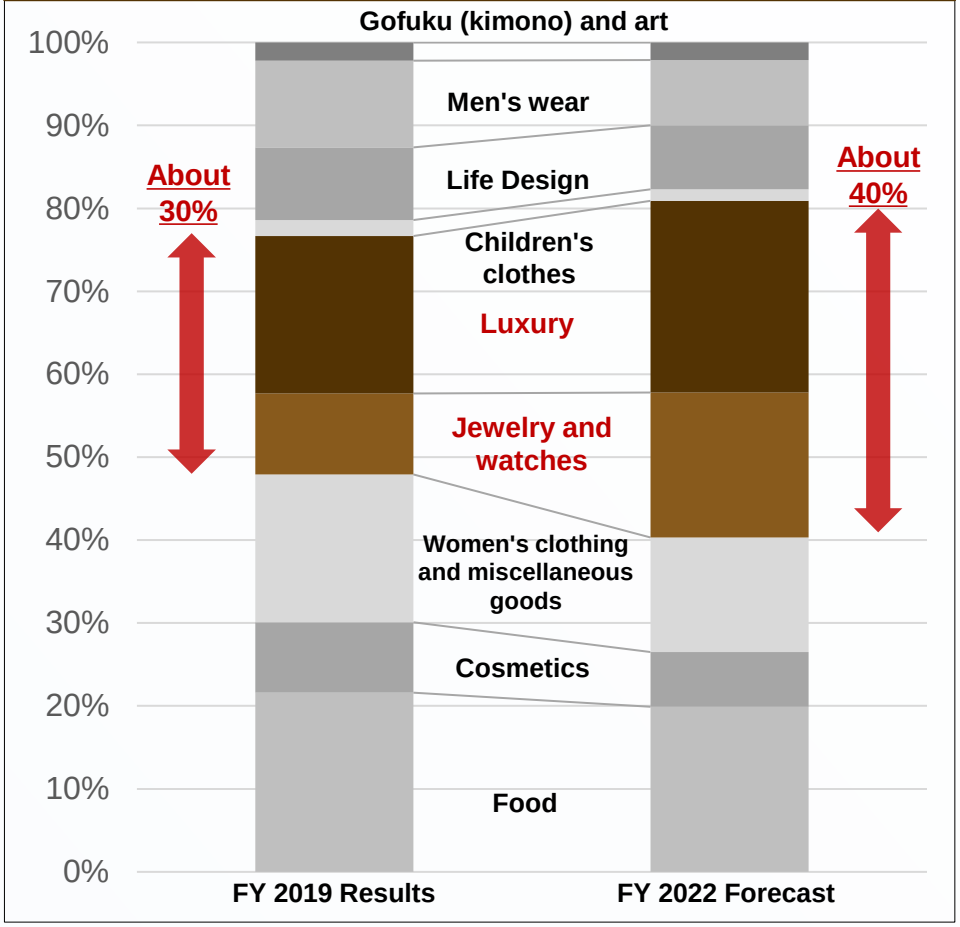
Changes in customer structure

*Share of purchases



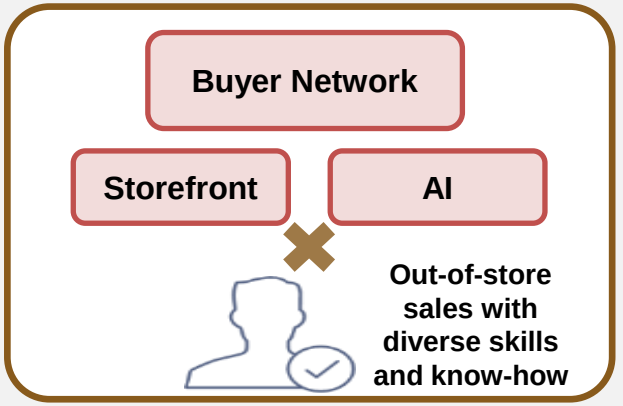
Change in MD balance

*Share of net sales



3.(Individual) Out-of-store sales Reform

- **By establishing out-of-store sales network and strengthening direct marketing, total net sales from out-of-store increased significantly from the previous year.**
- **In order to strengthen sales for VIP customers of overseas stores and out-of-store sales customers living in Japan, the "Overseas Customer Support" was newly established in the Out -store-sales Management Department.**



<<Domestic department store>>	Q2 Results		
	Actual	Compared with the initial plan	YoY change
Total out-of-store net sales	Approximately 95 billion yen	103%	120%

TOPICS

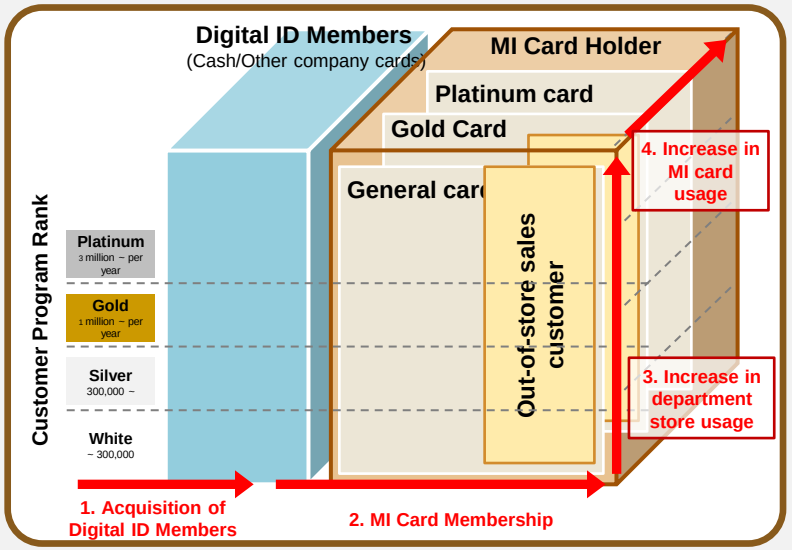
[Outside Department Store MD]

- ✓ **Favorable sales of construction and design, travel, automobiles and real estate.**
- ✓ **Increase the number of contents handled to 100. (YoY Difference + 50 Contents)**

Q2 Results		
Actual	Difference between initial plans	YoY difference
2.3 billion yen	+ 1.1 billion yen	+ 1.6 billion yen

CRM Strategy to Connect with Individual Customers

- **Strengthen measures by rank in the Isetan Mitsukoshi Customer Program.**
  - ➡ **Both the number of identified customers and the per-customer unit price remained strong from the previous year.**
- **MI Points are given to app members who use cash and other companies' credit cards, and point incentive measures are introduced at all stores.**
  - ➡ **The number of digital members increased significantly from the previous year. (The number of MICARD application members also increased)**



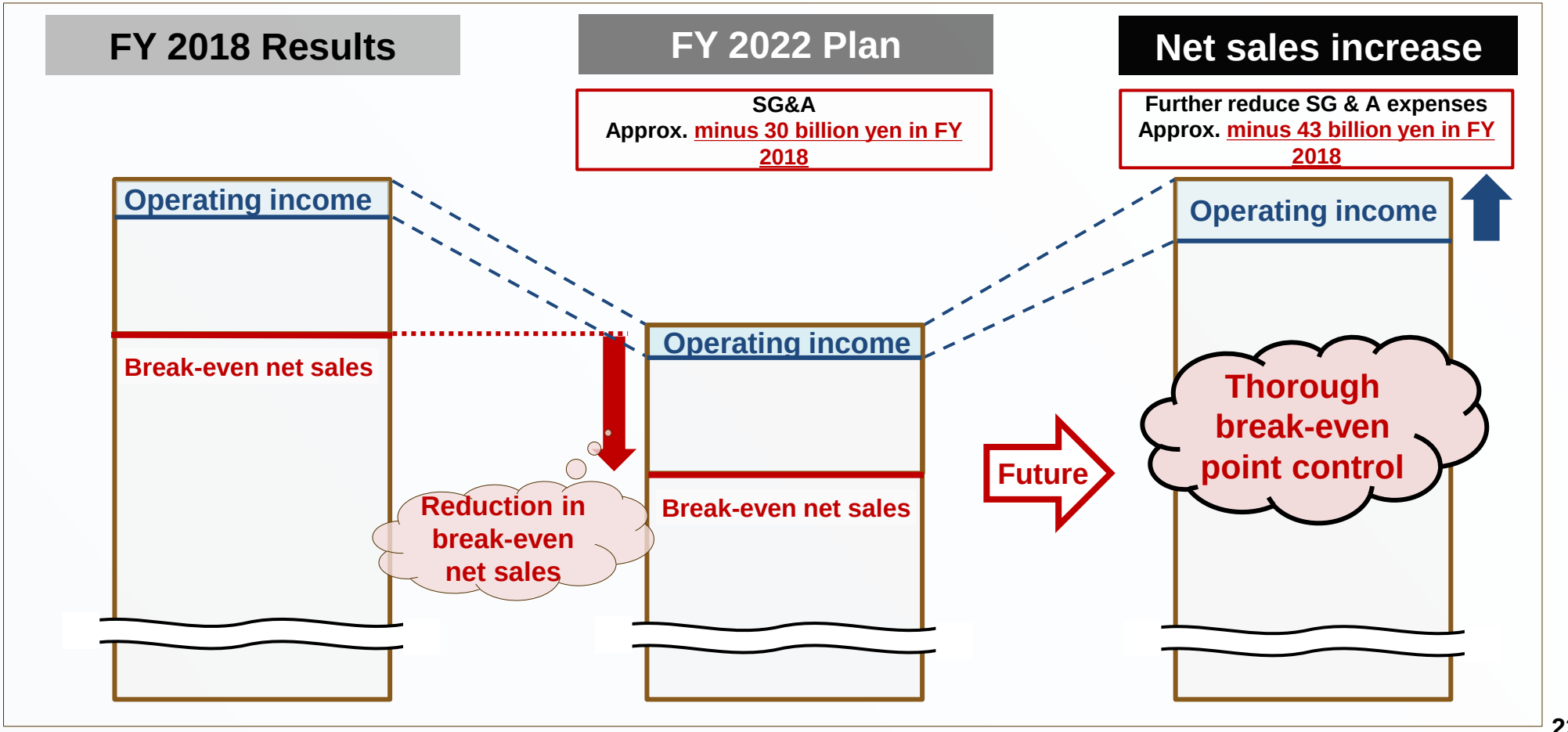
	Q2 Results	
	Compared with the initial plan	YoY change
Number of identified customers	105%	116%
Price per identified customer	107%	116%
Number of digital members	106%	160%

*Identified customers: MI Card member + App member (non-MI Card member) + Digital ID member (EC only) - Duplicate member (not including Tomonokai member)

Revitalization of department stores through scientific analysis of department stores (income and expenditure structural reform)

[Changes in earnings structure]

- **Reformed our revenue structure by lowering our break-even net sales to date.**
  ➡ Achieved significant earnings growth in FY 2022.
- **Operating income will expand in the future due to net sales increase and thorough control of break-even point.**



Efforts of the Intra-Group coordination

- [Type 1] Acceleration of in-house production through collaboration among group companies.
- [Type 2] Net sales increased by strengthening B2B sales through the use of Group resources and by promoting the acquisition of new corporate customers.
- [Type 3] Proposes the value provided by combining the skills and know-how accumulated by Group companies in one package.

Type 1
- Business Process Insourcing

Type 2
- B2B external sales

Type 3
- Isetan Mitsukoshi Managed Services
- One package proposal of hospitality axis

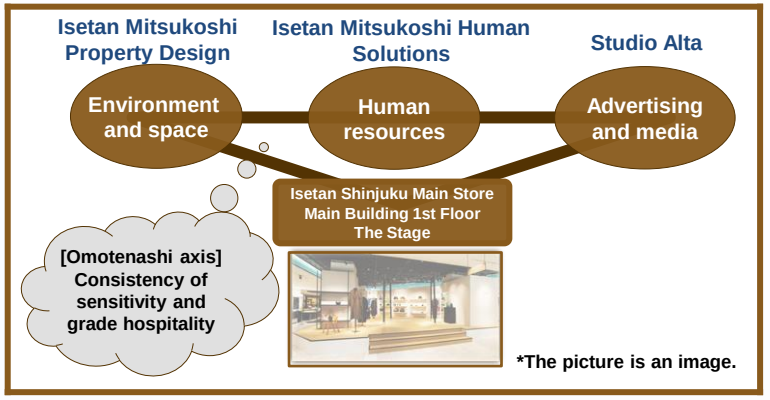
In-house production

New revenue Acquisition

Uniqueness Display of characteristics

[Creation]

- Expanded collaboration among group companies.
  - Intergroup transaction volume was higher than in the previous year.
  - Remodeling work
  - Advertising media production
- Expanded Intra-Group coordination sales.
  - Significant growth in Intra-Group coordination net sales compared to the initial plan
  - 12 categories, 29 types Suggest content

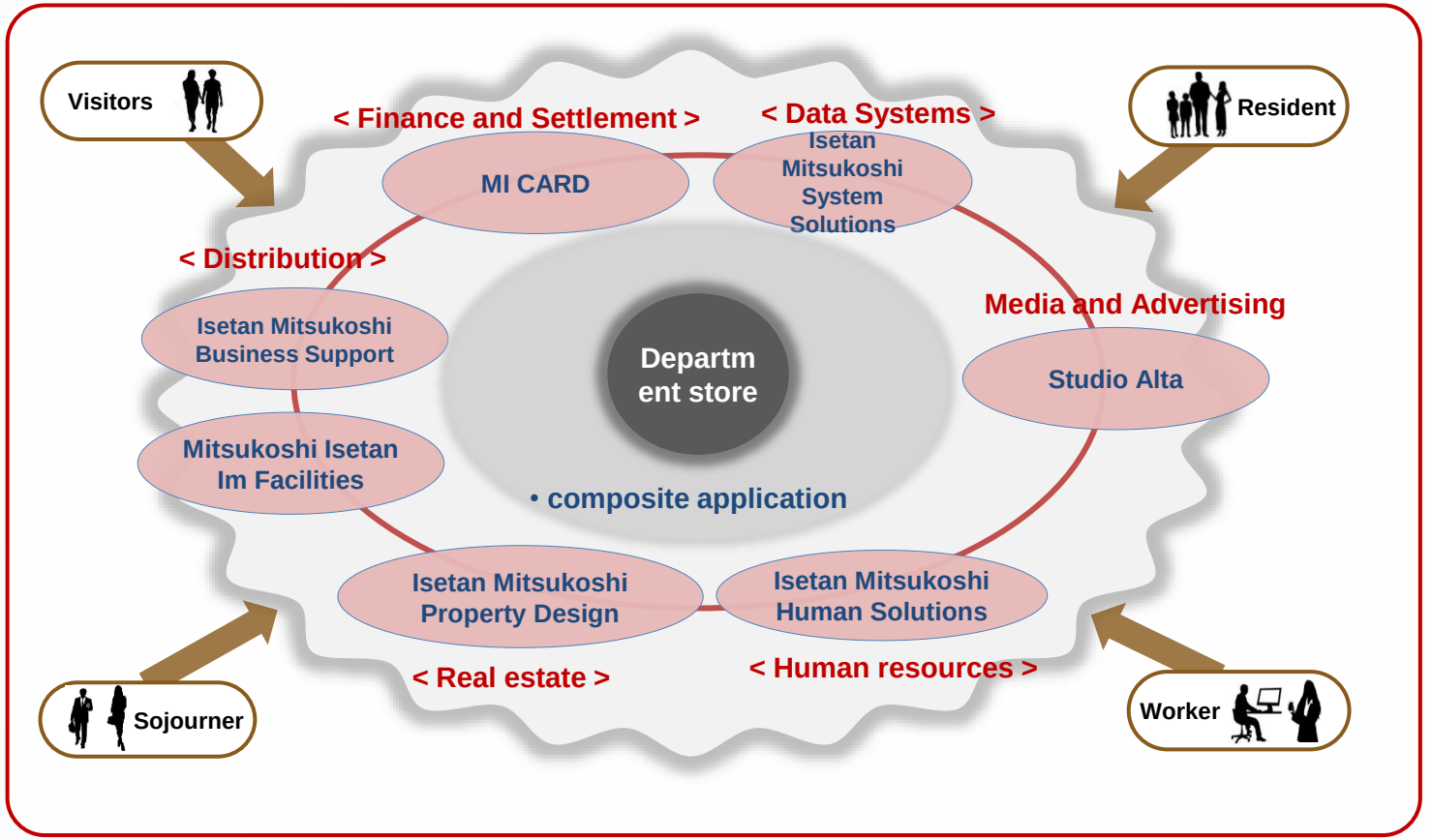


Provide value and acquire business opportunities through one package

Urban development of Mitsukoshi and Isetan

- We offer a variety of applications that allow more customers to "visit, stay, travel and live".
- The Intra-Group coordination participates in the creation of infrastructure for complex applications and urban development.
- Contributing to the community through co-creation with local governments, local residents, landowners and others involved in urbanization.

The attractiveness of department stores as the core will permeate the city.



+

- Administration
- Members of the local community
- The owner of the land

Sustainability

- ✓ All 35 divisions of the company are working to achieve the mid-to-long term goals of priority initiatives.
- ✓ The Sustainability Report is scheduled to be published at the end of November 2022.

[Key Initiative 1] Connecting People and Local Communities

What's Sustainable Life? think good 三越伊勢丹の考える"サステナブル"

"think good"
Sustainability activities through the core business of department stores.

- ✓ Target 700 activities in FY 2022
- ✓ Implemented 630 initiatives as of September 2022

"Denim de Mirai"

- ✓ Go from fashion to lifestyle and upcycle to more than 200 models.
- ✓ Winner of Mainichi Newspapers' Mainichi Fashion Grand Prize.



[Infrastructure] Communication and Governance

We expressed our support for the Declaration on Building Partnership.

- ✓ Establish a sustainable relationship that allows us to grow together with our clients.

パートナーシップ構築宣言

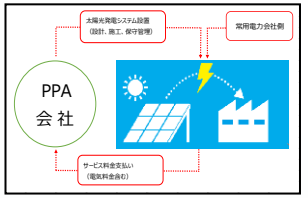
[Key Initiative 2] Connecting a Sustainable Society and Time

Isetan Mitsukoshi Group Greenhouse Gas Emission Reduction Targets

Down 50% in 2030 (compared to 2013)

Installation of solar power generation equipment at the Isetan Mitsukoshi Distribution Center.

- ✓ Utilizes a solar power generation system installed by a company that owns and manages solar power generation facilities (PPA operator).
- ✓ Our goal is to replace approximately 25% of the electricity consumed at distribution centers with solar power.



Participated in the POOL PROJECT TOKYO recycling of plastic resources.

- ✓ Collect transparent vinyl "soft film" used to prevent clothes etc. from getting dirty in our company.
- ✓ Participate in a project to recycle collected film as product packaging and reduce greenhouse gas emissions by 3.2 t-CO2 in eight months.

Information in this document may include forward-looking statements.
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 these forecasts due to factors such as changes in business operations and economic conditions.