Isetan Mitsukoshi Group Financial Results Explanation Meeting For the Three Months Ended June 30,2024

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Isetan Mitsukoshi Holdings Ltd.

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I will talk about the situation in the first quarter and the concept of the full-year plan in line with the financial results presentation materials.

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1. Summary of the Results for the First Quarter of the Fiscal Year Ending March 2025 (FY2024)

- For gross sales, the promotion of the "High sensitivity, fine quality" strategy and the "CRM strategy connecting with individual customers" progressed steadily
- SG&A expenses remained under steady control as scientific analysis of department stores permeated in the Company as a whole

Both operating income and recurring income for Q1 rose substantially, once again setting record highs after the integration

First, I will overview the financial results.
Both operating income and recurring income in this first quarter were significantly higher than the previous record highs since the integration.

2. Consolidated Results for FY2024 Q1

- Gross sales: Significant increase due to strong sales from both Japanese and inbound tourists as a result of promotion of the strategy
- SG&A expenses: Efficiency improvement was promoted by continuing cost control through the scientific analysis of department stores
- Both operating income and recurring income were record highs after the integration. Net income also increased substantially

(0.1 billions of yen)	1Q (April–June) Results	YoY	Year-on-year difference
Gross sales	3,179	114.5%	+401
Net sales	1,296	109.3%	+110
Gross profit	804	113.9%	+98
Selling, general and administrative expenses	616	99.4%	(3)
Operating income	188	218.0%	+102
Recurring income	212	210.0%	+111
Net income	137	201.3%	+68

The status of the financial results is described here.
Gross sales increased significantly due to the “High sensitivity, fine quality” strategy and CRM strategy “connecting with individual customers“ which were extremely successful, resulting in very strong sales both among domestic and inbound customers. Gross sales increased by 40.1 billion yen, or 14.5% over the previous year.
Gross profit was also up 9.8 billion yen from the previous year.
On the other hand, as a result of continued cost controls based on the "Scientific analysis of department stores," selling, general and administrative expenses were lower than the previous year while gross profit grew significantly, resulting in an operating income of 18.8 billion yen, a year-on-year increase of 10.2 billion yen, more than double the operating income of the previous year. In addition, operating income was significantly higher than the highest post-merger operating income of a level of 11.5 billion yen.
The steady impact of equity in earnings of affiliates and other factors on recurring income resulted in a year-on-year increase of 11.1 billion yen of recurring income, more than double that recorded in the previous year.
Net income was 13.7 billion yen, marking an increase of 6.8 billion yen from the previous year.

3. Results of gross sales our major department stores in Japan (by store and company)

- Isetan Shinjuku Main Store sales exceeded 100 billion yen for Q1
- Both Mitsukoshi Nihombashi Main Store and Ginza Store sales increased significantly from the previous fiscal year
- Among major regional companies, Sapporo Marui Mitsukoshi, Nagoya Mitsukoshi, and Iwataya Mitsukoshi increased revenue
  Initiatives for the base network were also steady

(0.1 billions of yen)	Gross sales	YoY	Year-on-year difference
Isetan Shinjuku Main Store	1,020	121.2%	+178
Mitsukoshi Nihombashi Main Store	397	114.3%	+49
Mitsukoshi Ginza Store	304	134.9%	+78
Isetan Tachikawa Store	77	101.8%	+1
Isetan Urawa Store	87	94.9%	(4)
Isetan Mitsukoshi Total	1,887	119.2%	+303

(0.1 billions of yen)	Gross sales	YoY	Year-on-year difference
Sapporo Marui Mitsukoshi	141	104.5%	+6
Sendai Mitsukoshi	62	95.2%	(3)
Nagoya Mitsukoshi	152	104.8%	+6
Niigata Isetan Mitsukoshi	80	96.8%	(2)
Iwataya Mitsukoshi	331	122.0%	+59
Total of 5 major regional companies	768	109.6%	+67

We will then explain the gross sales of major department stores in Japan.
These tables represent sales and year-on-year comparisons, etc. of five Isetan Mitsukoshi stores in the Tokyo metropolitan area and five major companies in the region.
Especially in the first quarter, our three core stores, Isetan Shinjuku main store, Mitsukoshi Nihombashi main store, and Mitsukoshi Ginza Store, achieved significant year-on-year growth.
As for major regional stores, sales in major metropolitan areas such as Sapporo and Nagoya have remained strong, while Iwataya Mitsukoshi has continued to achieve very significant sales growth, including inbound sales.
Also behind this is a base network initiatives where local customers can purchase products from the core store, which has been very successful. These sales are recorded at Isetan Mitsukoshi Ltd.

4. Changes in consolidated SG&A expenses

- Overall SG&A expenses were reduced by 0.3 billion yen year-on-year through the promotion of cost structure reform to address increased sales-linked expenses and rising prices
- Price impact of utilities expenses was expected to increase YoY in the May forecast, although the trend of declining unit prices continued, resulting in a YoY decline

(0.1 billions of yen)	1Q (April–June) Results	Year-on-year changes	Breakdown of year-on-year increase/decrease: Current year increase/decrease				
			Cost structure reform	Linked to sales	Strategic expenditures	Impact from price changes	Others
Personnel expenses	219	(2)	(9)		+2	+5	
Advertising expenses	18	(2)	(2)				
Lease payments	81	+1	(3)	+4			
Business consignment expenses	72	+0	(1)		+1		
Depreciation and amortization	56	(0)			+1		(1)
Utilities expenses	20	(2)				(2)	
Others	147	+1	(4)	+7		+1	(3)
Total	616	(3)	(19)	+11	+4	+4	(4)

Here is the consolidated selling, general and administrative expenses. Although there were some factors that led to an increase in costs, such as sales-linked expenses, price hikes, and strategic expenses, continued promotion of the cost structure contributed to a significant increase in operating income, with total selling, general and administrative expenses of 61.6 billion yen, down 0.3 billion yen from the previous year.

5. Results by Segment (First Quarter)

- **Department store business:** Revenue and income increased significantly due to strong sales and control of SG&A expenses. Operating income was 15.7 billion yen
- **Credit & finance business:** Income increased 1 billion yen due to a strong card transaction volume and steady cost control
- **Real estate business:** Construction and design business remained steady

(0.1 billions of yen)	Gross sales	YoY	Net sales	Operating income	Year-on-year difference
Department store business	2,953	114.7%	1,076	157	+90
Credit & finance business/ Customer organization management business	94	104.0%	82	21	+10
Real estate business	64	129.8%	64	7	+2
Other businesses*	66	109.6%	72	2	0
Total	3,179	114.5%	1,296	188	+102

* Operating income in the "other businesses" segment includes adjustment (50 million yen)

Here is the situation by segment.
Particularly strong which continued from the early period was the department store business, Including overseas, sales 114.7% year-on-year and operating income increased 9 billion yen year-on-year to 15.7 billion yen, both marking significant increases.
Also in the credit & finance business / customer organization management business, centered on MICARD, operating income increased by 1.0 billion yen year-on-year to 2.1 billion yen. In addition to strong card transaction volume, the Company achieved a large increase in income as it implemented measures for the future while also proceeding with structural reforms that it has been implementing since the latter half of last year.
In total, the majority of an increase of 10.2 billion yen from the previous year came from the department store business, and some from the credit & finance business / customer organization management business.

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Next, I would like to explain the concept behind the upwardly revised full-year plan.

1. Summary of FY2024 Full-Year Plan

- The May forecast for gross sales was revised upward due to the strong performance in Q1 and the promotion of strategies for the individual customer business in Q2 and beyond
- For SG&A expenses, increase in sales-linked expenses from Q2 onward and the further promotion of cost structure reform are expected

- **Achieve record highs: operating income of 72 billion yen and recurring income of 77 billion yen**
- **Net income will be 58 billion yen. Income increase from the previous fiscal year is planned**

The gross sales plan announced in May has been revised upward, taking into account this strong first quarter as well as the positive results of the promotion of the strategy for individual customer business in the second quarter and beyond. Although we expect a certain amount of sales-linked expenses to increase in selling, general and administrative expenses, we have revised the plan to a record-high operating income of 72 billion yen (up 8.0 billion yen) and recurring income of 77 billion yen, while further promoting cost structure reform.
In May, we disclosed a forecast for lower net income earnings due to tax-effect accounting, but net income was revised upward to 58.0 billion yen, and we now plans to increase earnings year-on-year.

2. Consolidated Plan (Full-year FY2024)

- Gross sales: Upward revision by 40 billion yen due to the promotion of strategies for domestic and overseas customers
- SG&A expenses: The increase in sales-linked expenses and the further promotion of **cost structure reform** are reflected
- Operating income and recurring income: Record highs
- Net income: Income increase from the previous fiscal year *Record profit since integration was 58.8 billion yen (FY2011, including one-off factors of 32.8 billion yen related to tax effects)

(0.1 billions of yen)	Full year	Year-on-year difference	YoY	Difference from May plan
Gross sales	13,200	+953	107.8%	+400
Net sales	5,560	+195	103.6%	+80
Gross profit	3,430	+240	107.5%	+90
Selling, general and administrative expenses	2,710	+64	102.4%	+10
Operating income	720	+176	132.4%	+80
Recurring income	770	+171	128.6%	+80
Net income	580	+24	104.4%	+50

Here is the breakdown of full-year plan.
Gross sales were 1.32 trillion yen, up 95.3 billion yen over the previous year, which has been upgraded by 40 billion yen from the forecast in the May IR, mainly in department stores. Gross profit has been upgraded by 9.0 billion yen from the May IR. In contrast, by holding down the increase of selling, general and administrative expenses to 1 billion yen, operating income is expected to increase by 8 billion yen to 72 billion yen, and recurring income is also expected to increase by 8 billion yen to 77 billion yen. Net income is also set at 58.0 billion yen, an increase of 5.0 billion yen.
The net income is projected to be close to 58.8 billion yen, the highest profit since the integration in FY2011 in which a special factor of more than 30 billion yen associated with tax effect was recorded.

3. Sales plan for existing department stores in Japan

- Isetan Mitsukoshi plans 112% YoY (of which inbound sales are 170%)
- Regional operating companies keep the May forecast unchanged

(0.1 billions of yen)	First half		Second half		Full year			
	Plan	YoY	Plan	YoY	Plan	YoY	Difference from May plan	Ratio to May plan
Isetan Mitsukoshi Total	3,725	116%	4,175	109%	7,900	112%	+355	105%
(of which) inbound sales	740	210%	740	143%	1,480	170%	+219	117%
Total regional operating companies	1,738	105%	1,958	100%	3,697	102%	-	-
(of which) inbound sales	149	208%	153	106%	303	140%	-	-
Total domestic department stores	5,463	112%	6,133	106%	11,597	109%	+355	103%
(of which) inbound sales	889	209%	893	135%	1,783	164%	+219	114%

* Regions: Excluding Iwataya Kurume store and Matsuyama Mitsukoshi; rounded down to the nearest 100 million yen

Next, I will explain about the sales plan for existing stores.
The upward revision to gross sales is basically due to the upgrading of the results of Isetan Mitsukoshi in the Tokyo metropolitan area and some strong overseas sales.
The total sales of Isetan Mitsukoshi were planned to be 111% in the IR in May, but since the first quarter saw almost 120% against that figure, the first half plan has been revised upward to 116%.
Similarly, we have revised our second-half forecast upward from 104% to 109%, and are now planning a full-year forecast of 790 billion yen, 112% of the previous year's level and up 35.5 billion yen from the forecast in the IR in May.
The first half plan for the regional operating companies is 105% of the previous year's level.
Sales in the first quarter were approximately 108% of the previous year's level. The performance of the five major regional companies is definitely higher than that of the previous year, but the operating forecasts by region have not been revised at this time.
Total sales of domestic department stores increased by 35.5 billion yen from the IR in May due to an increase in sales at Isetan Mitsukoshi in the Tokyo metropolitan area. The inbound sales plan for the IR in May was approximately 150.0 billion yen, but this has been revised upward to 178.3 billion yen this time because monthly sales in the first quarter were at a pace of approximately 15.0 billion yen.

4. Increase (decrease) in Consolidated SG&A Expenses (FY2024)

- Cost structure reform: Further reduction by 500 million yen from the May forecast to -6.6 billion yen by promoting the scientific analysis of department stores
- Sales-linked expenses: Increase by 1.8 billion yen to +6.5 billion yen by appropriately factoring in expenses associated with increased revenue
- Impact from price changes: Lower-than-expected utilities expenses in Q1 are expected to have a positive YoY as the trend of falling unit costs reverses

			Breakdown of year-on-year increase/decrease				
			Current year increase/decrease				
(0.1 billions of yen)	FY2024 Plan	Year-on-year changes	Cost structure reform	Linked to sales	Strategic expenditures	Impact from price changes	Others
Personnel expenses	950	+1	(33)		+14	+21	
Advertising expenses	102	+6	(3)	+9			
Lease payments	317	(10)	(20)	+9			
Business consignment expenses	299	+0	(4)		+4		
Depreciation and amortization	234	+6			+6		
Utilities expenses	104	+10	(2)			+12	
Others	704	+49	(5)	+47		+6	+2
Total	2,710	+64	(66)	+65	+24	+39	+2

Here is the change in consolidated SG&A expenses for the full year.
For the year, selling, general and administrative expenses stood at 271.0 billion yen, an increase of 6.4 billion yen over the previous year. Looking at the factors behind the increase/decrease, the total increase in selling, general and administrative expenses was controlled under 6.4 billion yen by continuing to accelerate the pace of cost structure reform to decrease expenses by 6.6 billion yen, while factoring in sales-linked expenses, strategic expenses, and the impact of price hikes to some extent.
Concerning cost structure reform, we are planning to reduce expenses by 6.6 billion yen, by reflecting factors we expect to be fairly certain, including curtailing personnel replacement to some extent and the reduction in rent of overseas stores that have been partially withdrawn.

5. Plan by Segment (FY2024)

- **Department store business:**
  Operating income was revised upward by 8.0 billion yen from the May forecast, reflecting revenue increase due to the promotion of various strategies and cost control through the further promotion of cost structure reform

(0.1 billions of yen)	Gross sales	YoY	Net sales	Operating income	Year-on-year difference	Difference from May plan
Department store business	12,220	107.4%	4,580	595	+143	+80
Credit & finance business/ Customer organization management business	370	104.4%	340	55	+14	-
Real estate business	330	123.2%	330	37	+6	-
Other businesses*	280	111.5%	310	33	+11	-
Total	13,200	107.8%	5,560	720	+176	+80

* The "Other businesses" segment includes adjustments

This table represents financial results by segment.
The upward revision of operating income of 8 billion yen from the May IR forecast is entirely due to the department store business.
Operating income in the department store business was 59.5 billion yen, up 14.3 billion yen from the previous year.
The upward revision of operating income 8.0 billion yen from the IR in May is mostly resulting from Isetan Mitsukoshi, and partly from the overseas business, mainly in the U.S., where sales are strong. Other segments are not reviewed at this time.

6. Return to shareholders

- The annual dividend forecast has been increased from 44 yen to 48 yen (24 yen interim/24 yen year-end) following an upward revision of the profit forecast
- We will continue to consider additional shareholder returns, depending on the situation, while monitoring profit progress and movements in the share price

	FY2024		FY2023 results
	Forecasts disclosed at the beginning of period in May	Forecast this time	
Net income	53.0 billion yen	58.0 billion yen	55.5 billion yen
Interim dividend	22 yen	24 yen	12 yen
Year-end dividend	22 yen	24 yen	22 yen
Annual dividend	44 yen	48 yen	34 yen
Dividend payout ratio	31.2%	31.1%	23.1%
Share buybacks (disclosed)	15.0 billion yen	15.0 billion yen	15.0 billion yen
Total return ratio	59.5%	56.9%	50.1%

* The forecast dividend payout ratio and total return ratio for FY2024 is calculated based on the number of shares outstanding (excluding treasury shares) at the end of March 2024

This is the last slide of my presentation.
In response to the upward revision of the profit forecast, the annual dividend forecast has been increased to 48 yen, which is 24 yen each for the interim and year-end dividends. The dividend payout ratio is just over 31%, roughly the same pace as at the beginning of the period. We will continue to monitor the progress of profits and stock price trends and consider additional shareholder returns depending on the situation.

Some of the information in this material may contain forward-looking statements.

These statements are forecasts based on reasonable judgments made in accordance with information available to the Company at the time of disclosure, and include various risks and uncertainties.

Therefore, actual performance figures and results may differ from forecasts due to factors such as future business operations and changes in economic conditions.