

ISETAN MITSUKOSHI PROPERTY DESIGN LTD. Business Briefing

March 6, 2023

ISETAN MITSUKOSHI PROPERTY DESIGN LTD.

Thank you for attending the business briefing of ISETAN MITSUKOSHI PROPERTY DESIGN LTD. today.

Today is the third time we have held a business briefing. So far, we have told you about the individual out-of-store sales business and the Isetan Shinjuku Main Store, the strong businesses in the department store business. This time, we will focus on ISETAN MITSUKOSHI PROPERTY DESIGN LTD. as a real estate business. Group companies have long been placed in positions complementary to the department store business, and it was difficult to create synergies within the group and to formulate a growth strategy. However, in our ongoing medium-to long-term plan, we are making full use of its features as an intra-Group coordination strategy and plan to expand while also taking advantage of the customer base we have cultivated through department store reform.

Today, I would like to make everyone aware of our efforts and exchange ideas for business growth, so I would like to introduce one of our businesses for the first time.

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Today, I will give you an overview of our company and its direction.

1. Overview of Our Company

First, let me give you an overview of our company.

Isetan Mitsukoshi Property Design Vision

Isetan Mitsukoshi Group's Vision

**To be a “special” department store-centered retail group
that enriches the lives of our customers**

~ To gain the utmost support in high sensitivity, fine quality consumption,
with the pride of Japan and the ability to convey this around the world ~

Isetan Mitsukoshi Property Design Vision

**We enrich the lives of our customers around the world by using the
power of "tradition" and "innovation" to propose "the best
environment" that only we can.**

Based on the Isetan Mitsukoshi Group's vision, the Isetan Mitsukoshi Property Design vision is determined as “We enrich the lives of our customers around the world by using the power of ‘tradition’ and ‘innovation’ to propose ‘the best environment’ that only we can.”

Company Profile

Trade name	ISETAN MITSUKOSHI PROPERTY DESIGN LTD.
Representative	Tetsuji Tezuka
Establishment	May 1953
Capital	40 million yen
Shareholders	Isetan Mitsukoshi Holdings Ltd.
Address	3 -2 -5 Nishishinjuku, Shinjuku-ku, Tokyo
Base	Tokyo Osaka Fukuoka Nagoya Sapporo Niigata
Number of employees	301 people *As of April 2022

There are two things I would like to tell you about our company profile.

Our business bases are in Tokyo, Osaka, Fukuoka, Nagoya, Sapporo, and Niigata, where our company department stores are located. We have 301 employees.

Business Profile

Isetan Mitsukoshi Property Design (IMPD)

Construction & Interior Business

Business of interior construction of hotels, offices and commercial facilities with general contractors, developers and operating companies as clients



PM Business (Project Management Business)

Business of project management for projects including Isetan Mitsukoshi's remodeling and the entire construction projects



Living Environment Business

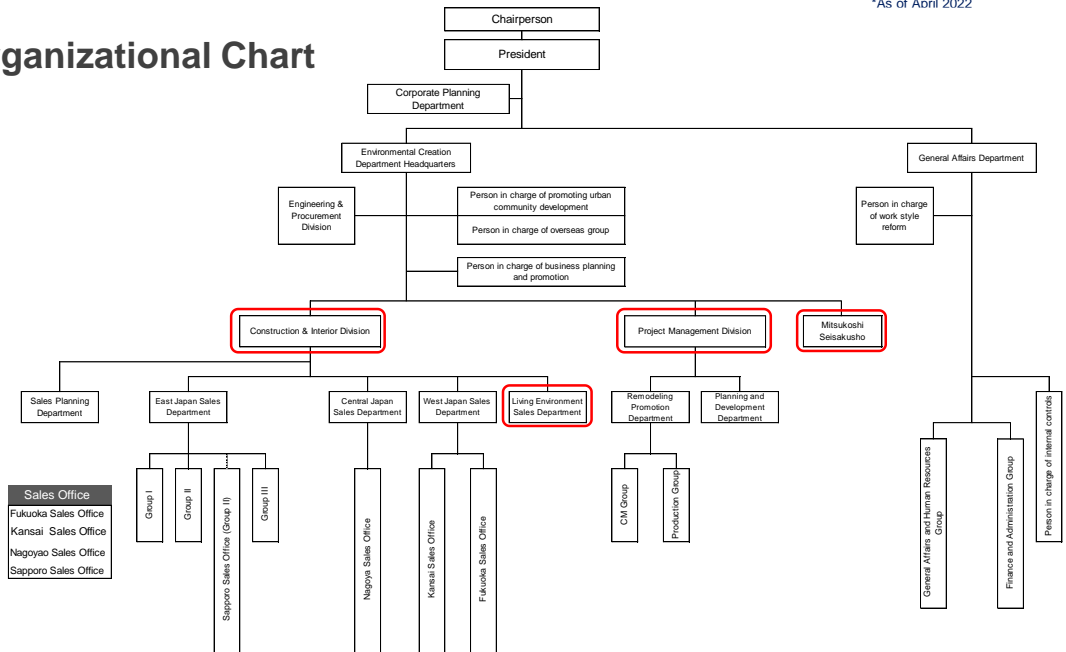
Business of remodeling and new construction mainly for Isetan Mitsukoshi's out-of-store sales customers



In terms of business, we are developing three businesses: the Construction & Interior Business, PM Business, and Living Environment Business. I'll explain about each business after this.

Organizational Chart

*As of April 2022



This is an organizational chart. Our company has two major frameworks: the Environmental Creation Department Headquarters and the General Affairs Department. The Construction & Interior Division and Project Management Division are under the Environmental Creation Department Headquarters, and the Living Environment Sales Department is part of the Construction & Interior Division. The company also owns Mitsukoshi Seisakusho, its own furniture factory, in Higashirokugo, Ota-ku, Tokyo.

History

Calendar year	History of Construction & Interior and Design	Calendar year	History of Construction Management
1904	Mitsukoshi Gofukuten Co., Ltd. was established		
1910	Furniture Processing Department, predecessor of Mitsukoshi Seisakusho, was established in Marunouchi		
1927	New integrated factory was built in Kamata, Ota-ku		
1944	Established Mitsukoshi Seisakusho Co., Ltd.		
1946	Restoration of the burned factory was completed	1947	Opening of Tachikawa Store
		1971	Opening of Kichijoji Store
		1972	Opening of Isetan Singapore Havelock Store as the first overseas store
		1974	Opening of Matsudo Store
1977	<Furniture Decoration Department> was renamed to <Construction & Interior Department>, first use of the name Construction & Interior		
		1980	First phase of redevelopment of Isetan Shinjuku Main Store
		1981	Opening of Urawa Store
		1984	Opening of Niigata Isetan
1985	Construction of new head office of Mitsukoshi Seisakusho and Rokugo Factory was completed	1990	Opening of Sagamiara Store
		1996	Opening of Fuchu Store
2002	Mitsukoshi Environmental Service Co., Ltd. was established (Mitsukoshi General Building Management Co., Ltd. and Mitsukoshi Seisakusho Co., Ltd. were consolidated)	2001	Relocation of Tachikawa Store
2006	Mitsukoshi Environmental Design Co., Ltd. was established (Construction & Interior Sales Department of Mitsukoshi Co., Ltd. and Mitsukoshi Environmental Service Co., Ltd. were consolidated)		
2014.4	Trade name was changed to ISETAN MITSUKOSHI PROPERTY DESIGN LTD., reorganization within the Group to strengthen commercial real estate business		
2014.9	Mitsukoshi Environmental Design Co., Ltd. was integrated		
2019.4	Building management business was transferred to Mitsukoshi Isetan Im Facilities Co., Ltd.		
2021.4	Commercial facilities business was transferred to Isetan Mitsukoshi Ltd.		

It's about history. In 1904 the Mitsukoshi Gofukuten was established, and in 1910 the Furniture Processing Department, the predecessor of Mitsukoshi Seisakusho, was established in Marunouchi, marking the first western furniture factory in Japan. After being relocated due to the Great Kanto Earthquake and war, it is now located in the current location of Higashirokugo, Ota-ku, Tokyo. I hope you will understand that the origin is that we started making Western furniture in 1910.

On the right is the history of construction management. Mainly, this has been managing construction when building Isetan department stores.

It was consolidated in 2014 and changed its trade name to Isetan Mitsukoshi Property Design, to include its commercial real estate business. Subsequently, the building management business was transferred to Mitsukoshi Isetan Im Facilities Co., Ltd., and the leasing and other commercial facilities business were transferred to Isetan Mitsukoshi Ltd. Since fiscal 2021, we have been focusing on Construction & Interior business, PM business, and Living Environment Businesses.

Performance Trends

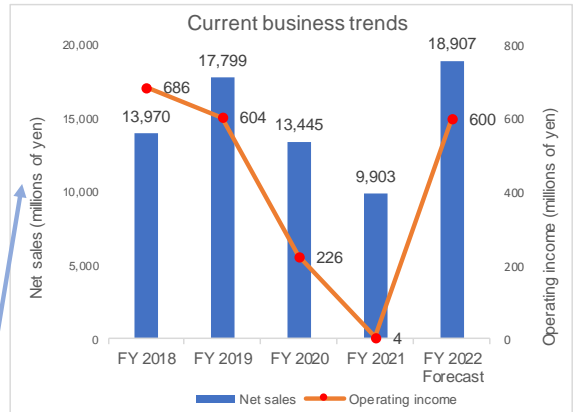
1. Corporate performance

<Corporate total trends> Separated building management business in April 2019 and commercial facilities business in April 2020

(million of yen, %)	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Forecast
Net sales	33,160	23,574	17,591	9,903	18,907
Operating income	625	547	(385)	4	600
Net income	(328)	674	(632)	350	231
Net assets	2,675	3,349	2,429	2,098	-
Capital ratio	24.0%	21.7%	28.7%	37.7%	-

<Current Business Trends> *Construction & Interior, PM, and Living Environment businesses only

Net sales (millions of yen)	13,970	17,799	13,445	9,903	18,907
Operating income (millions of yen)	686	604	226	4	600



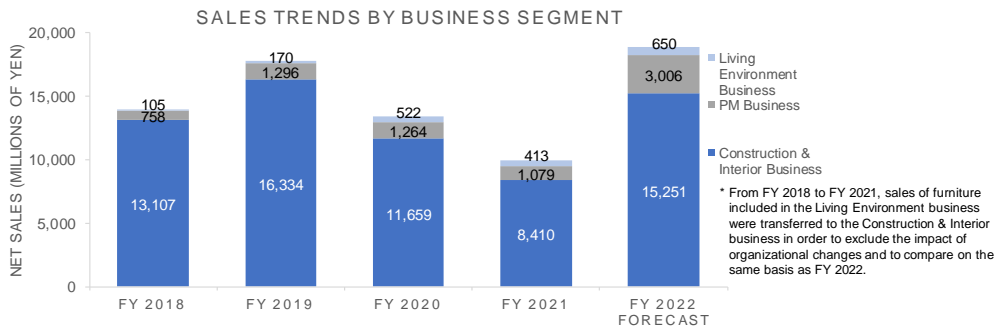
It is about the progress of business performance. As Isetan Mitsukoshi Property Design had a transfer of businesses as explained before, only existing businesses are extracted in the graph below. Operating income was 686 million yen in fiscal 2018, 604 million yen in fiscal 2019, and declined to 226 million yen in fiscal 2020 due to the impact of COVID-19. The 2021 fiscal year was very severe: 4 million yen. We are aiming for a pre-COVID-19 level of 600 million yen for this fiscal year.

Performance Trends

2. Sales by business segment

Unit: millions of yen

Net sales	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022 Forecast	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Construction & Interior Business	13,107	93.8%	16,334	91.8%	11,659	86.7%	8,410	84.9%	15,251	80.7%
PM Business	758	5.4%	1,296	7.3%	1,264	9.4%	1,079	10.9%	3,006	15.9%
Living Environment Business	105	0.8%	170	1.0%	522	3.9%	413	4.2%	650	3.4%
Total	13,970	100.0%	17,799	100.0%	13,445	100.0%	9,903	100.0%	18,907	100.0%



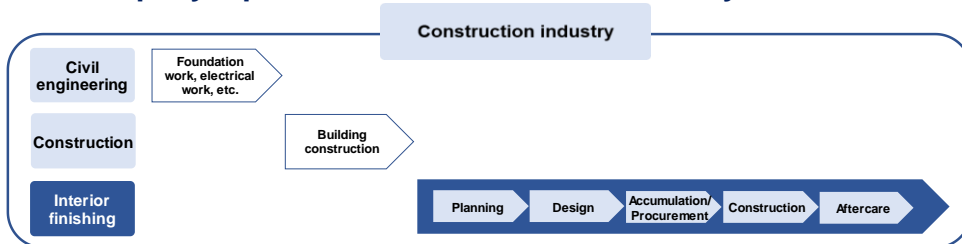
In terms of sales by business segment, the Construction & Interior business accounts for the majority of the total. Since this fiscal year, we have focused on increasing our sales in the PM business and Living Environment business.

Construction & Interior Business

Construction & Interior = Construction + Interior

Our company has general contractors, developers and operating companies as our clients, and works on interiors for hotels, offices and commercial facilities.

1. Our company's place in the construction industry



2. Characteristics of our company

From planning to design, construction, and furniture production at Mitsukoshi Seisakusho, we offer total added value to our clients.

We specialize in high-grade, high-added-value projects such as five-star hotels.

It's about Construction & Interior, in Japanese, Kenso, business. First, the word Kenso was coined by Mitsukoshi to combine Kenchiku meaning construction, and Soshoku meaning interior. Mainly with general contractors, developers and operating companies as clients, we work on interiors for hotels, offices and commercial facilities. Therefore, the ratio of jobs in department stores is about 15%, with 85% of jobs outside department stores. As for our company's place in the construction industry, while constructions include civil engineering, building construction and exterior wall construction, our company focuses on interiors. One of the characteristics of the company is that since it handles department store planning and it has its own factory, Mitsukoshi Seisakusho, from planning to design and construction, it can provide total added value to its clients. As a result of these initiatives, we have received orders for high-added-value projects such as five-star hotels and high-grade offices.

Construction & Interior Business Major Construction Achievements

Hotel

Andaz Tokyo Ace Hotel Kyoto Palace Hotel
 The OkuraTokyo Park Hyatt Kyoto
 Park Hyatt Niseko Hanazono
 HOTEL THE MITSUI KYOTO
 Yokohama Royal Park Hotel Shiba Park Hotel

Office

Wolt Mitsui & Co. MetLife
 SMBC Nikko Securities The Norinchukin Bank
 EYJapan Nishimura & Asahi
 JPMorgan Securities Nomura Research Institute

Commercial facility

Louis Vuitton Mitsukoshi Nihombashi Hermes Isetan Shinjuku
 Tiffany Flagship Store Ginza
 Cartier Mitsukoshi Nihombashi Main Store
 Moncler Isetan Urawa
 International Terminal of Tokyo International Airport

The major achievements of the Construction & Interior business are five-star hotels. In the past, many of the offices we built used to be boardrooms and board meeting rooms, but recently we are receiving contracts for interior work to improve the working environment, such as the entrance and cafes inside the offices. Many commercial facilities are for luxury brands.

Construction & Interior Business Major Construction Achievements

For information on major construction achievements, please visit our company website.

<https://www.impd.co.jp/achivement.html>

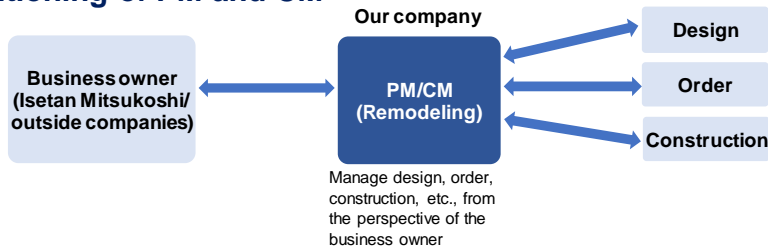


Here are the major achievements of the Construction & Interior business.

PM Business (Project Management Business)

Our company is responsible for the construction management of Isetan Mitsukoshi's remodeling.

1. Positioning of PM and CM



➤ PM (Project Management)

A process that manages costs, schedules, quality and compliance throughout a construction project, from the conception of the building to its completion and operation after opening.

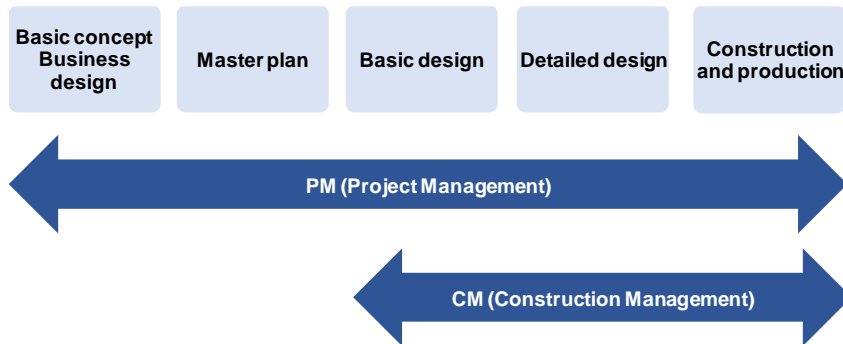
➤ CM (Construction Management)

A process, to ensure the success of a construction project, that manages the project from the perspective of the purchaser by a highly professional construction manager while maintaining technical neutrality.

The PM business is a business that manages the entire project and is scheduled to expand externally in the future. We work mostly for department stores now. From the perspective of the business owner, we manage design, order, construction, and so on. By the way, property management refers to the operation of a building after its completion, while project management refers to the coordination of construction until completion.

PM Business (Project Management Business)

2. PM/CM processes



3. Characteristics of our company

Our strength lies in our sophisticated store design, including environmental thinking and flow planning, which we have cultivated through department store remodeling.

In the project management business, the basic concept and business design are carried out at the very beginning and the management is carried out until the completion of the construction at the end. In the construction management business, the manufacturing is managed after the plan is made. Speaking in terms of a department store, the planning department at the department store side is in charge of thinking about what kind of sales area to make, and after that, CM is in charge of managing the design and construction.

PM Business Major Construction Achievements Mitsukoshi Nihombashi Main Store



This is the interior of the Mitsukoshi Nihombashi Main Store, designed by Kengo Kuma. In a typical building, there are functional things that interfere with this design, such as sprinklers coming out of the ceiling and air conditioning vents, but construction management is about how to embed them in the ceiling while making the most of the design, and how to make it in compliance with laws and regulations.

PM Business Major Construction Achievements Isetan Shinjuku Main Store

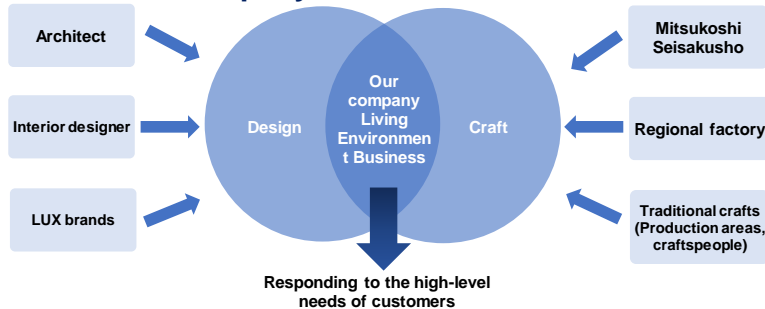


This is the Isetan Shinjuku Main Store. This was designed in collaboration with Yasumichi Morita and Tange Associates, and the construction management was to realize this design while clearing legal requirements such as the structure inside the ceiling and whether the suspended objects would cause a sprinkler failure if they were to be hung from the ceiling.

Living Environment Business

Our main customers are out-of-store sales customers of Isetan Mitsukoshi, and we handle remodeling and new construction.

Characteristics of our company



Combining the high design and technical capabilities of our creative partners, such as renowned architects and designers, we offer a high level of response to the needs of customers that are difficult for other companies to meet.

Next is the Living Environment business. In terms of the Living Environment business, there are renovation companies in the world, but what makes our company unique is the designability we acquired through collaboration with designers and architects whom we came to know through working with department stores and five-star hotels, and the fact that we have a factory, Mitsukoshi Seisakusho, that is particular about quality. Also, we can arrange materials such as castings and lacquer through department stores. Because of these, we can handle housing with particular care.

Living Environment Business Major Construction Achievements

For information on major construction achievements,
please visit our company website.
<https://www.impd.co.jp/achivement.html>



Here are the major achievements of our Living Environment business.

Mitsukoshi Seisakusho



It's not a business, but it's an explanation of Mitsukoshi Seisakusho. It is located in Higashirokugo, Ota-ku, Tokyo.

Mitsukoshi Seisakusho Main Production Achievements



1927: A drawing of the fourth guest room of the Duke of Tokugawa's residence



1930: Former Diet Building



1948: Supreme Court



1968: New Imperial Palace Matsu-no-Ma Throne



1974: Supreme Court



2019: Takamikura (the Imperial Throne for the Emperor) and Michodai (the August Seat of the Empress)



Here are the achievements of the factory. The chest of the Duke of Tokugawa's residence is in the upper left. When Japan was still making only Japanese furniture, we sent trainees to London and New York, imported the machine tools, and began making Western furniture in 1910. From there, we contracted to make things like the Diet Building, the Supreme Court, and the Throne (the chair used by the Emperor when appointing the prime minister). On the right are Takamikura and Michodai used in the enthronement ceremony. These are also repaired in our company.

Mitsukoshi Seisakusho Sustainability Initiatives

It has obtained FSC® -CoC and PEFC-CoC forest certifications.

A registered operator of the Clean Wood Act.

We promote environmental conservation activities and contribute to sustainable forest management by actively using wood harvested in accordance with the laws and regulations of our country or the country of origin. In the future, we will increasingly build a sustainable production system, from procurement of certified wood to manufacturing plants, and send a message to society about the value of manufacturing that will be passed onto the next generation.

Registration number: JTCCM CLW II19002
Date of registration: August 1, 2019

Because sustainability initiatives are also important in manufacturing, we have obtained CoC certifications relating to processing in the global FSC and PEFC forest certifications. All the logistics companies that cut trees and transport them, processing companies and factories like our company, and the logistics companies that deliver them must have CoC certification before they can obtain FSC certification. We also work hard on traceability, making sure there are no strange materials mixed in somewhere. Also, based on Japanese standards, we are a registered operator of the Clean Wood Act.

Mitsukoshi Seisakusho Movie

[SDGs: Furniture that will last 100 years. Mitsukoshi Seisakusho]
<https://www.youtube.com/watch?v=8kgAoplgLWU>

※movie is in Japanese



Please see this movie about Mitsukoshi Seisakusho.

Mitsukoshi Seisakusho × nendo Movie

三越製作所

MITSUKOSHI SEISAKUSHO

A design office nendo led by Mr. Oki Sato had an exhibition "NENDO SEES KYOTO" showing seven works created in collaboration with Kyoto's traditional craftspeople and ateliers, presented in the Daidokoro of Ninomaru-goten Palace and Okiyodokoro at Nijo-jo Castle.

Mitsukoshi Seisakusho fully cooperated in the production of one of the works, "ishidansu."

Onniwa Ueji has been creating gardens in Kyoto for more than 250 years since the Edo Horeki era.

The head of the family has inherited the name of Jihei Ogawa for generations. This time, under the theme of incorporating stones selected by Katsuaki Ogawa, the next twelfth generation of Jihei Ogawa, into the interior without limiting the appeal of the garden to the outdoor space, an exceptional work was completed by integrating "stone" and "wood", the conflicting materials, and incorporating them to function as furniture. Be sure to check out the craftspeople's skills at Mitsukoshi Seisakusho.

*Exhibition ended on February 13, 2022

[NENDO SEES KYOTO full ver.]

<https://www.youtube.com/watch?v=UBWuSFVUT0E>

※movie is in Japanese



Let me also talk about the creation part. We worked on a piece called "ishidansu," which was the brainchild of nendo, a design office led by Mr. Oki Sato. This was a project in which Kyoto gardener Katsuaki Ogawa made chests of drawers out of stones placed in a garden he had chosen, using sculpture to integrate stone and wood and added drawers. We have a factory where we can partner with new creators, change the tradition that our company has cultivated into innovation, and convey a message from there, so we also want to focus on projects like this.

2. Our Company's Direction

Let me explain the future direction.

Environment Surrounding IMPD

1. External environment

(1) Construction & Interior market outlook

i) Expansion of the construction market

- The overall construction market and our company's main markets of private non-residential investment (construction) and private building repair investment (housing) are expected to expand moderately.

Unit: trillion yen

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
construction investment	65.4	63.4	61.9	62.9	64.4	66.0	67.3	66.9	67.0	67.1	67.2	67.5	67.6	67.8	67.8	68.0	67.7
① private non-residential investment																	
construction	11.7	11.1	10.7	10.8	11.6	12.6	13.3	12.8	12.9	12.9	12.9	13.0	13.0	13.1	13.1	13.2	13.2
civil engineering works	5.8	5.7	5.7	5.9	6.0	6.1	6.2	6.3	6.5	6.6	6.7	6.9	7.0	7.1	7.3	7.4	7.6
② private residential investment	16.3	15.1	14.5	15.0	15.2	15.5	15.7	15.5	15.3	15.2	15.1	15.1	14.8	14.6	14.3	14.2	13.6
③ civil building renovation investment																	
housing	2.3	1.9	1.9	2.1	2.2	2.4	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.7	2.8	2.8
non-residential	4.4	3.6	3.7	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8	4.9	5.0	5.1	5.2
④ government construction invest	24.9	25.9	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4	25.4
⑤ maintenance and repair																	
civil housing	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
non-civil housing	1.3	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.6	1.6	1.7	1.8
civilian civil engineering	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.2
residential market total	19.1	17.5	16.9	17.5	18.0	18.3	18.7	18.6	18.5	18.3	18.2	18.2	18.0	17.9	17.6	17.5	17.0
non-residential market total	24.0	22.5	22.1	22.6	23.7	24.9	25.9	25.7	26.0	26.3	26.6	27.0	27.3	27.7	28.1	28.5	28.9
construction market total	68.0	65.8	64.4	65.5	67.0	68.6	70.0	69.7	69.8	70.0	70.2	70.5	70.7	71.0	71.1	71.4	71.3

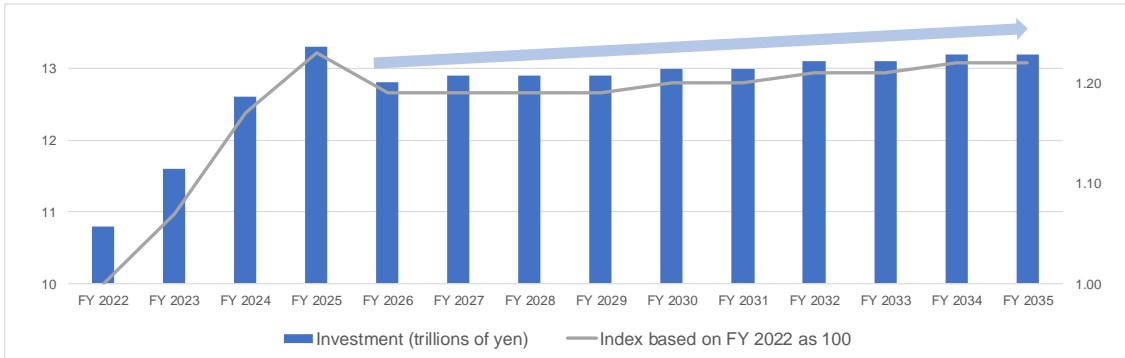
Source: Research Institute of Construction and Economy "No. 73 Construction Economic Report (March 2021) p. 57"

First, in terms of the business environment, we have two red boxes from the top for private non-residential investment and housing repair investment. I will explain more on the next page.

Environment Surrounding IMPD

Prospects for private non-residential construction investment (Construction)

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Investment (trillions of yen)	10.8	11.6	12.6	13.3	12.8	12.9	12.9	12.9	13	13	13.1	13.1	13.2	13.2
Index based on FY 2022 as 100	1.00	1.07	1.17	1.23	1.19	1.19	1.19	1.19	1.20	1.20	1.21	1.21	1.22	1.22



Source: created by our company based on the Research Institute of Construction and Economy "No. 73 Construction Economic Report (March 2021) p. 57"

Construction investment will grow from 10.8 trillion yen in fiscal 2022 to 13.3 trillion yen in fiscal 2025. It will dip once in fiscal 2026, but construction investment is expected to increase from here to fiscal 2035. This is based on the Construction Economic Report, and our company's direction is to find out how to market the added value of our company in this environment.

Environment Surrounding IMPD

- ii) Expansion of construction projects in major cities in Japan
- Large-scale development projects are expected in major cities in Japan.
 - Our company is already approaching several projects.

(Reference) Expected major construction projects Domestic total

Planned investment amount (our company estimate) 9,727 billion yen

Domestic construction projects
(millions of yen, number of projects)

Classification	Total project cost	Construction & Interior	PM	Commerce
Complex	6,161,900	38	24	30
Office	1,773,700	8	3	2
Hotel	658,000	15	2	6
IR	1,000,000	1	1	1
Other businesses	133,400	9	3	3
Total	9,727,000	71	33	42

Here's how many big projects are in the market. It's the total amount of major project investments that are being announced. The total is about 9.7 trillion yen, which includes complex facilities, offices and hotels, and the number of projects that our company intends to approach by business segment is shown on the right.

* Some figures have been revised from the materials used during the actual information session held on March 6.

Environment Surrounding IMPD

(Reference) Expected major construction projects By region

*Planned investment amount estimated by our company

Planned investment amount 6,865 billion yen

Strategic region Planned investment amount 1,985.5 billion yen

Year of completion	Project	Project size	Investment amount	PM	Comments
Head FY 2023	Construction of New Public Project Office	48,650M	○	○	
Head FY 2023	Construction of New Public Project Office	17,800M	○	○	
Head FY 2023	Construction of New Public Project Office	40,000M	○	○	
Head FY 2023	Construction of New Public Project Office	45,900M	○	○	
Head FY 2023	Construction of New Public Project Office	225,000M	○	○	
Head FY 2024	Construction of New Public Project Office	20,300M	○	○	
Head FY 2024	Construction of New Public Project Office	84,200M	○	○	
Head FY 2024	Construction of New Public Project Office	97,000M	○	○	
Head FY 2024	Construction of New Public Project Office	60,440M	○	○	
Head FY 2025	Construction of New Public Project Office	1,550,000M	○	○	
Head FY 2026	Construction of New Public Project Office	152,310M	○	○	
Head FY 2026	Construction of New Public Project Office	46,240M	○	○	
Head FY 2027	Construction of New Public Project Office	1,000,000M	○	○	
Head FY 2027	Construction of New Public Project Office	556,450M	○	○	
Head FY 2029	Construction of New Public Project Office	100,000M	○	○	
Head FY 2029	Construction of New Public Project Office	4,016,970M	10	5	8

Planned investment amount 473.2 billion yen

Year of completion	Project	Project size	Investment amount	PM	Comments
Head FY 2023	Construction of New Public Project Office	44,000M	○	○	
Head FY 2023	Construction of New Public Project Office	60,000M	○	○	
Head FY 2023	Construction of New Public Project Office	300,000M	○	○	
Head FY 2023	Construction of New Public Project Office	230,000M	○	○	
Head FY 2025	Construction of New Public Project Office	120,000M	○	○	
Head FY 2025	Construction of New Public Project Office	60,400M	○	○	
Head FY 2029	Construction of New Public Project Office	895,100M	8	3	4

Strategic region Planned investment amount 119.6 billion yen

Year of completion	Project	Project size	Investment amount	PM	Comments
Head FY 2023	Construction of New Public Project Office	114,000M	○	○	
Head FY 2025	Construction of New Public Project Office	30,725M	4	2	2
Head FY 2025	Construction of New Public Project Office	171,026M	4	2	2

Planned investment amount 118.7 billion yen

Year of completion	Project	Project size	Investment amount	PM	Comments
Head FY 2023	Construction of New Public Project Office	27,983M	○	○	
Head FY 2024	Construction of New Public Project Office	143,972M	○	○	
Head FY 2025	Construction of New Public Project Office	171,856M	3	0	1

Strategic region Planned investment amount 165 billion yen

Year of completion	Project	Project size	Investment amount	PM	Comments
Head FY 2024	Construction of New Public Project Office	117,267M	○	○	
Head FY 2025	Construction of New Public Project Office	700,000M	○	○	
Head FY 2027	Construction of New Public Project Office	817,267M	4	3	2

Year of completion	Project	Project size	Investment amount	PM	Comments
Head FY 2023	Construction of New Public Project Office	865,400M	○	○	
Head FY 2023	Construction of New Public Project Office	13,800M	○	○	
Head FY 2023	Construction of New Public Project Office	113,800M	○	○	
Head FY 2023	Construction of New Public Project Office	49,000M	○	○	
Head FY 2023	Construction of New Public Project Office	256,300M	○	○	
Head FY 2023	Construction of New Public Project Office	254,000M	○	○	
Head FY 2023	Construction of New Public Project Office	229,640M	○	○	
Head FY 2023	Construction of New Public Project Office	482,000M	○	○	
Head FY 2023	Construction of New Public Project Office	119,300M	○	○	
Head FY 2024	Construction of New Public Project Office	851,000M	○	○	
Head FY 2024	Construction of New Public Project Office	225,000M	○	○	
Head FY 2024	Construction of New Public Project Office	32,215M	○	○	
Head FY 2024	Construction of New Public Project Office	372,200M	○	○	
Head FY 2025	Construction of New Public Project Office	99,700M	○	○	
Head FY 2025	Construction of New Public Project Office	45,350M	○	○	
Head FY 2026	Construction of New Public Project Office	82,862M	○	○	
Head FY 2026	Construction of New Public Project Office	259,000M	○	○	
Head FY 2026	Construction of New Public Project Office	120,300M	○	○	
Head FY 2026	Construction of New Public Project Office	272,000M	○	○	
Head FY 2027	Construction of New Public Project Office	680,000M	○	○	
Head FY 2027	Construction of New Public Project Office	314,000M	○	○	
Head FY 2027	Construction of New Public Project Office	87,100M	○	○	
Head FY 2027	Construction of New Public Project Office	313,000M	○	○	
Head FY 2027	Construction of New Public Project Office	46,866M	○	○	
Head FY 2027	Construction of New Public Project Office	46,877M	○	○	
Head FY 2027	Construction of New Public Project Office	117,000M	○	○	
Head FY 2028	Construction of New Public Project Office	112,000M	○	○	
Head FY 2028	Construction of New Public Project Office	35,616M	○	○	
Head FY 2028	Construction of New Public Project Office	211,000M	○	○	
Head FY 2029	Construction of New Public Project Office	549,889M	○	○	
Head FY 2029	Construction of New Public Project Office	51,400M	○	○	
Head FY 2029	Construction of New Public Project Office	281,700M	○	○	
Head FY 2029	Construction of New Public Project Office	97,010M	○	○	
Head FY 2029	Construction of New Public Project Office	400,000M	○	○	
Head FY 2029	Construction of New Public Project Office	140,000M	○	○	
Head FY 2029	Construction of New Public Project Office	800,000M	○	○	
Head FY TBD	Construction of New Public Project Office	9,481M	○	○	
Head FY TBD	Construction of New Public Project Office	8,810,056M	40	20	25

We are beginning our approach by sorting out what construction investment projects are announced in each area and whether our company can add value to them.

* Some figures have been revised from the materials used during the actual information session held on March 6.

Environment Surrounding IMPD

iii) Growing need for high added value

- With the spread of COVID-19, people have come to demand "added value" in real places.
- For this reason, in interior construction, clients are increasingly demanding higher levels of proposal and design capabilities than ever before.
- The number of inquiries to our company, which specializes in added-value proposal-based products, is increasing, and business opportunities are expected to expand in the future.

(Cases)

If it's an office, more than just a place to work, there is a growing need to promote communication and connection among employees, and to create an environment that allows more space for each person to relax.



*Our company's construction case

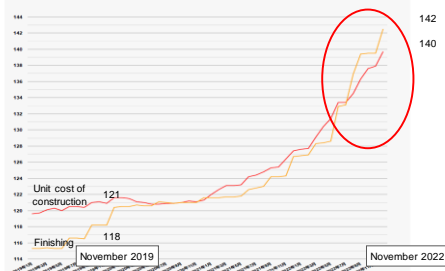
This is about the growing need for high added value. Below are some pictures of offices, which in the past would have looked like a row of the same chairs, but there is a growing need to have a place in the office to rest and to make the meeting place a little different from other places. The place where the steel fixtures are lined up is not for our company, but the place where the added value is increased is for our company.

Environment Surrounding IMPD

(2) Common industry challenges

- i) Soaring costs
 - Cost has been on the rise due to soaring raw materials and logistics costs. This has resulted in temporary declines in profitability and changes in client plans.
 - Labor costs are expected to increase across the industry due to the adoption of the Work Style Reform Act (including restrictions on overtime hours and the provision of two days off per week) in the construction industry (effective from April 2024).

<Construction cost index trends>

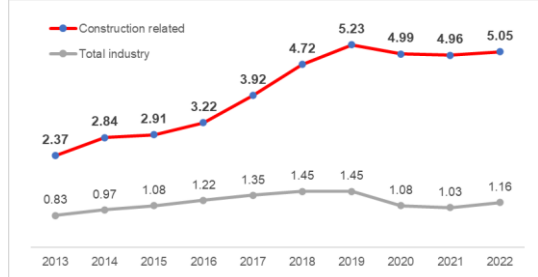


Source: Construction Research Institute website

ii) Shortage of human resources

- In the construction industry as a whole, there is a shortage of human resources, and the jobs-to-applicants ratio is over five, making it a strong seller's market in the entire industry.
- Our company is working to secure human resources and improve skills and motivation through aggressive recruitment efforts, expanded education, and reformed personnel systems.

<Jobs-to-applicants ratio trends>



Source: Compiled by our company based on government statistics on the labor-related index by occupation

To give you an idea of the challenges in the industry, we've seen a tremendous increase in costs over the last year or two. On the left, the unit costs of interior finishing and construction work are shown, but in November 2022, compared to November 2019, the cost has risen by about 30 to 40%, and I think it will continue to rise. More than anything else, the shortage of human resources in the industry as a whole is a major challenge in expanding our business. In a situation where the job-to-applicants ratio is over 5 in the construction industry as a whole, we hope to increase and nurture those who want to work in this industry.

Environment Surrounding IMPD

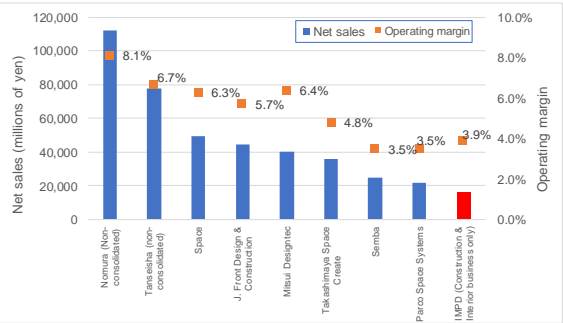
(3) Competitive environment (comparison of sales and operating income)

*Comparison of only disclosing companies

- In the construction & interior industry, our company ranks ninth in sales volume (FY 2019).

(Unit: millions of yen)

Sales ranking	Company	Year ended	Net sales	Operating income	Operating margin
1	Nomura (Non-consolidated)	202002	112,241	9,059	8.1%
2	Tanseisha (non-consolidated)	202001	77,921	5,243	6.7%
3	Space	201912	49,292	3,103	6.3%
4	J. Front Design & Construction	202002	44,819	2,536	5.7%
5	Mitsui Designtec	202003	40,247	2,564	6.4%
6	Takashimaya Space Create	202002	36,247	1,755	4.8%
7	Semba	201912	24,615	852	3.5%
8	Parco Space Systems	202002	21,537	761	3.5%
9	IMPD (Construction & Interior business only)	202003	16,016	617	3.9%



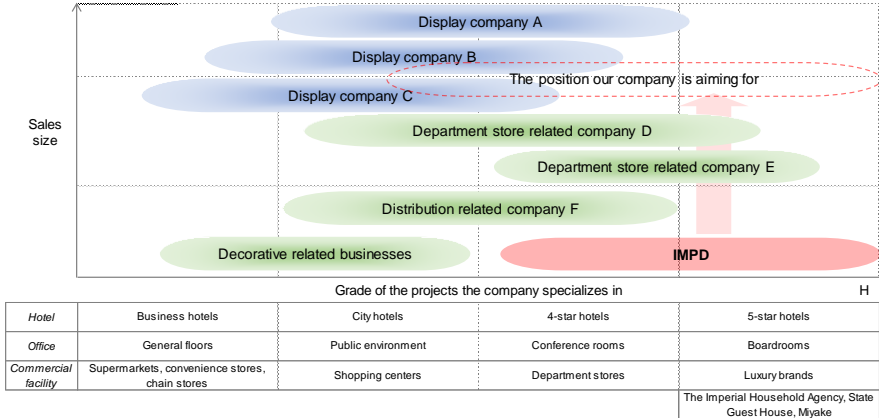
*IMPD figures are for Construction & Interior business only (after allocation of head office costs). This is different from the figures in the corporate total.

Next is about competition. This chart shows results for fiscal 2019 for companies that disclose information only and that focus primarily on interiors and displays. Our company was ninth. Net sales were 16.016 billion yen, operating income was 617 million yen and operating margin was 3.9%.

Environment Surrounding IMPD

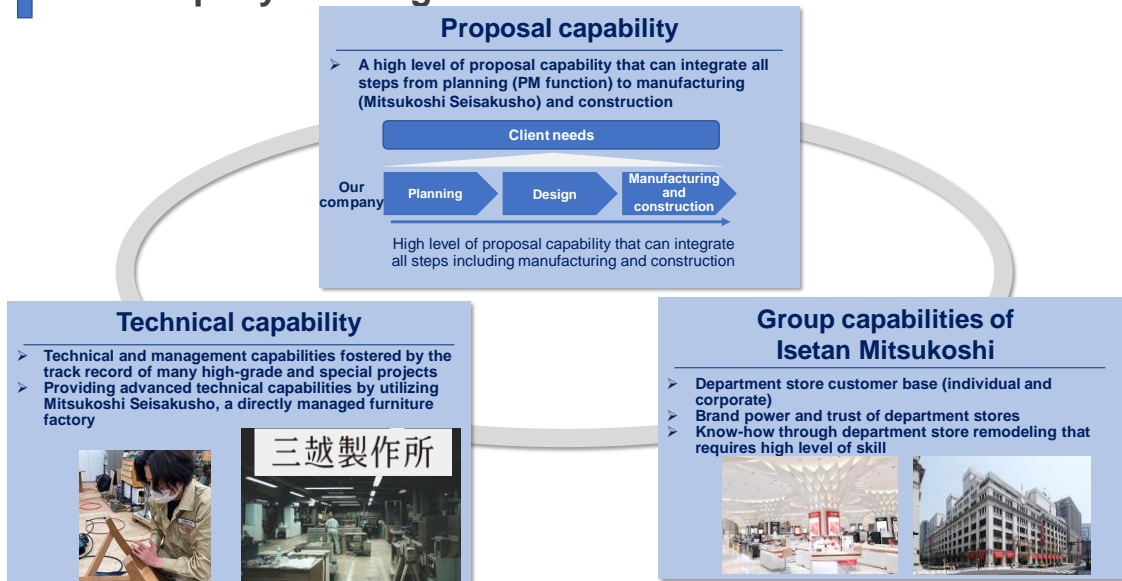
(3) Competitive environment (image of industry position)

- Our company specializes in high-grade projects in the industry.
- We aim to increase our company's market share in the areas of our specialties as well as to expand the scope of our business, and expand scale of our business in the future to one of the highest levels in the industry.



To explain what a higher grade means, in the table of hotels, offices and commercial facilities, the higher the grade the farther to the right, and our company is in the red zone. In the future, we hope to not lose our position in terms of grade, expand our business more, especially in the offices' public environment, and become one of the top three in the industry.

Our Company's Strengths



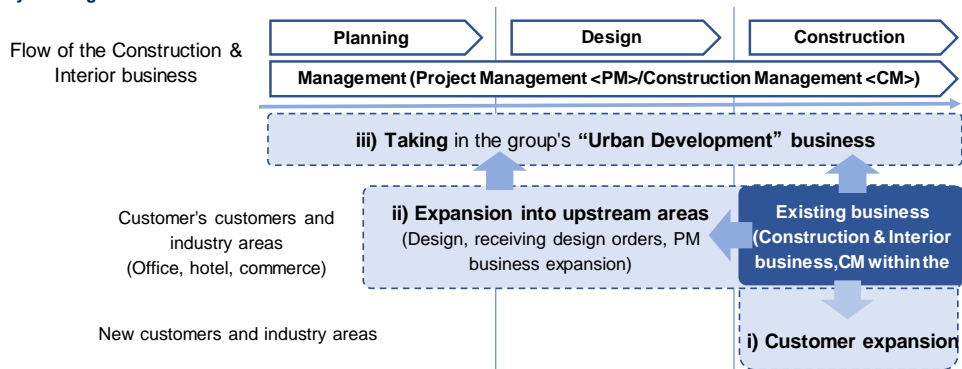
Leveraging our company's unique strengths, we will expand our business and increase our contribution to the Group.

It's our company's strengths. As I mentioned earlier, our technical capability is our strength. We have focused on the grade of construction. Going forward, the plan is to strengthen our proposal capability while further leveraging the group capabilities of Isetan Mitsukoshi. One of our strengths is that we can handle all processes up to manufacturing, so we would like to increase our proposal capability and generate sales with our supportive technical capability.

The Direction We Want to Go

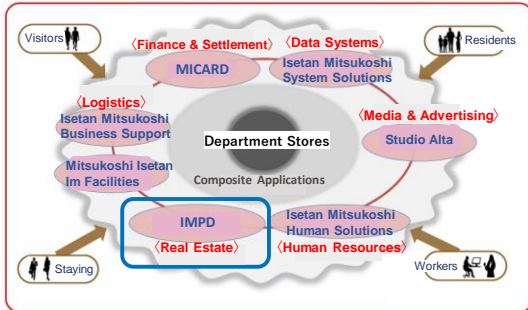
- i) **Customer expansion in existing businesses**
Deepening of existing customers, customer development in new areas of Construction & Interior business, expansion of CM external customers
- ii) **Expansion into upstream areas (design, receiving design orders, PM business)**
Expanding the fields of planning and design
- iii) **Taking in the urbanization business**
Receiving orders for PM and construction & interior projects in the "Urban Development" business

*In addition to the above, we will work to create new businesses (overseas, small-scale construction, etc.) in areas where we can leverage our company's strengths.



We have three directions we want to go, but the core of our current business is to carry out high-quality construction work, so our future direction is to refine our proposal capability as we expand our customer base and expand into upstream areas. Once we are able to work from upstream to construction, we hope to contribute to the group's "Urban Development" business.

Business Image in “Urban Development”



2. Building Project Management (PM)/ Construction Management (CM)

- Totally manages each project from planning to supervision for the entire building, each use (commercial, hotel, office, etc.) and floor.
- It does not stop at the direct investment portion of the Isetan Mitsukoshi Group, but takes in PM and CM from tenants. This will lead to the receiving of orders for interior construction projects.



1. Block Project Management (PM)

- Formulating concepts to enhance the attractiveness of the entire block, and planning business concept proposals.
- Possible collaboration with external PM providers.

3. Interior construction of the building

- By getting involved in the project from the PM and CM in the upstream process, we can take in the construction project of “Urban Development” to the maximum extent.
- As with PM and CM, it does not stop at the direct investment portion of the Isetan Mitsukoshi Group, but takes in construction projects from tenants.



Finally, the business image of “Urban Development.”

After all, we want to be involved in the management of the project so that the environment of the entire city block can be determined and the characteristics of the building can be thoroughly absorbed into the urban city. Naturally, our company would like to accumulate know-how and be in charge of interior construction by managing external corporate projects when the projects involve a complex urban city with hotels and offices other than commercial facilities.



That is the explanation. Thank you for your attention.