Isetan Mitsukoshi Holdings Ltd.

Summary of Q&A Session at WEB Briefing for the Third Quarter of the Fiscal Year Ending March 31, 2026

Date: Friday, February 6, 2026, 13:30-14:30

Q. Compared with the initial plan, how did operating profit in Q3 perform versus the plan？ Also, please explain specifically what is happening with equity-method profit.

A. The variance versus the plan is largely attributable to the impact of reduced travel from China and Hong Kong. If the October level had continued through November and December, we believe net sales would have been higher by slightly more than ¥3.0 billion and profit by slightly less than ¥0.5 billion. Equity-method profit increased due to steady performance at Shin Kong Mitsukoshi, as well as the recognition of valuation gains on shares held by the company.

Q. How do you view recent movements among domestic customers？

A. Domestic consumption has been steady, particularly at the three core stores, and in January we saw strong demand for luxury brands and high-asset-value jewelry and watches. Our large-scale event Salon du Chocolat also performed well, contributing to capturing younger customers and progress in customer identification. Through coordination among individual out-of-store-sales, buyers, and in-store CRM, we are expanding usage centered on individual out-of-store-sales customers and advancing lifetime customerization, which is contributing to current results.

Q. Regarding tax-free sales to overseas customers, are there moves to offset the decline from China with other countries, and are there accumulation measures toward next fiscal year？

A. While we are assuming that China and Hong Kong customers in the fourth quarter will trend at 70% year-on-year, Taiwan, Thailand, and the U.S. are performing strongly, and we are looking at overseas customer sales from January to March at 87% year-on-year. Overseas out-of-store-sales, including China and Hong Kong, is running at roughly double the prior-year pace, and we are deepening relationships in part through invitations to events such as TANSEIKAI and IPPINKAI. Including app initiatives, we will reduce volatility from the external environment by applying CRM similar to that for domestic customers.

Q. Regarding the reduction of selling, general and administrative expenses, what were the specifics of the additional reductions from the first half through Q3, and what accumulation measures are there for next fiscal year？

A. Based on Scientific analysis of department stores, we will continue “never-ending cost structure reform” both in Japan and overseas. As an example, Isetan Singapore accelerated reforms after becoming a wholly owned subsidiary, resulting in a significant improvement year-on-year.

As for personnel expenses, we will continue to restrain hiring while improving productivity, and we will also advance digital transformation (DX) and in-house development to curb business consignment expenses. We will carry out business reforms and improvements in employee treatment in parallel.

Q. For overseas customers including China, we understand there was pre-price-increase demand in January. What is your current view, and what is the outlook for achieving the plan from February and March onward？

A. It is true that there was rush demand ahead of price increases for some brands in January, but we are not making any particular forecasts regarding a rebound reaction. In the first half of FY2025, the China and Hong Kong mix was 46% for China and 7% for Hong Kong, but from October to December it declined to 35% for China and 9% for Hong Kong. In February, there is a positive factor from the shift in the Lunar New Year holiday timing, and in March the prior-year hurdle is low, so it is difficult to assume an extreme deterioration versus the plan. Overseas customer net sales for luxury and jewelry fell to the 60% range year-on-year in the first half, but has been trending toward recovery since Q3. In addition, due to the effects of our proprietary CRM (apps and overseas out-of-store-sales), areas such as life design including furniture and categories such as food and cosmetics are also steady, and usage expansion is progressing in the same way as for domestic customers.

Q. What was the background to announcing the share repurchase at this timing, how did you set the ¥30.0 billion amount, and how do you think about the shareholder return policy (including dividends) from FY2026 onward？

A. For Phase 1 (three years), shareholder returns are ¥150.0 billion, and a total payout ratio of 70% is disclosed as an indicator for the cumulative period. This time, taking into account profit upside and cash-in from the sale of shares in affiliated companies, we resolved a share repurchase authorization of ¥30.0 billion over one year as a reasonable acquisition schedule. Going forward, if additional cash-in occurs, we will determine its use while considering the balance between growth investment and additional shareholder returns.

Q. This fiscal year, reduced travel from China will result in a ¥5.0 billion decrease in net sales, and it may also be a factor for decreased net sales next fiscal year. Is it correct to assume this can be covered through measures?

A. Overseas customers account for about 12% of the domestic department store business (about 11% of consolidated net sales). If we assume China and Hong Kong represent 50% of that, the impacted portion is about 6%; even if that portion were to decline by 30%, the annual impact would be slightly less than 2%. While there are aspects of China customer trends that are difficult to foresee, we are advancing measures aimed at growth in our core domestic customers as well as other countries and regions.

Q. Mitsukoshi Nihombashi main store is performing well—what are the factors？ Also, how do you view the apparent net sales decline at Tachikawa and Urawa？

A. In Nihombashi, the customer mix includes a high proportion of customers benefiting from wealth effects, so jewelry and watches are a tailwind. At the same time, we are elevating customer-attraction initiatives that capture “community” demand—such as the Anko Exposition—into initiatives that link to MICARD sign-ups and MITSUKOSHI ISETAN App usage, with a view toward all four steps of the Individual customer business. In Tachikawa and Urawa, initiatives are expanding under the base network that sends customers connected within the local community to Shinjuku and Nihombashi. Net sales as a store are recorded at Shinjuku and Nihombashi, but the importance of these locations as customer touchpoints in the suburbs of the Tokyo metropolitan area remains high.

Q. What is behind the decline in gross profit margin in Q3 compared with the first half?

A. This is due to multiple factors, such as the sales product mix and store mix. While gross profit margin is of course an important indicator, as we transform toward the Individual customer business and the products and services we provide become more diverse, we believe it is also necessary to flexibly consider the optimal balance of net sales, gross profit, and the selling, general and administrative expenses ratio from the perspective of maximizing operating profit, rather than focusing only on gross profit margin.

Q. In the fourth quarter, do you expect to spend more selling, general and administrative expenses than planned?

A. Necessary expenses are already incorporated into the plan, and we do not assume deliberately incurring additional selling, general and administrative expenses. Conversely, in order to achieve the operating profit plan, there remains room to curb expenses as needed while monitoring sales trends.

Q. For how long do you assume reduced inbound travel will continue when formulating the overseas plan？

A. It is difficult for the company alone to foresee the duration of the impact, and it is not easy to set a fixed assumption. At the time of formulating the medium-term management plan, we assumed growth of roughly 101% for domestic customers and roughly 106% for overseas customers through FY2030; however, currently domestic customers are stronger than assumed and overseas is somewhat uncertain. Accordingly, we believe the breakdown of the net sales mix will change as we work toward achieving the medium-term management plan targets.

Q. If a consumption tax reduction is implemented, how do you see its impact on domestic consumption？

A. We cannot be definitive because whether it will be implemented, as well as its timing and scope, are uncertain; however, for the Group as a whole, we believe the positive contribution would likely be significant. While, as is commonly said, it could have a negative impact on dining out, we expect it to be positive for department store food floors and Queen's Isetan. Overall, we view the reduction of household spending on essential living infrastructure as a tailwind for the sophisticated and high-quality consumption that we provide.

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