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**Isetan Mitsukoshi Group  
Business Results Second Quarter Fiscal Year  
Ended March 31, 2022 And  
Medium-Term Plan Explanation Meeting**

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Nov 10, 2021

Isetan Mitsukoshi Holdings Ltd.





I . Results of 2Q FY2021  
(Fiscal Year Ended March 31, 2022)

II . Full Year Targets for FY2021

III . Medium-Term Plan



**I . Results of 2Q FY2021  
(Fiscal Year Ended March 31, 2022)**

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# Consolidated Financial Results (Adoption of Revenue Recognition Standards)



- Total sales increased significantly compared with the previous fiscal year, despite twice issuances of the declaration of states of emergency.
- Operating income improved by ¥10 billion year on year due to a recovery in sales and the implementation of cost structure reforms.(Substantially improved by approx. ¥20 billion due to ▲ of ¥9.7 billion YoY change in extraordinary losses for COVID-19)
- Quarterly net income improved by ¥28.6 billion .(previous year: reversal of deferred tax assets of ¥5.3 billion)

(Billions of yen)	Cumulative 2Q (Apr to Sep)	YoY change	Change from 2020	YoY difference	Difference from 2019
<b>Total Sales</b>	<b>398.9</b>	118.9%	69.1%	+63.2	▲178.2
<b>Net Sales</b>	<b>187.9</b>	56.0%	32.6%	▲147.7	▲389.3
<b>Gross Profit</b>	<b>107.9</b>	112.4%	64.3%	+11.9	▲59.9
<b>SG&amp;A</b>	<b>115.7</b>	101.6%	75.2%	+1.8	▲38.2
<b>Operating Income</b>	<b>△7.7</b>	-	-	+10.0	▲21.6
<b>Recurring Income</b>	<b>△7.1</b>	-	-	+9.9	▲22.1
<b>Net Profit</b>	<b>△8.1</b>	-	-	+28.6	▲15.7



## 2Q(July to September)

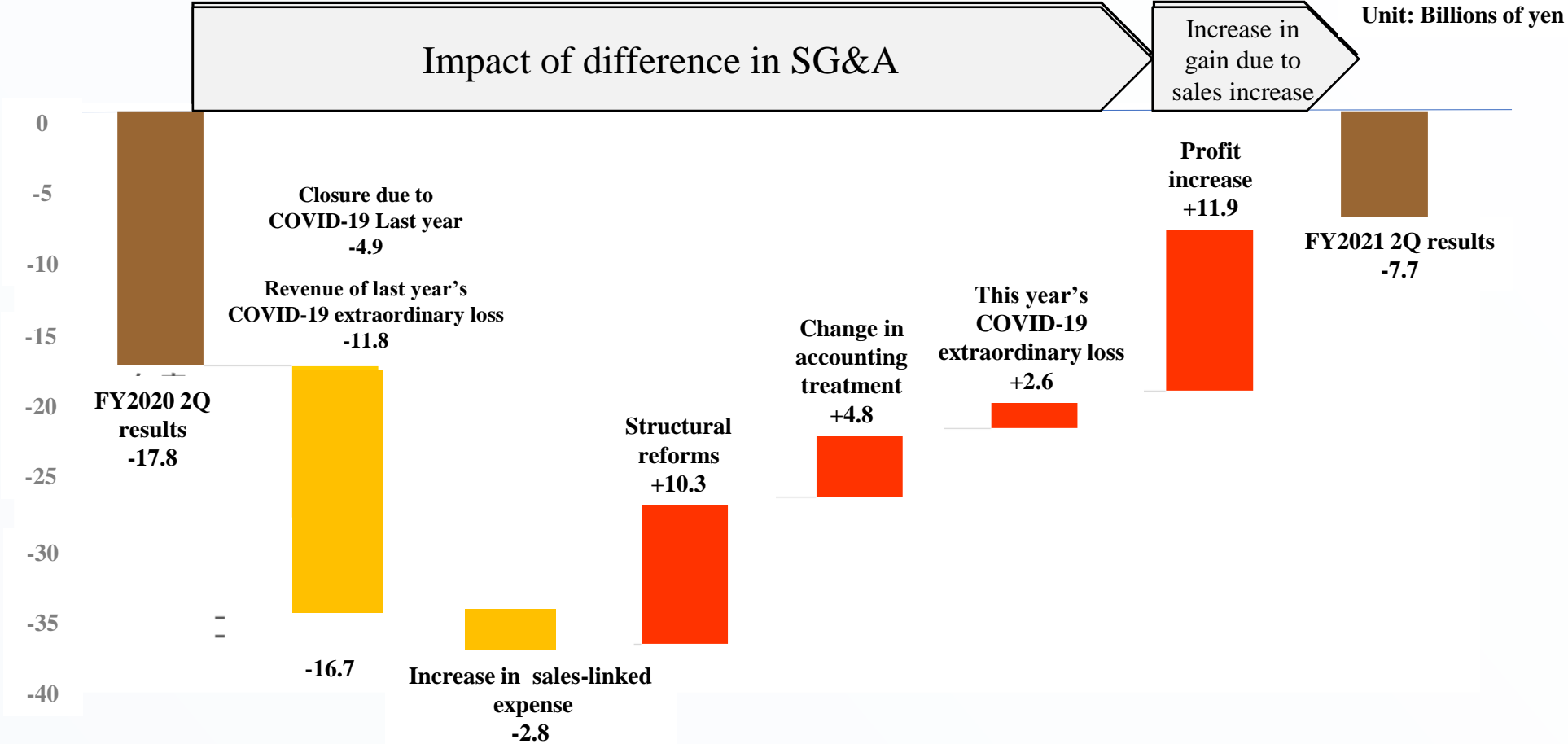
- Total sales will be affected by the COVID-19 5th wave, but will decrease only slightly from the previous year.
- Operating income improved by ¥7 billion despite the decrease in sales.(including about ¥2 billion, a delay from 1Q)
- Net income (3 months) has been profitable since fiscal year 2020 3Q.

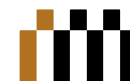
(Billions of yen)	1Q (Apr to Jun)	YoY change	2Q (Jul to Sep)	YoY change	Cumulative 2Q (Apr to Sep)	Difference from 2020
<b>Total Sales</b>	<b>196.3</b>	+64.6	<b>202.6</b>	▲1.3	<b>398.9</b>	+63.2
<b>Net Sales</b>	<b>88.5</b>	▲43.1	<b>99.3</b>	▲104.6	<b>187.9</b>	▲147.7
<b>Gross Profit</b>	<b>50.1</b>	+10.8	<b>57.8</b>	+1.0	<b>107.9</b>	+11.9
<b>SG&amp;A</b>	<b>56.1</b>	+7.8	<b>59.6</b>	▲6.0	<b>115.7</b>	+1.8
<b>Operating Income</b>	<b>△6.0</b>	+2.9	<b>△1.7</b>	+7.0	<b>△7.7</b>	+10.0
<b>Recurring Income</b>	<b>△5.7</b>	+4.1	<b>△1.3</b>	+5.8	<b>△7.1</b>	+9.9
<b>Net Profit</b>	<b>△8.6</b>	+21.9	<b>0.5</b>	+6.7	<b>△8.1</b>	+28.6



**Cumulative 2Q(Apr to Sep)**

- Despite an operating loss due to the ongoing impact of the Declaration of a state of emergency on sales, Losses narrowed due to implementation of cost structure reforms (see next section).





▪ Cost reductions due to structural reforms progressed to ¥9 billion compared to the May target (annual) of ¥12 billion. In addition, approximately ¥1.3 billion was added as an emergency measure, and ¥10.3 billion was implemented.

(Billions of yen)	Cumulative 2Q Apr to Sep	YoY change	Breakdown of YoY Changes				
			Reversal of last year	Change in FY2021			
			Closures COVID-19 extraordinary Loss	Expenses Structural Reforms	Changes in Accounting treatment	Sales-linked	Extraordinary loss (Covid-19)
Personnel Expenses	42.8	+3.1	+5.6	▲1.7	+0.2		▲0.9
Advertising Expenses	3.8	▲0.4	+0.8	▲1.1			
Lease Payments	14.8	+3.2	+3.3	▲1.6	+1.5	+0.5	▲0.6
Consignment Expenses	13.9	+0.4	+1.9	▲1.4	+0.2		▲0.3
Depreciation and amortization	11.2	+0.3	+2.3	▲1.5			▲0.5
Others	29.2	▲4.8	+2.8	▲2.9	▲6.6	+2.3	▲0.3
<b>Total</b>	<b>115.7</b>	<b>+1.8</b>	<b>+16.7</b>	<b>▲10.3</b>	<b>▲4.8</b>	<b>+2.8</b>	<b>▲2.6</b>

※1 Including emergency measures of approx. ¥1.3 billion

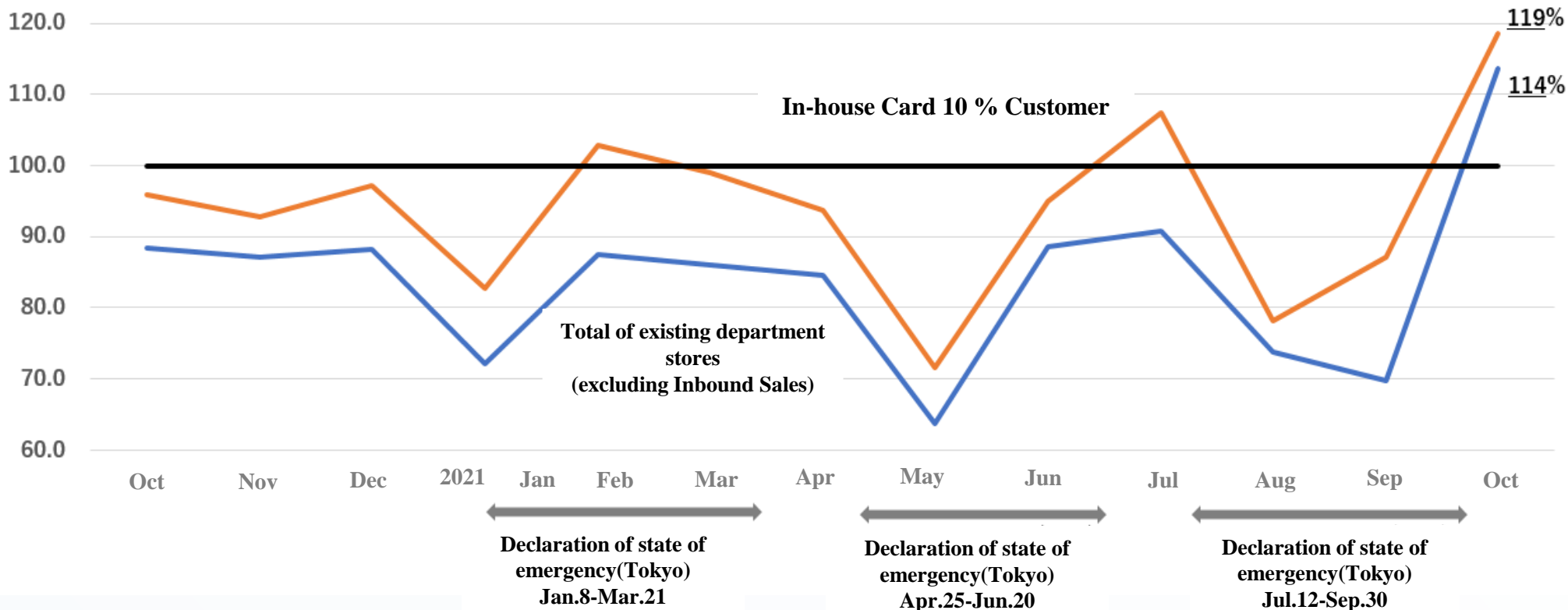
※2 No impact on operating income due to transfer to cost

# Trends in comparable store sales at department stores



- In the first half of the fiscal year, the majority of companies, particularly in Tokyo, declared emergency situations.
- The sharp recovery until July following the May slump was driven by 10% MI Card customers driving overall sales.
- In October, due to a decrease in the number of people with the Covid-19 and an increase in the vaccination rate, In addition to the 10% growth in MI Card customers, cash customers also recovered.

**Existing department store and MI Card 10% customer sales YoY (vs. FY 2019)**



※ MI Card 10% Customers: Customers who receive 10% points for an annual usage amount of ¥1 million (including tax) or more

# Business Segment Results



- **Department Store Business:** Of the 10 billion improvement in consolidated operating income, department store business improved by ¥8.6 billion
- **Credit and Finance:** Operating income doubled due to robust sales growth and expense control
- **Real Estate Business:** Operating income decreased by ¥500 million due to the sale of Isetan Mitsukoshi Real Estate shares in the previous fiscal year.

(Billions of yen)	Gross sales	YoY change	Change from 2020	Net sales	Operating income	YoY difference	Difference from 2020
Department Store Business	<b>374.5</b>	122.7%	69.8%	<b>166.4</b>	<b>△12.6</b>	+8.6	▲19.4
Credit & Finance Business/Customer Organization Management Business	<b>15.8</b>	105.0%	79.5%	<b>14.4</b>	<b>2.6</b>	+1.3	▲0
Real estate	<b>7.3</b>	49.6%	44.2%	<b>7.3</b>	<b>2.4</b>	▲0.5	▲0.5
Others*	<b>1.2</b>	208.8%	28.1%	<b>△0.4</b>	<b>△0.2</b>	+0.5	▲1.5
<b>Total</b>	<b>398.9</b>	118.9%	69.1%	<b>187.9</b>	<b>△7.7</b>	+10.0	▲21.6

※Others include adjustments.



I . Results of 2Q FY2021  
(Fiscal Year Ended March 31, 2022)

**II . Full Year Targets for FY2021**

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# Consolidated Plan (Fiscal Year 2021 Full Year)



- Due to the impact of store closures following the declaration of states of emergencies in the first half of the fiscal year, total net sales were ¥20 billion compared to the forecast for May.
- Operating income and Recurring income trended as planned due to the progress of the expense structure reform, Annual plan remained unchanged from May plan, securing profitability.
- Including the recording of extraordinary income up to the first Second Quarter, Net income has been upwardly revised by +¥2 billion from the May forecast.

(Billions of yen)	First half	YoY change	Second half	Yo- change	Full year	Year-on-year change	vs. plan in May
<b>Total Sales</b>	<b>398.9</b>	+63.2	<b>545.9</b>	+65.6	<b>945.0</b>	+128.9	<b>▲20.0</b>
<b>Net Sales</b>	<b>187.9</b>	<b>▲147.7</b>	<b>247.0</b>	<b>▲233.2</b>	<b>435.0</b>	<b>▲381.0</b>	<b>▲12.0</b>
<b>Gross Profit</b>	<b>107.9</b>	+11.9	<b>143.0</b>	+11.5	<b>251.0</b>	+23.4	<b>▲7.0</b>
<b>SG&amp;A</b>	<b>115.7</b>	+1.8	<b>132.2</b>	<b>▲2.4</b>	<b>248.0</b>	<b>▲0.5</b>	<b>▲7.0</b>
<b>Operating Income</b>	<b>△7.7</b>	+10.0	<b>10.7</b>	+13.9	<b>3.0</b>	+23.9	—
<b>Recurring Income</b>	<b>△7.1</b>	+9.9	<b>10.1</b>	+10.1	<b>3.0</b>	+20.1	—
<b>Net Income</b>	<b>△8.1</b>	+28.6	<b>11.1</b>	+15.4	<b>3.0</b>	+44.0	<b>+2.0</b>

# Domestic department store comparable store sales



▪ Compared to Fiscal Year 2020, Fiscal Year 2019, and Fiscal Year 2018 on an existing store basis in Fiscal Year 2021

※ Fiscal Year 2018 is not affected by the COVID-19 and the consumption tax hike.

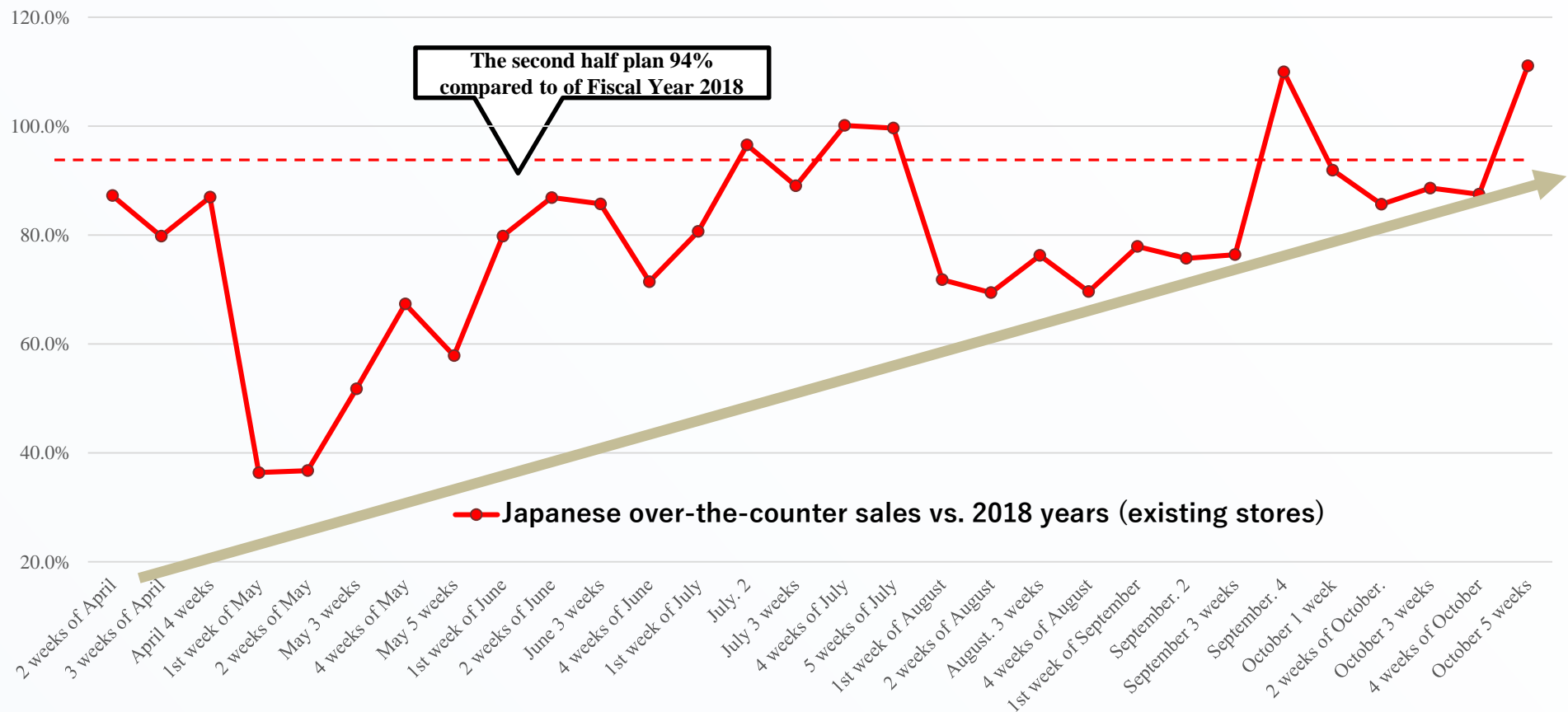
In Fiscal Year 2019, the consumption tax was increased in October 2019, and the COVID-19 was expanded from February 2020.

	Compared to FY 2020		Vs. FY 2019	Vs. FY2018	
	First half	Second half		First half	Second half
Isetan Mitsukoshi Total	131%	119%	90%	74%	93%
<b>(incl.) Japanese customers sales</b> ※ Excluding EC and Inbound	<b>130%</b>	<b>114%</b>	<b>91%</b>	<b>77%</b>	<b><u>94%</u></b>
Regional department stores total	113%	115%	92%	77%	93%
Domestic department stores total	123%	117%	91%	75%	93%

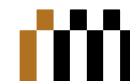
# Isetan Mitsukoshi Same-Store Sales Trends



- Weekly comparison to Fiscal Year 2018 for Japanese store sales (excluding EC and inbound sales) since April 2021.
- Aiming for 94% in 2H Fiscal Year 2021 compared to Fiscal Year 2018.



# Changes in Consolidated SG&A Expenses (FY2021 Full Year)



- Cost reductions due to structural reforms progressed to ¥13 billion compared to the May target (annual) of ¥12 billion. In addition, as an emergency measure, including about ¥5 billion (of which ¥1.3 billion in the first half) is planned to be ¥18 billion (annual).
- Continue to flexibly control expenses, including emergency measures, in accordance with sales fluctuations in the second half.

※1 Including emergency measures of approx. ¥5 billion

※2 No impact on operating income due to transfer to cost

(Billions of yen)	Fiscal Year 2021	YoY change	Breakdown of YoY Changes				
			Reversal of last year	Change in FY2021			
			Closures COVID-19 extraordinary Loss	Expenses Structural Reforms	Changes in Accounting treatment	Sales-linked	Extraordinary loss (COVID-19)
Personnel expenses	87.8	+3.4	+9.3	▲5.5	+0.4		▲0.9
Advertising expenses	9.7	▲0.6	+1.6	▲2.2	▲0.3	+0.2	
Lease Payments	30.6	+4.7	+3.2	▲2.0	+3.1	+1.0	▲0.6
Expenses related to the outsourcing	29.8	▲0.1	+2.1	▲2.4	+0.4		▲0.3
Depreciation and amortization	23.6	▲0.1	+2.3	▲1.8			▲0.5
Others	66.4	▲7.8	+6.9	※1 ▲4.2	※2 ▲15.6	+5.3	▲0.3
<b>Total</b>	<b>248.0</b>	<b>▲0.5</b>	<b>+25.4</b>	<b>▲18.0</b>	<b>▲11.9</b>	<b>+6.6</b>	<b>▲2.6</b>

# Segment-Specific Plan (FY2021 full year)



- **Department Store Business:** Against the Negative Impact of the COVID-19 Fifth Wave covered by the progress of cost structure reforms, and operating income decreased slightly from the planned value.
- **Credit and Finance:** Profit increased from the target due to solid sales and cost control.
- **Real Estate Business:** Expect stable earnings and secure operating profit almost in line with plan.

(Billions of yen)	Gross sales	YoY change	Net sales	Operating income	YoY difference	vs. plan in May
Department Store Business	<b>896.0</b>	119.1%	<b>392.0</b>	<b>△7.5</b>	+22.8	<b>▲1.0</b>
Credit & Finance Business/ Customer Organization Management Business	<b>33.0</b>	101.4%	<b>30.0</b>	<b>5.3</b>	+0.8	<b>+0.8</b>
Real estate	<b>20.0</b>	70.5%	<b>20.0</b>	<b>5.4</b>	<b>▲0</b>	<b>▲0.1</b>
Others*	<b>△4.0</b>	—	<b>△7.0</b>	<b>△0.2</b>	+0.3	<b>+0.3</b>
<b>Total</b>	<b>945.0</b>	115.8%	<b>435.0</b>	<b>3.0</b>	+23.9	<b>+0</b>

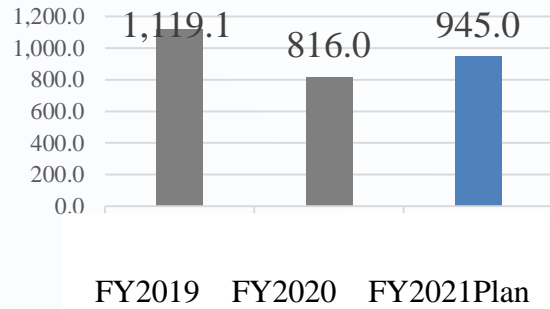
※Others include adjustments.

# Comparison of Key Financial Figures

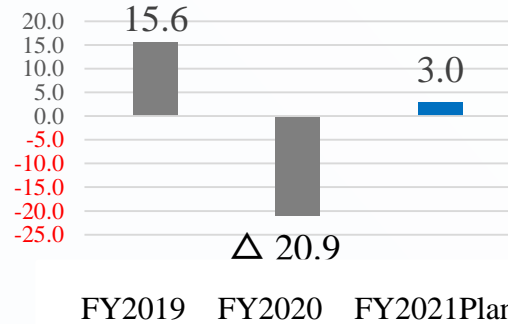


Billions of yen

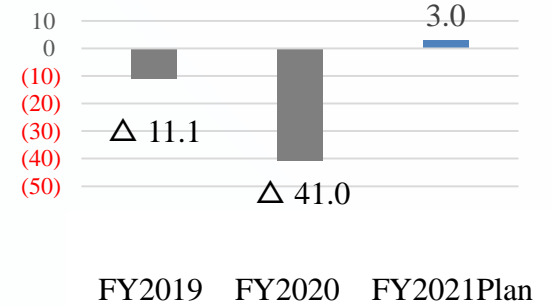
### Total sales



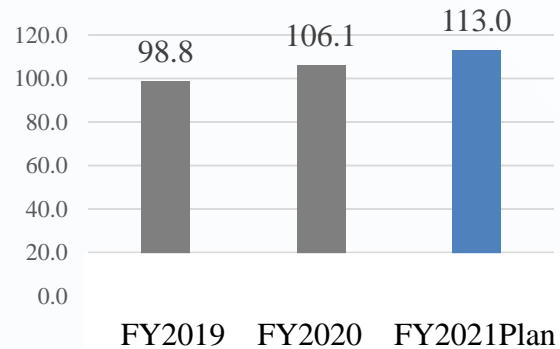
### Operating income



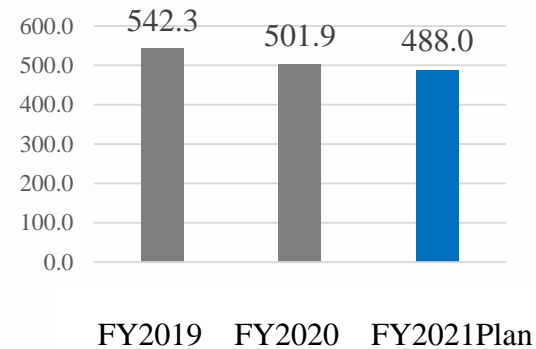
### Net income



### NET interest-bearing debt



### Shareholders' equity



#### Interest-bearing Debt

FY2019 ¥175.5 billion → FY2020 ¥208.8 billion → FY2021 ¥175 billion

#### NET-DE ratio

FY2019 0.18 times → FY2020 0.21 times → FY2021 0.23 times

#### Equity Ratio

FY 2019 44.3% → FY 2020 41.9% → FY 2021 41.9%



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## **1: Overview of strategy**

- (1) Isetan Mitsukoshi Group's Value Creation Process**
- (2) Medium-to Long-Term Strategic Steps (Flow and Time Scale)**
- (3) Medium-to Long-Term Profit Steps and Portfolio Image**

## **2: Medium-term management goals**

- (4) Medium-term KPI**
- (5) Medium-term cash allocation**

## **3: Individual strategies**

- (6) Strategic Framework (birds-eye view)**
- (7) Key Strategies**   •High sensitivity, fine quality strategy   •CRM strategy connecting with individual customers   •Stronger intra-Group coordination strategy
- (8) Group Platform**   •Digital (DX)   •CRE and business model reforms   •Income and expenditure structure reform (Scientific analysis of department store)
- (9) Management Platform**   •System and data Platform   •Human Resource Platform   •Sustainability Governance •Management system



## Vision for the Long Term

To be a “special” department store-centered retail group that enriches the lives of its 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 ~

### [Changes in society]

- Accelerating polarization of income and consumption
- Expansion of the affluent population
- Decline in apparel consumption
- Changes in customer structure
- Rise of the millennial generation
- Acceleration of decline in birthrate and aging of population
- Acceleration of online sales
- Acceleration of digitization
- Expansion of non-face-to-face and non-contact services
- Environmental changes caused by IT
- Acceleration of digitization driven by the COVID-19 pandemic
- Changes in real value provided by physical stores
- Rising environmental and social consciousness
- Coexistence with local communities
- Lifestyles centered around the local economic zone

### [Our Direction]

- Accelerating polarization of income and consumption and changes in customer structure
- From Mass to Personal Marketing
- Irreversible acceleration of online
- Accelerating Digital Reform and Expanding Online
- Environmental changes caused by IT
- Through integration of physical store and online
- Enhancing Experience Value
- Rising environmental and social consciousness
- Management with an emphasis on a sustainable growth cycle
- Coexistence with local communities
- Re-focusing on regional economic areas and providing new value

### [Strengths]

Goodwill

Customers

Human Resources

Stores  
Real estate

### [Basic Strategy]

Expand and dominate in high sensitivity, fine quality consumption, providing the ultimate customer experience

### [Key Strategies]

"High sensitivity, fine quality strategy"  
"CRM strategy connecting with individual customers"  
"Intra-Group coordination strategy"

### [Group Platform]

- Digital Reform (DX)
- CRE and Business Model Reforms
- Income and Expenditure Structure Reform (Scientific analysis of department store)

### [Management Platform]

- System and data Platform
- Human Resource Platform
- Sustainability Governance and Management System

## Basic Sustainability Policy



Connecting a Sustainable Society and the Times



Improving the Satisfaction of Employees



Group governance and Communication

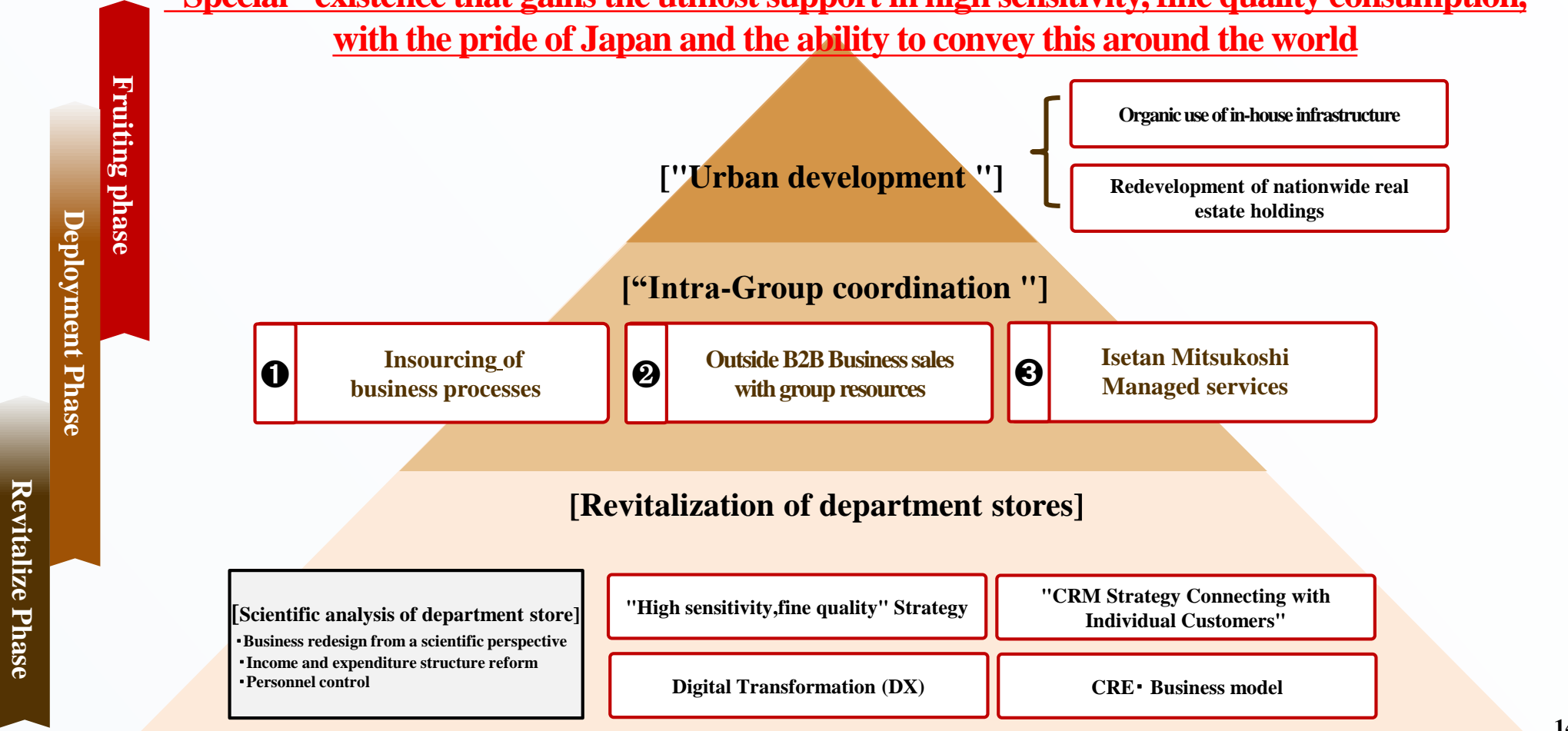




## Direction

[Revitalize Phase] : Under the current medium-term management plan, we will revitalize department stores through our strategy of " High sensitivity, fine quality".  
 [Deployment Phase] : Expanding the infrastructure functions cultivated during the revitalize phase to external sources through the " Intra-Group coordination strategy"  
 [Fruiting Phase] :Through " Urban development " wrapped with the appeal of department stores by organically utilizing our own infrastructure ,we will become the "Special" existence that gains the utmost support in high sensitivity, fine quality consumption, with the pride of Japan and the ability to convey this around the world.

**"Special" existence that gains the utmost support in high sensitivity, fine quality consumption, with the pride of Japan and the ability to convey this around the world**





▪ Revitalize department store business and reach operating profit of ¥35 billion within the current medium-term plan (Operating income of ¥29.2 billion in Fiscal Year 2018, exceeding the record high of ¥34.6 billion in Fiscal Year 2013)

« Record high profit after the management merger »

▪ Subsequently, after a period of declining revenues accompanied by real estate development,

① An increase in rental income after the completion of real estate development,

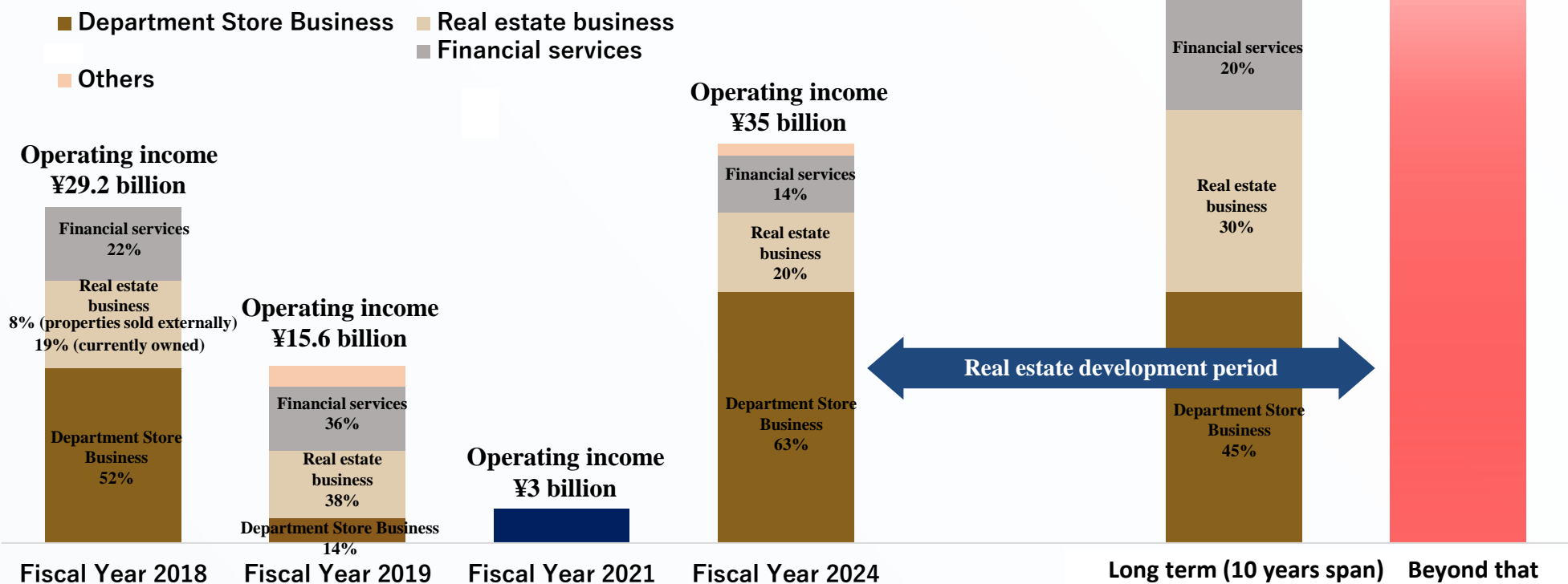
② An increase in card revenues due to the promotion of the CRM strategy contributed,

In the long term 10 years span [fruiting phase], We will achieve operating income at ¥50 billion level.

« Reform for business portfolio »

▪ After that, the remaining real estate development projects will be completed, and the profit level will further leap forward.

(fruiting and leap forward)





## (1)Mid-term KPI\_Finance

	Fiscal Year 2019	Fiscal Year 2024
Gross Sales (comparable store basis)	¥1.0532 trillion	↑ ¥1.11 trillion
SG&A (Prior to Adoption of Revenue RecognitionsStandards)	¥307 billion	↓ ¥275 billion
Operating Income	¥15.6 billion	↑ ¥35 billion
Net Income	▲ ¥11.1 billion	↑ ¥28 billion
ROE	▲2.0%	↑ 5.3%
Interest-bearing debt	¥175.5 billion	↓ ¥150 billion
Net interest-bearing debt/EBITDA ratio	2.2 times	↓ 1.4 times

		Cumulative total of FY 2022-2024
Cash Allocation	Operating cash flow	¥121 billion
	Investing cash flow	▲ ¥83 billion
	Shareholder Returns	▲ ¥13 billion
	Reduction of interest-bearing debt	▲ ¥25 billion



## (2)Mid-term KPI\_Customer

	Fiscal Year 2019	Fiscal Year 2024
Identified Customer Sales(*1)	¥451.2 billion	↑ ¥580 billion
MI Card Member Sales	¥451.2 billion	↑ Be restored to the level before Covid-19 ¥500 billion
Membership sales for digital IDs only	—	↑ Start of recognizing since Fiscal Year 2020 ¥80 billion
Annual sales of MI Card members purchasing ¥1 million	¥180.6 billion	↑ ¥230 billion

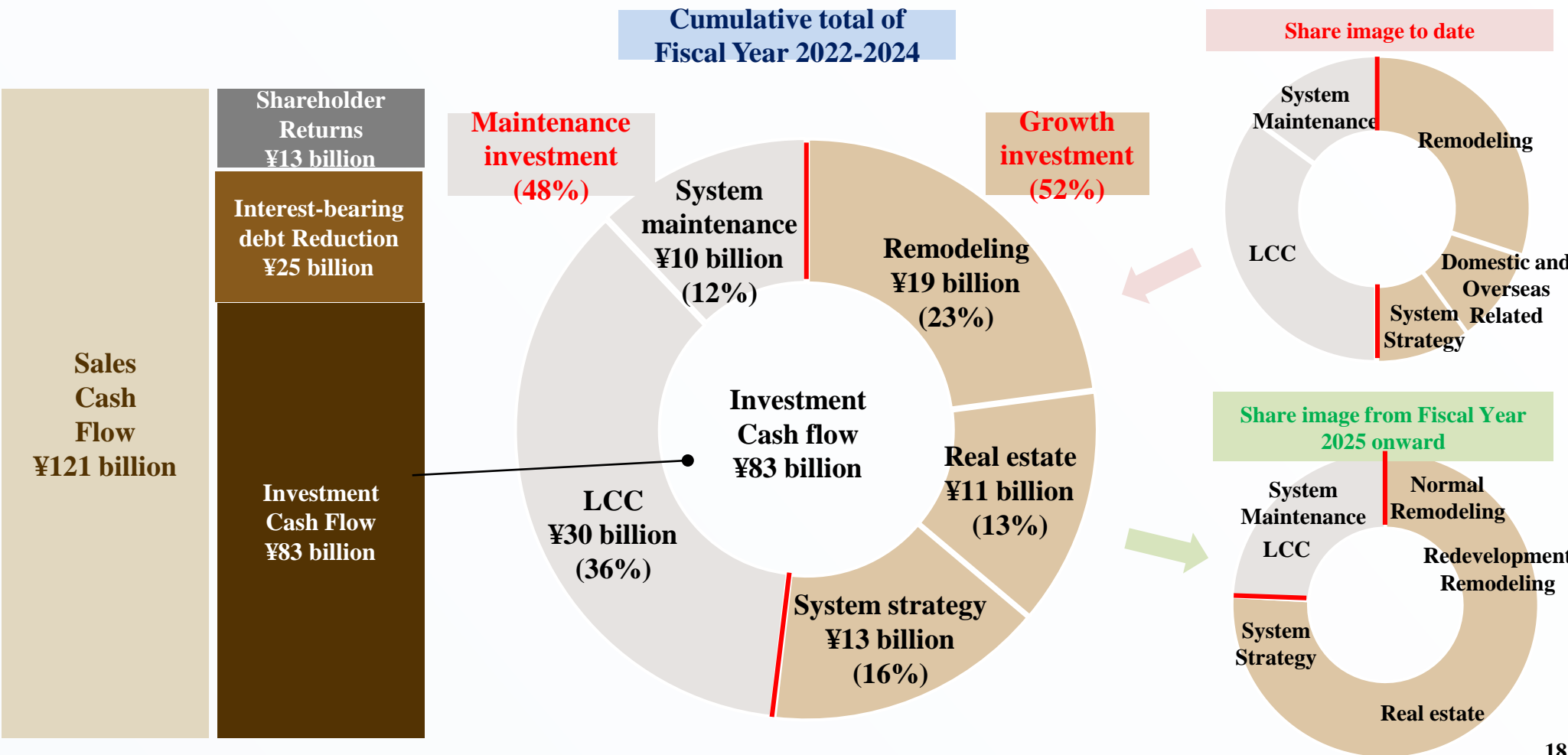
※1 "Identified Customer"

⇒ MI Card Member + App Member (Non-MI Card Member) + Digital ID Member (EC only)



## Basic Policy

- (1) Shareholder returns: Early exceed the pre-COVID-19 level of ¥12 per share dividend, and continuously increase dividends in stages thereafter.
  - (2) Interest-bearing debt: Planned reduction of ¥25 billion, securing investment capacity in preparation for future large-scale real estate development.
  - (3) Growth investments: Allocate majority of investment cash flow to growth investments
- (Prioritize securing investment capacity during the period of the current medium-term plan and do not repurchase shares in principle)



# Strategic Framework (birds-eye view)

1:Overall sense of strategy

2:Mid-term management goals

3:Individual strategies



## Financial KPI

<b>SG&amp;A</b>					<b>[Cash Allocation]</b>	
Total sales Fiscal Year 2024: ¥1.11 trillion	(Prior to the adoption of the revenue recognition standard) Fiscal Year 2024: ¥275 billion	Operating income Fiscal Year 2024: ¥35 billion	Net income Fiscal Year 2024: ¥28 billion	ROE Fiscal Year 2024: 5.3%	Interest-bearing debt End of Fiscal Year 2024: ¥150 billion	2022-2024 (cumulative) Operating CF: ¥121 billion, Investing CF: ¥83 billion ▲, Shareholder Return: ¥13 billion, Interest-bearing debt reduction: ¥25 billion ▲

## Customer KPI

Identified customer sales Fiscal Year 2024: ¥580 billion	MI Card Member Sales Fiscal Year 2024: ¥500 billion	Digital ID (only) Member Sales (Non-MI Card Customers) Fiscal Year 2024: ¥80 billion	Annual sales of MI Card members purchasing ¥1 million or more Fiscal Year 2024: ¥230 billion
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※Customer Identification: MI Card Member + App Member (Non-MI Card) + Digital ID Member (EC only)

<b>Key Strategy</b>	<b>1</b>	<b>"High sensitivity, fine quality" Strategy</b>	<b>2</b>	<b>"CRM Strategy Connecting with Individual Customers"</b>	<b>3</b>	<b>"Intra-Group coordination" strategy</b>
		<ul style="list-style-type: none"> <li>①Construction of fine quality stores with high sensitivity</li> <li>②(Individual) )Out-of-store sales Reform</li> <li>③Establishment of high sensitivity, fine quality "base network"</li> </ul>		<ul style="list-style-type: none"> <li>①Department store level CRM</li> <li>②Group level CRM</li> <li>③Inbound strategy</li> </ul>		<ul style="list-style-type: none"> <li>①[Step 1] Insourcing of business processes</li> <li>②[Step 2] Outside sales of B2B resources within the group</li> <li>③[Step 3] Isetan Mitsukoshi Managed Service</li> </ul>

<b>Group Platform</b>	<b>1</b>	<b>Digital Transformation (DX)</b>	<b>2</b>	<b>CRE and Business Model Reforms</b>	<b>3</b>	<b>Income and Expenditure Structure Reform (Scientific analysis of department store)</b>
		<ul style="list-style-type: none"> <li>①Online shopping experience</li> <li>②Digitization of customer service</li> <li>③Digitization of sales support</li> <li>④Online appeal</li> </ul>		<ul style="list-style-type: none"> <li>①Urban development as a Core Base</li> <li>②Value-up development of nationwide real estate holdings</li> <li>③Overseas Business Model from the CRE Perspective</li> </ul>		<ul style="list-style-type: none"> <li>①Cost structure reforms</li> <li>②Redesign the department store business structure</li> </ul>

<b>Management Platform</b>	<b>1</b>	<b>System and data infrastructure</b>	<b>2</b>	<b>Human Resource Platform</b>	<b>3</b>	<b>Sustainability/Governance/Management system</b>
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# Key Strategy 1 "High sensitivity, fine quality" Strategy

1:Overall sense of strategy

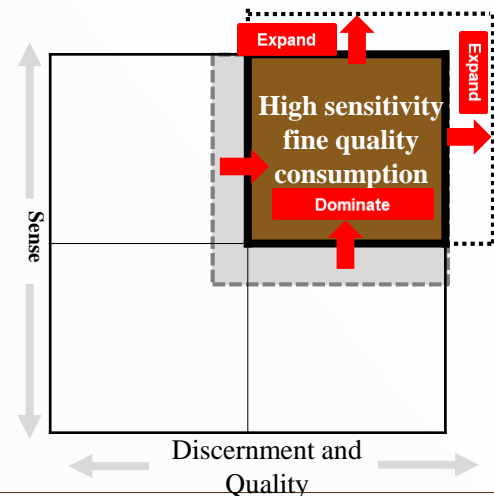
2:Mid-term management goals

3:Individual strategies

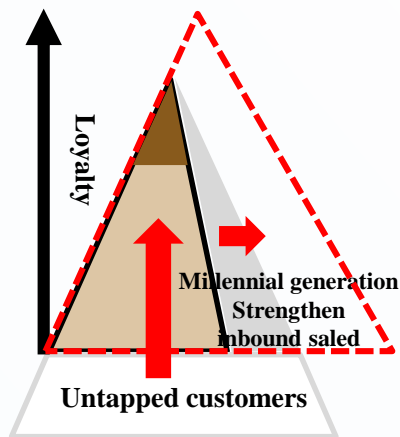


Direction

## High-Sensitivity Quality Consumer Market



## Expand loyalty to individual customers



### [High sensitivity, fine quality consumption]

- All consumer spending by customers who are committed to life and seek fine quality, affluent lifestyles
- Consumption by all customers who use the Mitsukoshi Isetan Group, whether once a month or once a year, daily and special days.

### [Direction]

- Providing seamless customer experience value combining real stores and online through a "high-sensitivity" strategy and digital reforms.
- Expanding the "Group Lifetime Individual Customers" with "connected CRM" based on personal (individual) marketing,

## Aim of each customer category

### FY2024 (compared to FY2019)

#### Purchase amount

¥10 million or more per year

¥3 million or more per year

¥1 million or more per year

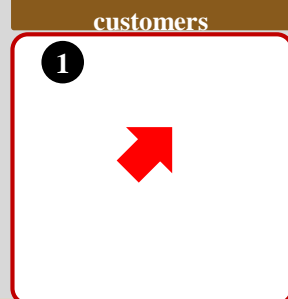
Less than ¥1 million per year

Digital ID only members

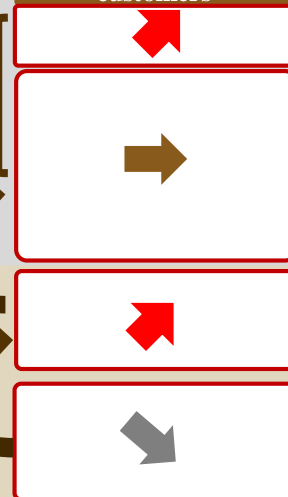
Cash and other companies' credit customers (non-digital ID members)

### MI Card Customers

#### Out-of-store customers

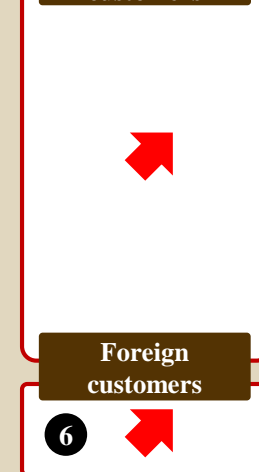


#### General card customers



- 1 Increase in non-commercial customers
- 2 Out-of-store customers
- 3 Upgrade MI Card Customers
- 4 Acquisition of digital ID members
- 5 MI Card Membership
- 6 Acquisition of inbound customers

#### Japanese customers



#### Foreign customers





## ① Construction of fine quality stores with high sensitivity

**Direction**

**Evolve the 2 main stores into symbols of "admiration and empathy"**

**To date**

•Refining "conventional department stores" as a flagship store



**Going forward**

•High sensitivity, fine quality network refined as "symbol" of urbanization

### Reform MD Balance by scientific analysis of department store

#### Isetan Shinjuku



**Vision**

To the symbol of "admiration and empathy" as global No1 and Only one store through "World's Latest and Latest" merchandising."

**Net sales**

•FY2019: ¥274 billion  
•FY2024: ¥320 billion  
(+¥46 billion)

#### Priority Initiatives

**[Merchandise]**

- Sharpen high-touch MD and fashion
- Overwhelming concentration of luxury brands
- Try for Primary Industry 2.8

**[Deployment]**

Creation of "new zoning" (new medium classification) based on the concept of high sensitivity

**[Service]**

"Inspiring and Innovative Services" to Enhance Customer Loyalty

**[Dissemination]**

Continuously disseminating the world's most seasonal information through promotional spaces

#### Mitsukoshi Nihombashi Store



**Vision**

To the symbol of "admiration and empathy" through unparalleled accumulation in the fields of "tradition, culture, arts, and daily life"

**Net sales**

•FY2019: ¥133 billion  
•FY2024: ¥140 billion  
(+¥7 billion)

#### Priority Initiatives

**[Traditional/Rating]**

Unique clusters of "tradition and character" brands

**[Culture and History]**

Inheritance and creativity, and the collaboration of digital and reality

**[Lifestyle]**

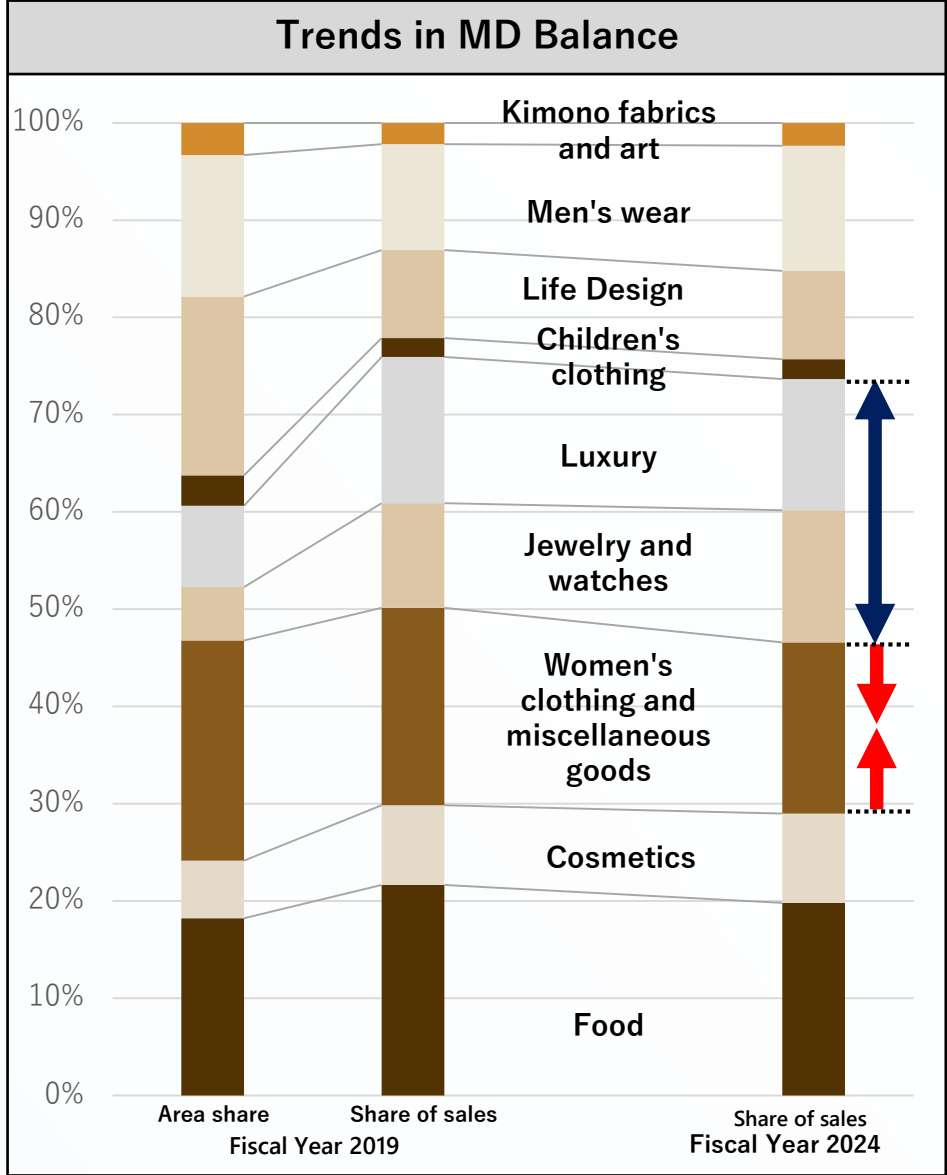
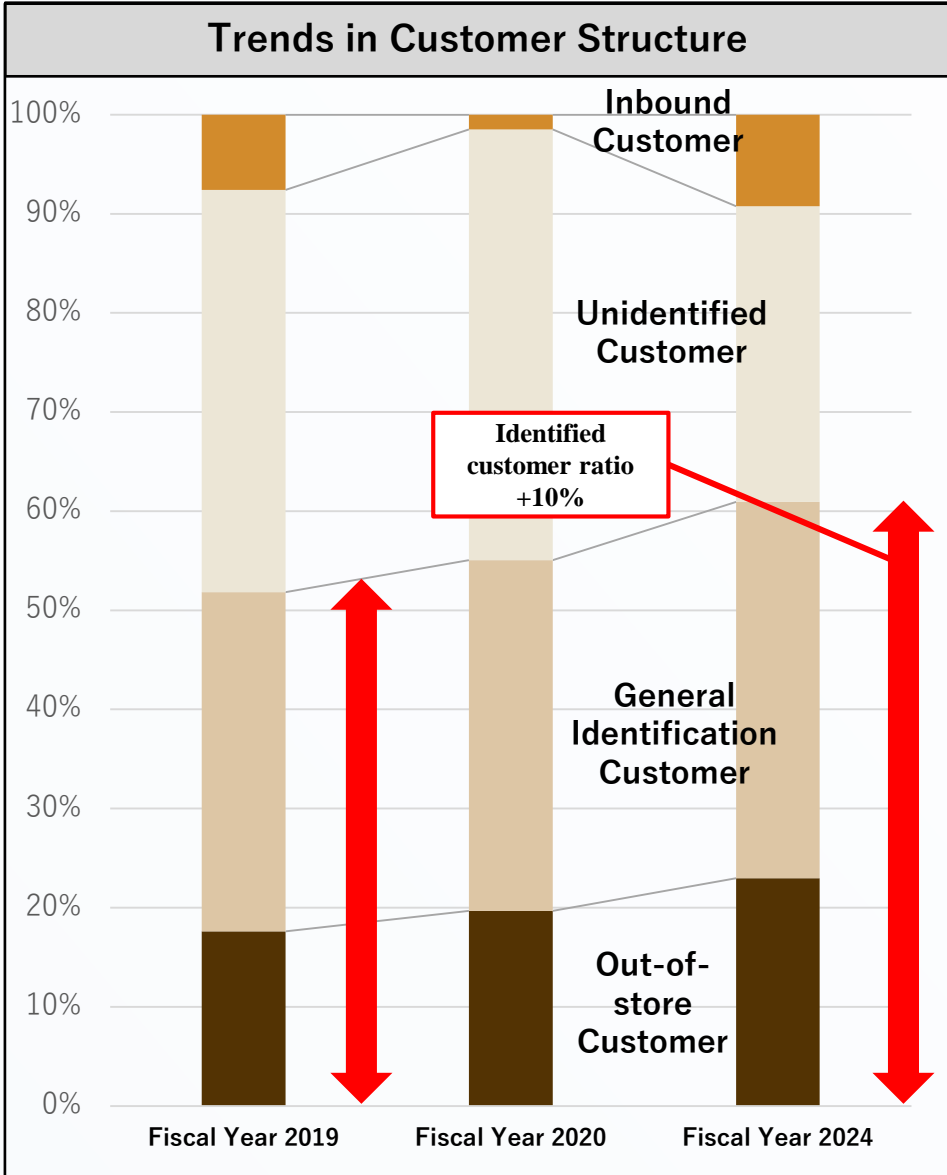
Re-raising of the highest quality of "daily life"

**[Dissemination]**

New venues for disseminating information symbolizing historical values (central halls, etc.)



**Customer Structure/MD Balance (Isetan Shinjuku Store and Mitsukoshi Nihombashi Store)**





## ②(Individual) Out-of-store sales Reform

### Direction

Increase the lifetime value of Out-of-store sales customers nationwide with [Out-of-store sales + buyers + in-store attendants] × [Digital]

### To date

1-on-1 sales activities with an emphasis on "experience and intuition"

### Going forward

- Direct Marketing Activities through a New Sales Network Structure Surrounding Customers
- Taking in "Potential Needs Outside Department Stores" they have not been purchased by department stores to date,beyond resolving customer requests.
- Establishment of "Integrated Out-of-store sales Organization" beyond Goodwill

### Major Initiatives

#### [Until now]

Proposals based on customer concerns and concerns  
(Sales centered on high-priced products developed in stores)

Out-of-store sales

Conventional sales activities

Out-of-store customers

#### [In the future]

Organizational proposal-based sales to meet all customer needs

[Data analysis using AI, etc.]

Group internal and external purchasing and lifetime events

[Buyer Network]

Each store Buyer

Out-of-store sales buyers

[Store Attendant]

Customer Input

New sales network

Out-of-store sales

At the pinpoint  
Be accompanied  
by buyers

Out-of-store sales customers



## ③ Establishment of high sensitivity, fine quality "base network"

### Direction

- Allocate brick-and-mortar stores to suit the size of the nationwide market in preparation for the dominance of high sensitivity consumption
- Establishment of a highly sensitive, fine quality network of bases based on flagship stores and regional stores

### To date

### Going forward

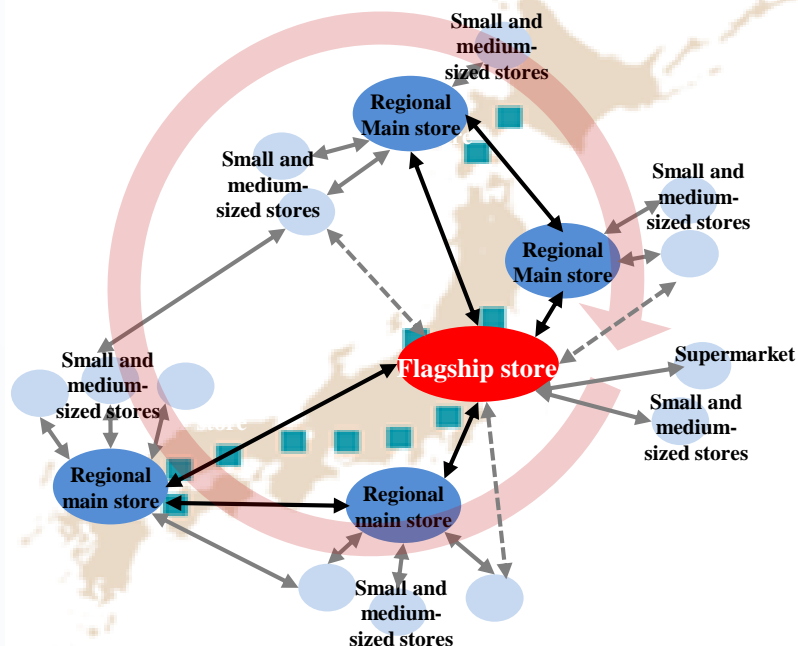


- Single-store thinking
- Shortage of cooperation between stores and stores
- Lack of customer asset perspective

- Strengthening Cooperation Utilizing High sensitivity "Base Network"
- With our digital network and sales network, Expansion of collaboration between stores and stores

### Major Initiatives

#### Seamless operation through brick-and-mortar stores and online functions



#### Brick-and-mortar base

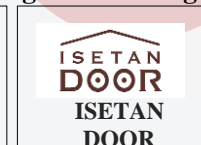
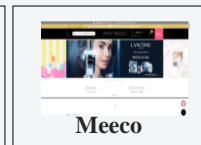
Domestic department stores  
20 stores

Small and medium-sized stores  
Approx. 100 stores

#### Network Systems/Sales Network

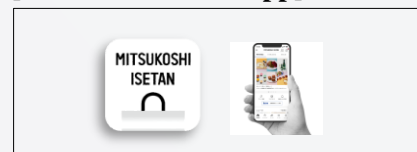
#### Online Features

##### [Isetan Mitsukoshi Online × Online gift × Each digital business]

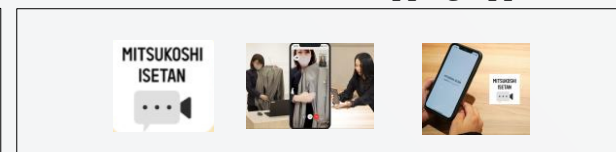


where one does not live

##### [Isetan Mitsukoshi App]



##### [Isetan Mitsukoshi Remote Shopping App]





## ■ Framework for "CRM Initiatives that connect with Individual Customers"

		Expansion of the parameters for "connected customers"	Increase the amount and frequency of use of "connected customers"							
Japanese customers	① Department stores Level CRM	<p>[Expand base of identified customers]</p> <ul style="list-style-type: none"> <li>• Introduction of MI points to cash/other companies' credit customers</li> <li>• Acquisition of MI app members and MI card members</li> </ul>	<p>[Personal measures using Isetan Mitsukoshi apps]</p> <ul style="list-style-type: none"> <li>• Expansion of Isetan Mitsukoshi customer program</li> <li>• Disseminating information and expanding services offered</li> </ul>							
	② Group Level CRM	<p>[Strengthen card acquisition outside department stores]</p> <ul style="list-style-type: none"> <li>• Acquisition of MI cards through external alliances, etc.</li> <li>• Acquisition of cards at SC/CRM</li> <li>• Promotion of Point Strategy</li> </ul>	<p>[Promoting the use of department stores and financial services]</p> <ul style="list-style-type: none"> <li>• Reciprocal customer referrals within the group</li> <li>• Expansion of financial services</li> </ul>							
		<p>Improve the attractiveness and convenience of MI cards</p> <p>[Renewal of MI Card] • Review MI Card Product Design and Promote Top Card</p>								
<p>Development of Payment Infrastructure</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">Responding to Diverse Payment Needs</td> <td style="width: 33%;">Streamlining through system revisions</td> <td style="width: 33%;">Improving Settlement Security</td> </tr> <tr> <td>[Expansion of acceptance payment methods]</td> <td>[Review of various systems and improvement of attractiveness]</td> <td>[Strengthen measures to prevent card fraud]</td> </tr> </table>					Responding to Diverse Payment Needs	Streamlining through system revisions	Improving Settlement Security	[Expansion of acceptance payment methods]	[Review of various systems and improvement of attractiveness]	[Strengthen measures to prevent card fraud]
Responding to Diverse Payment Needs	Streamlining through system revisions	Improving Settlement Security								
[Expansion of acceptance payment methods]	[Review of various systems and improvement of attractiveness]	[Strengthen measures to prevent card fraud]								
Foreign customers	③ Inbound Strategy	Acquire new customers (expand market share)	Expand sales from shopping/repeat customers	Expand sales from high net worth overseas customers						

MI card  
Improve profitability

Inbound sales more than before COVID-19  
centerd  
Ginza store  
« Revival »

※ Identified Customers ⇒ MI Card Members + App Members (Non-MI Card Members) + Digital ID Members (EC only)



**Improving Card Business Profits through "CRM Connecting Individual Customers"**

<b>Department store level CRM</b>	<ul style="list-style-type: none"> <li>• Grant of MI points to cash/other companies' credit customers</li> <li>• MI app and MI card</li> <li>• Customer Program</li> </ul>
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<b>Group level CRM</b>	<ul style="list-style-type: none"> <li>• Acquisition of MI Card Members at SC</li> <li>• Reciprocal customer referrals within the group</li> <li>• Expansion of financial services</li> </ul>
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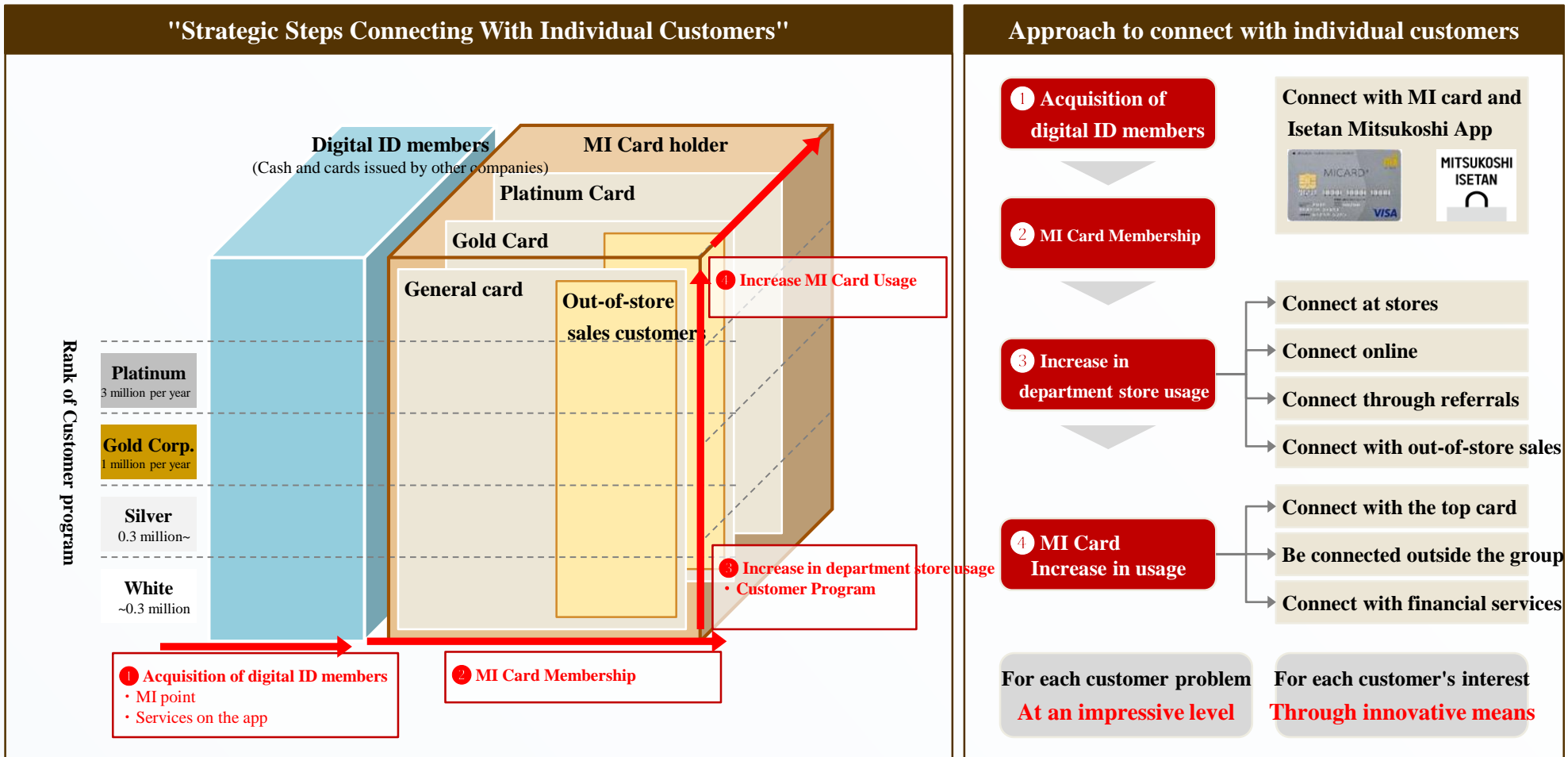
<b>Alliance</b>	<ul style="list-style-type: none"> <li>• Outside the Group Promoting the acquisition, referral and use of MI Card members</li> <li>• Expansion of external franchised stores</li> </ul>
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<p>[Card annual membership fee income] </p>	<p><b>Hits the earnings of MI Card Co., Ltd.</b></p>
<p>[Fee income] </p> <ul style="list-style-type: none"> <li>• Shopping commissions</li> <li>• Installment revolving fee</li> <li>• Interest on loans</li> </ul>	
<p>[Finance income] </p> <ul style="list-style-type: none"> <li>• Insurance income</li> <li>• Data revenue</li> <li>• Revenues from new financial instruments</li> </ul>	



## ■ Approach to step-linking strategies

<b>Direction</b>	<ul style="list-style-type: none"> <li>Expanding the scale and amount of use of "connected customers" through both the department store business and the card business.</li> <li>Isetan Mitsukoshi Apps and MI Card to implement approaches according to the steps of "connected individual customers".</li> </ul>
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## Direction

- Develop the revitalized department store business system every step
- The "Preparatory Organization" was established in the fall of Fiscal Year 2021. Establish "Stronger intra-Group coordination Promotion System" in Fiscal Year 2022

### To date

- Emphasis on individual stores/company thinking
- Profitability structure dependent on the department store business

### Going forward

- Emphasis on federal thinking
- Reduce external outflow costs (Step 1) and expand external revenues (Step 2~)
- Structure business systems developed for in-house use and sell them externally (Step 3)

## Major Initiatives

### “Intra-Group coordination” strategy

**Step 1**  
"business process insourcing"

**Step 2**  
"Outside B2B Sales of Group Resources"

**Step 3**  
Isetan Mitsukoshi Managed Service

CRE

"CRM strategy connecting with individual customers" strategy

Insourcing of customer contact operations

Matching outside sales for customer information and group content

High sensitivity, fine quality card alliance

Business systems

CRE

Insourcing of remodeling work

Arrangement of consignment for SC opening projects  
⇒ Commercial × Card × System

Business systems

System Data base

On business platforms In-house development

Out-of-store sales activities

System Data Alliance

Alliance with real estate business partners



**Direction** Dynamic utilization of “ the 4 DX’s” in-house we have developed and “integration of brick-and-mortar stores and people” (⇒ Our seamless strategy) in our high sensitivity, fine quality strategy.

**To date**

- Digitally Replaces Real Operations
- Individual initiatives on a non-consolidated and non-consolidated basis

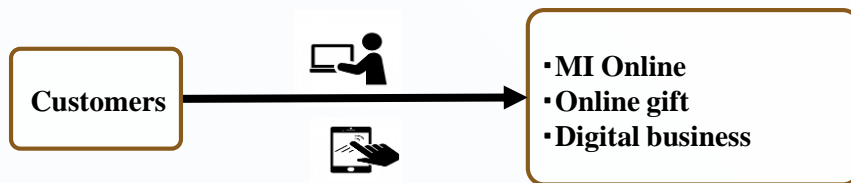


**Going forward**

- Mechanisms that combine functions developed on a non-consolidated basis and on a non-consolidated basis
- Providing the best customer experience using shopping, customer service, sales support, and appeal functions

## Major Initiatives

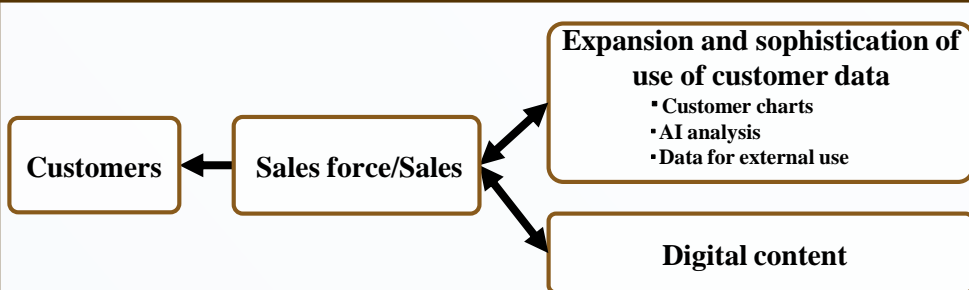
### 1 Online shopping experience



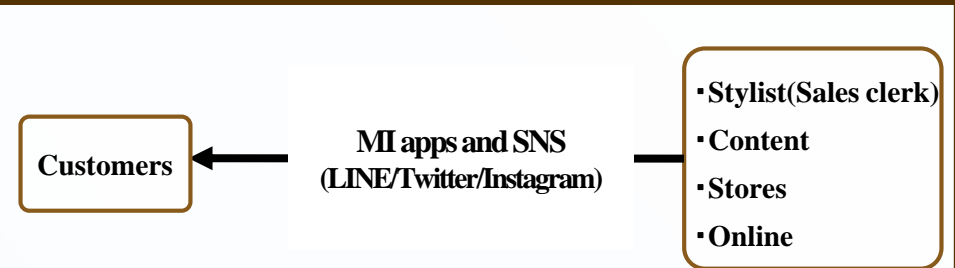
### 2 Digitization of customer service



### 3 Digitization of sales support



### 4 Online appeal



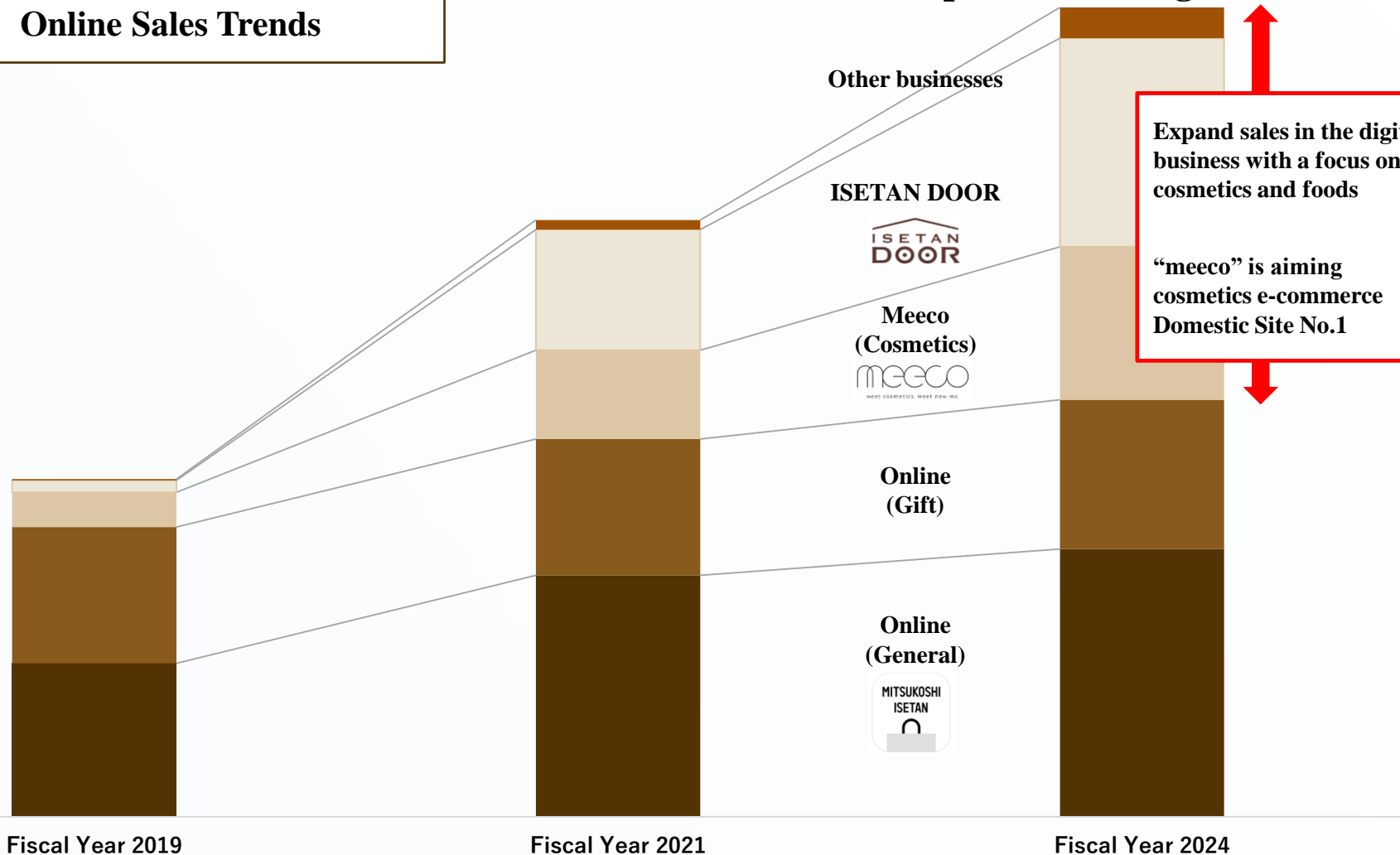


## TOPICS

- Online Sales Performance Steadily.
- Expanding the scale of sales in the digital business centered on cosmetics and foods.

### Online Sales Trends

Sales plan exceeding ¥60 billion



Expand sales in the digital business with a focus on cosmetics and foods

“meeco” is aiming cosmetics e-commerce Domestic Site No.1



## ① Development of "Urban Development " for core stores

### Direction

- Promoting "Urban Development " as a symbol of " admiration and empathy" in High sensitive, fineQuality "Base Network"
- Redevelop flagship store areas and nationwide areas for future [Fruiting Phase]

### To date

- Separation of trade areas between areas ⇒ Competition within independent trade areas
- Refine department stores as "traditional flagship stores" (accumulate remodeling)



### Going forward

- Special "symbol" in high sensitivity, fine quality networks nationwide
- Developing "Sustainable New Value" with Department Stores as Its Source

## Major Initiatives (Shinjuku East Exit Area)

### Moves toward Urban Development

- ◆ Participation in the Shinjuku 3-chome Station-Front Western District Urban Redevelopment Preparatory Association
- ◆ Formulating Our Urban Development Concept Framework in the Future
  - Internal PMO (project management office by CEO and management)
  - Cross-Divisional Grand Design Project (5 teams at all levels)

To the creation of attractiveness and value in "unique towns" aimed by the region

Make group-wide efforts

Ability to attract customers



Business profitability



Unique appeal

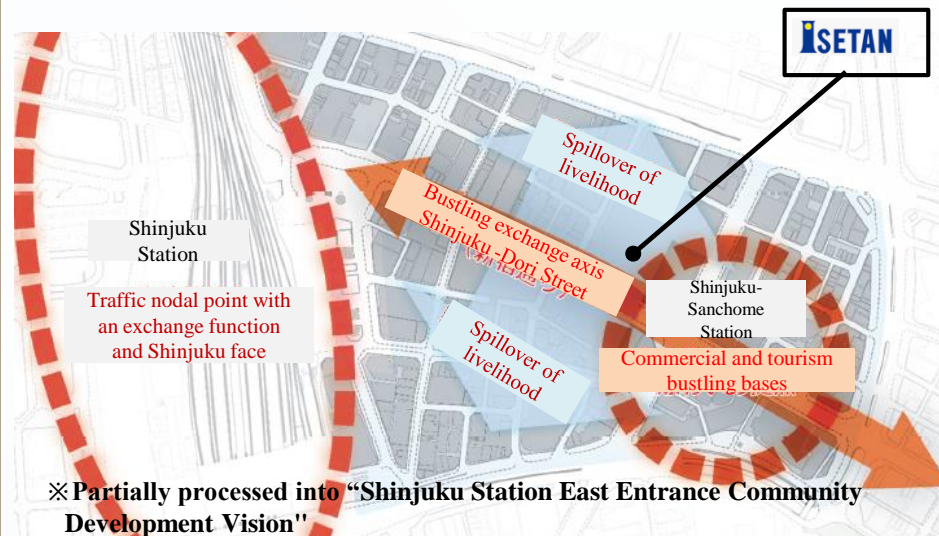


In towns Necessary functions

### ◆ Shinjuku Station East Entrance Community Development Vision [Town Future Picture]

A bustling town representing Japan that makes you want to walk

~Formation of a lively exchange axis centered on Shinjuku Street and 2 bases centered on railway stations~





## ② Value-up development of nationwide real estate holdings

### Direction

- Build a new business model maximizing the use of real estate holdings nationwide to build a highly sensitive, fine-quality "base network"
- Real estate development from the "town development" point of view that contributes to regional revitalization with renewed attention to regional economic zones

### To date

- Store closings and contraction caused by an increase in building maintenance and management costs
- Lack of approach to potential customers in "areas with insufficient store openings" of department stores

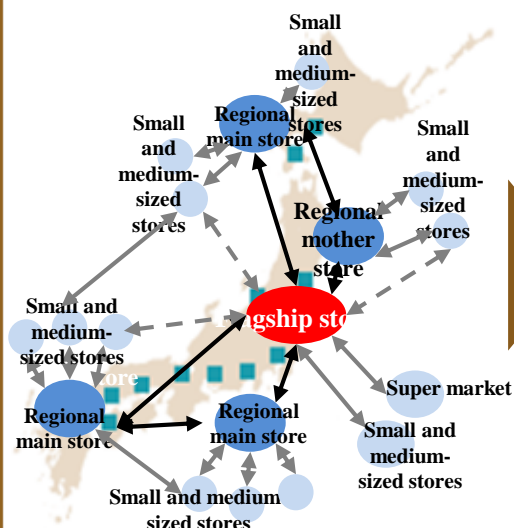
### Going forward

- Value resetting through redevelopment utilizing owned real estate
- Restructuring the highly sensitive, fine quality "base network"

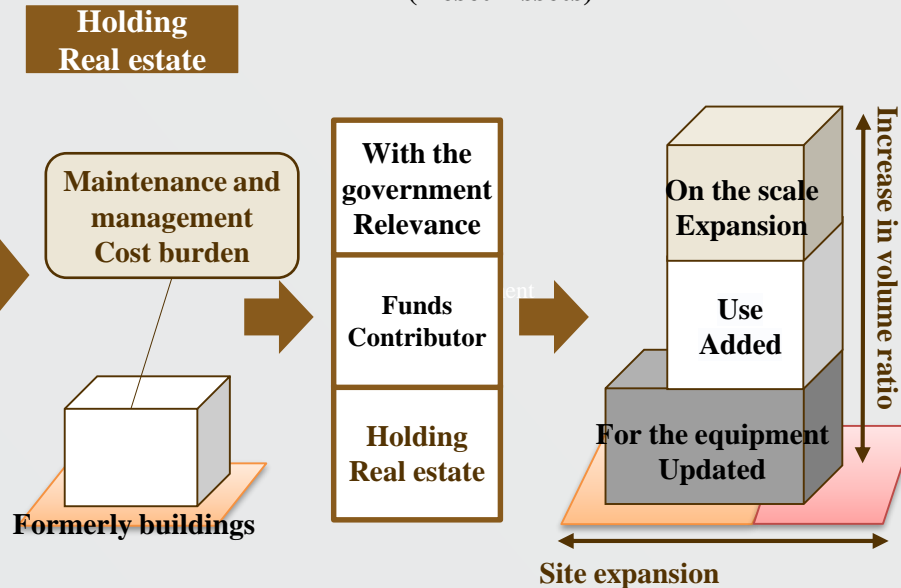
### Major Initiatives

#### i) Strategic Direction

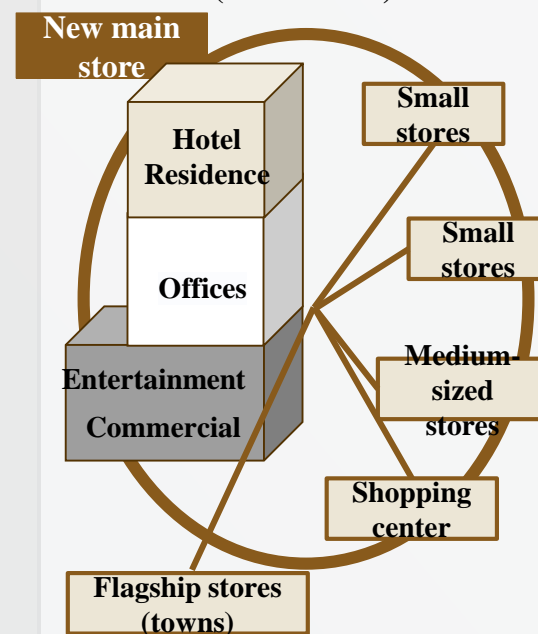
#### Establishment of a network of group bases



#### [Business model reform] (Reset Assets)



#### [High sensitivity "Base Network"] (Reset Value)





## ii)Design of a business model

### Direction

For each of the owned and leased properties in order to build a highly sensitive and fine quality "base network"  
**Designed according to the business structure in line with "market size × customer needs × distance of parent store"**

#### Restructuring of existing stores

- Shift from "conventional department store structure"
- New lifestyle content
- Improve ability to attract customers by introducing (city center)

#### Station-Front Facility Occupancy Type

- Daily food and other food products
- Lifestyle proposals

#### "Non-opening area" type of department store

- Daily content closely linked to the market

### TOPICS

Examples of High sensitivity, fine quality "Base Networks"

#### ◆ Matsuyama Mitsukoshi (renovation)

Ehime



- 9 layers
- Opened in October 2021

#### ◆ FOOD&TIME ISETAN OFUNA

Kanagawa



- GRAND SHIP 1 and second floors
- Opened in July 2021

#### ◆ Corridor Fuji (renovation)

Shizuoka



- 3 layers
- Opened in May 2021

#### ◆ Mitsukoshi Tokushima

Tokushima

- Tokushima Amico
- 2nd Floor/5th Floor
- Open: Spring 2022

#### ◆ Mitsukoshi Toyota

Aichi

- 2nd floor of T-FACE
- A Pavilion
- Open: Spring 2022



## TOPICS

### Matsuyama Mitsukoshi case

- Proposing lifestyle proposals that expand content through collaboration with local companies
- A new model that expands collaboration between stores and stores through a digital network and a sales network



× **Regional collaboration**

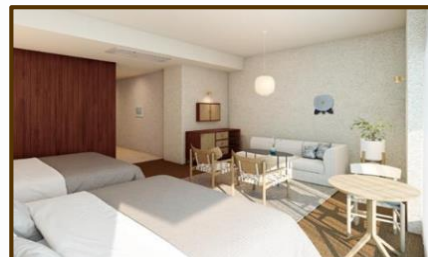
8F	Hotel Restaurant
7F	
6F	Fitness Aging Care Park
5F	
4F	Department store MD
3F	
2F	
1F	Food hall Market
B1F	

**"Experience of staying, beauty and health"**

**DX and department stores  
"High sensitivity and fine Quality"**

**Food & Regional MD  
"Living"**

[Scandinavian Lifestyle Hotel "LEPO"]



[Aging Care Park]



[Establishment of digital salons]



[Remote shopping with both main stores]



[Brick-and-mortar stores]

- Order special brand
- Special brand sales events
- Accept midyear gifts and yearend gifts

[Digital]

- Responding to the products of both main stores through remote shopping
- Remote experience of the workshop
- Online shopping





## ③Overseas Business Model from the CRE Perspective

### Direction

[Existing businesses] : Implementation of "selection and conversion" based on contract term and profitability

[Future business development] : Aiming for a "development-oriented model" that leverages our expertise in commercial operations

### To date

- Developing a Domestic Department Store Management Model Overseas
- First-mover advantage in line with each country's life cycle



### Going forward

- ◆ Existing businesses
  - Improvement in profitability due to structural reforms such as category revisions
  - Overall judgment based on the contract period, etc.
- ◆ Outlook
  - Development-type model that leverages our expertise in commercial operations to date

### Viewpoint of considering future business development

- Economic development areas with remarkable population growth
- Combination of our goodwill and leading local partners
- Participating in Real Estate Development that Generates Diversified Revenues

  
Category revision

Selection and Conversion

  
Overall judgment

Completion of development projects



## ① Cost structure reforms

### Direction

- Redesign the department store business structure by controlling fixed costs from a scientific perspective. (lowering the break-even point)
- Exploring Isetan Mitsukoshi's initiatives ahead of the past and expanding them horizontally throughout the Group.

### To date

- Idea of previous year's thinking
- Prior implementation at Isetan Mitsukoshi



### Going forward

- Cost Structure Reform Based on Standard Indicators Based on Scientific Analysis
- Expansion of reforms through horizontal deployment throughout the Group

### Major Initiatives

#### Scientific department store business structure

##### ◆ Staffing control based on sales scale

- Number of employees ⇒ Target sales per employee of ¥100 million
- Direct-to-indirect ratio ⇒ Target 9:1

##### ◆ Optimizing Cost Allocation through Revenue Recognition

- PL by location ⇒ Profit indicators by store/floor, etc.
- Product Liability by Channel ⇒ Profit Indicators for Online/Store, etc.
- PL by Customer > Revenue Indicators for Foreign Trading Customers/Identified Customers, etc.

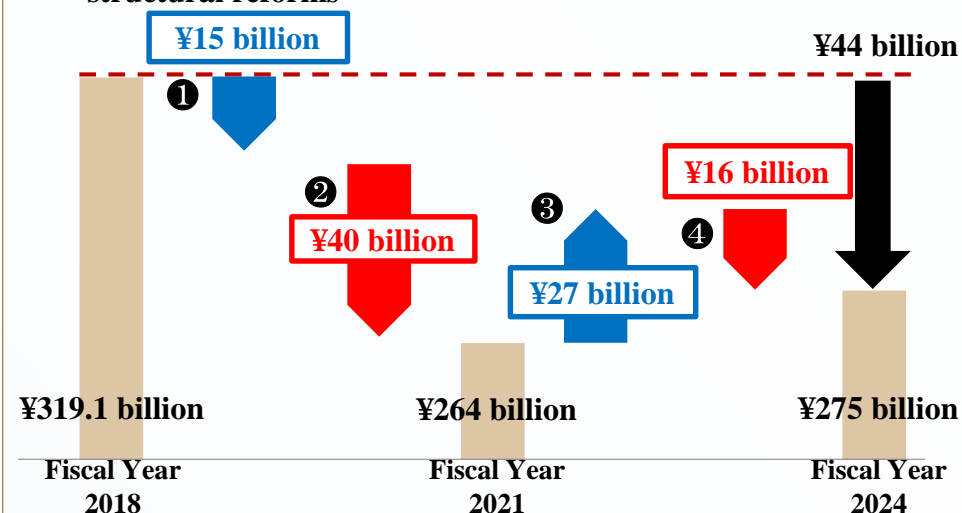
##### ◆ Advertising expenses for each customer

- Control by disciplining the ratio of advertising expenses to sales at department stores

#### Trends in SG&A Structural Reforms

※ Prior to the adoption of the revenue recognition standard

- ① Variable costs and other expenses decreased by ¥15 billion due to the decrease in sales.
- ② Reduced fixed costs by ¥40 billion through structural reforms
- ③ Variable costs, etc. increased by ¥27 billion due to sales recovery
- ④ Planning to reduce fixed costs by ¥16 billion through further structural reforms





## ② Redesign the department store business structure

**Direction** Redesigning the Business Structure by Optimizing the Number of Staffs from a Scientific Perspective

### To date

The concept of "how many people are placed on the floor"

### Going forward

Scientific idea of assigning a number of people to "effects" by sales, profit, customer, etc.

### Major Initiatives

#### Approach to Optimizing Personnel in the Department Store Business

- ① Scientific staffing
- ② Reduction of indirect personnel through discipline of direct-to-indirect ratio
- ③ Insourcing in accordance with federal strategy

#### Current status

Other businesses  
10%

Indirect department personnel  
16%

Department stores Business  
90%

Direct department personnel  
84%

Architectural redesign

#### Fiscal Year 2024

Other businesses  
20%

To the federal strategy  
Accorded transfer

③ Insourcing

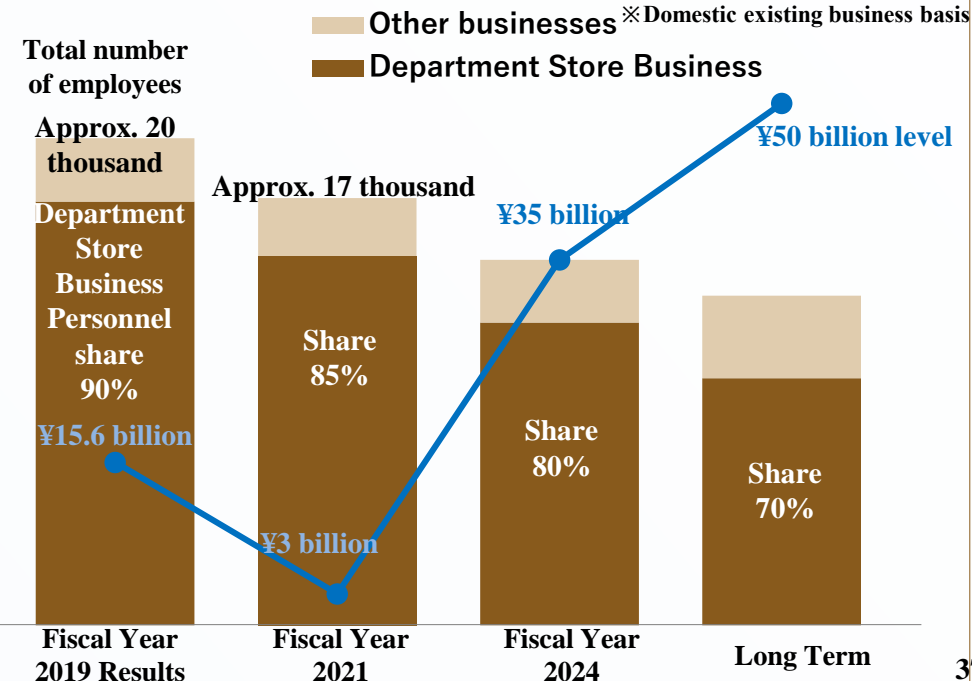
Indirect department personnel  
10%

① Department stores Business  
80%

② Direct department personnel  
90%

#### Approach to Staffing for Domestic Operations

- The number of staffs in the department store business declined over the long term.
- At the same time, personnel shifted to the financial business, real estate business, etc.
- Employee compensation to recover along with business performance





**Direction** Maximize the use of systems that have been developed in-house for in-house use in combination with strategies. Thereafter, external expansion

**To date**

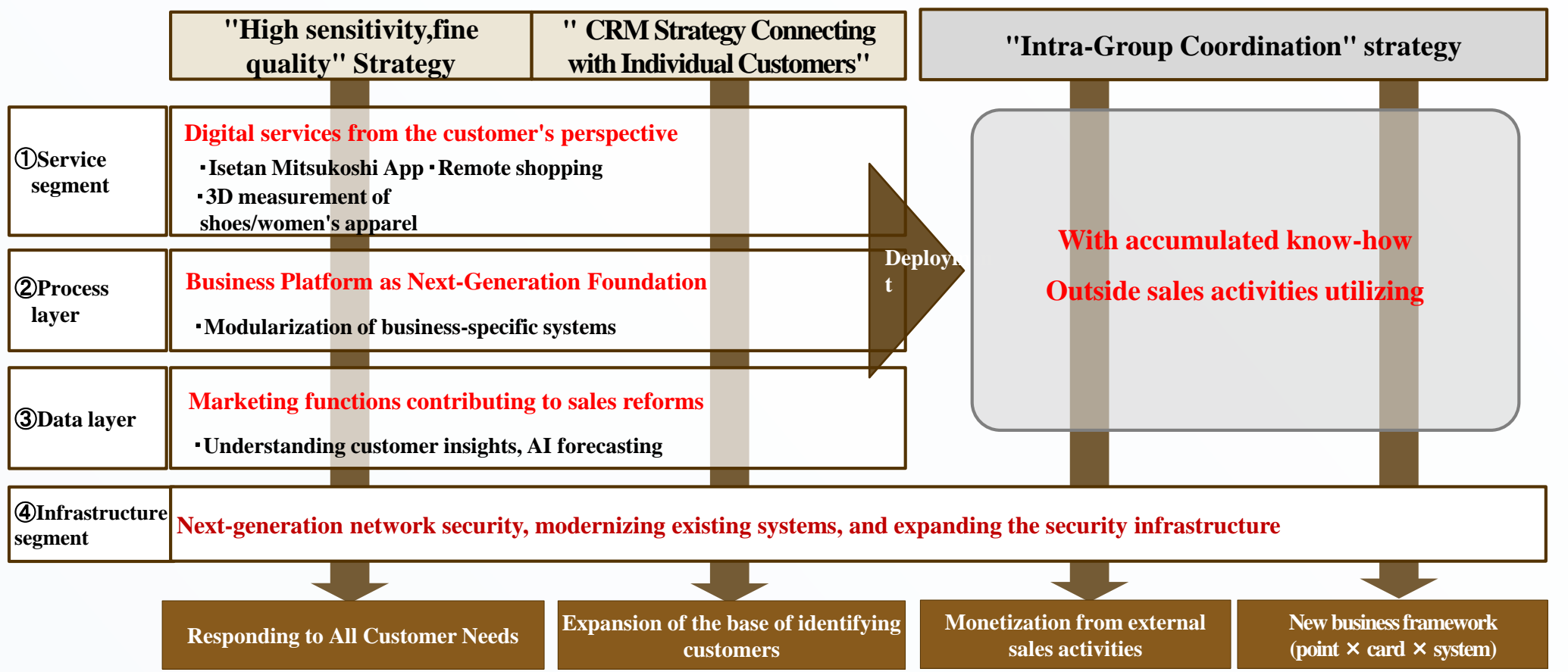
- Development of individual digital services with an emphasis on speed
- To develop systems tailored to its own operations



**Going forward**

- External sales by combining systems developed for own use with strategies
- Deployment of in-house system and accumulated know-how to the federal strategy

## Major Initiatives





## Direction

- Improve organizational strength to maximize the power of human resources and realize strategies
- Developing a corporate culture in which all employees can work together without being aware of the need for tactics and are proud of contributing to them.

### To date

- Lengthening of department store skills and know-how and narrowing of expertise
- Culture of individual stores and company thinking



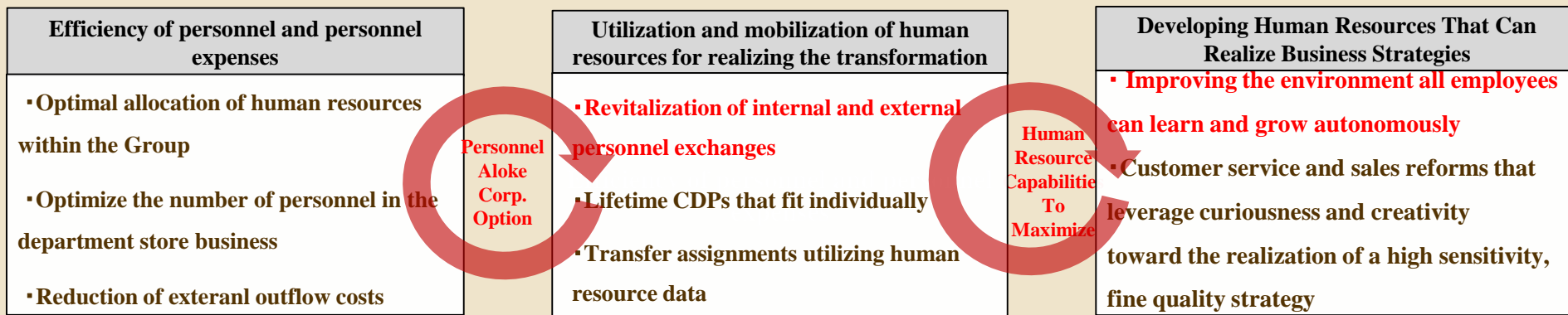
### Going forward

- Human Resource Exchange, Wide-Ranging Experience, Building Networks and Multitasking
- All employees have a managerial mindset and foster an organizational culture that is optimal for the entire company

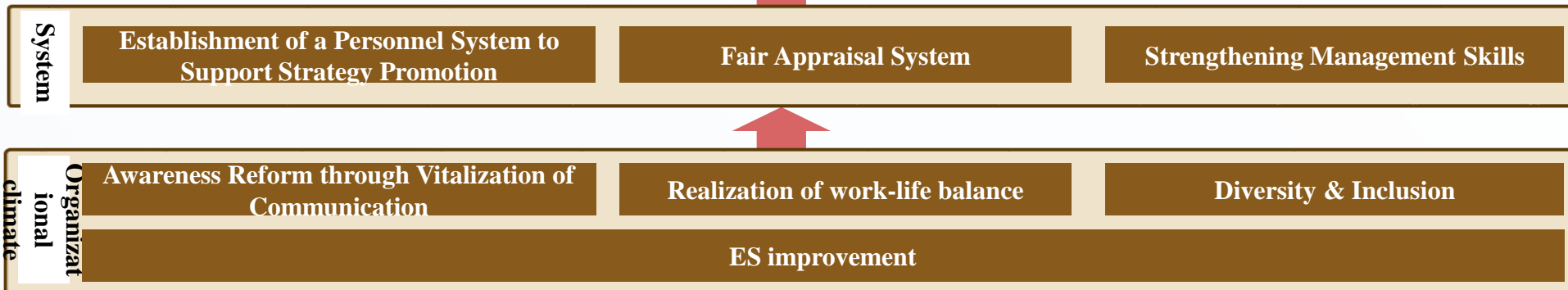
## Major Initiatives

### Maximizing Human Resources for the Stronger intra-Group coordination strategy

Strategic Initiatives



Infrastructure and Organizational climate





# ①-Toward management with an emphasis on sustainability

<b>Direction</b>	<ul style="list-style-type: none"> <li>Contributing to Solving Social Issues through Corporate Activities as a Corporate Responsibility to Society.</li> <li>Playing a role in realizing a prosperous future for people and a sustainable society.</li> </ul>
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<b>To date</b>	➔	<b>Going forward</b>
<ul style="list-style-type: none"> <li>With our business activities based on a sustainable spirit since our founding</li> <li>Balancing Social Contributions</li> </ul>		<ul style="list-style-type: none"> <li>Engage in group-wide and department store operations for each priority initiative</li> <li>Establishment of specific items and promotion toward long-term goals</li> <li>Publish the Sustainability Report (at the end of November 2021) and activate the Promotion Conference</li> </ul>

## ■ Priority Initiatives (Materiality)

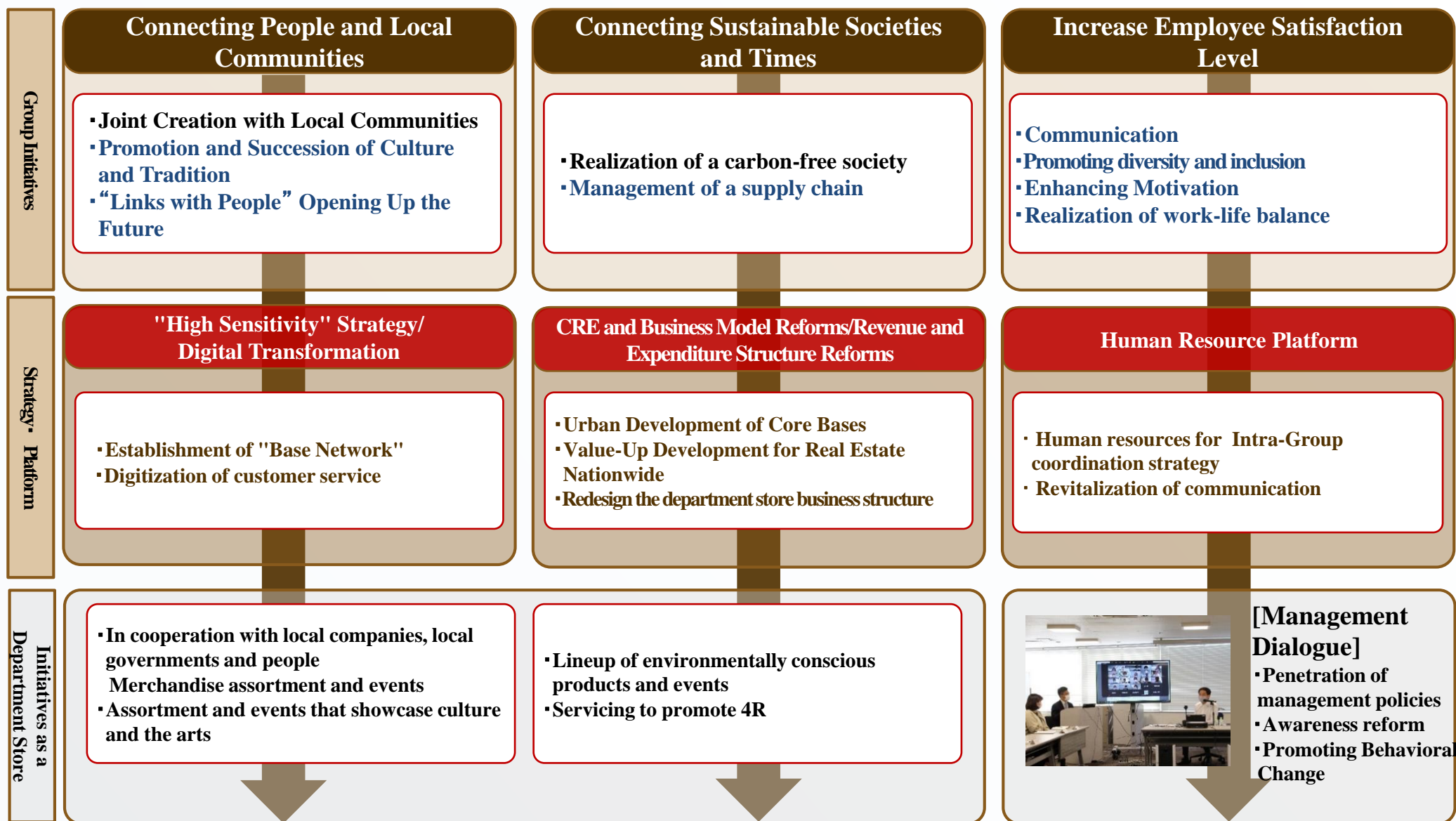
Priority Initiatives	Group Initiatives	Initiatives as a Department Store	2030 KPI	SDGs
[Priority Initiatives] ① <b>Connecting People and Local Communities</b>	<ul style="list-style-type: none"> <li>Cooperation with Local Communities</li> <li>Promotion and Succession of Culture and Tradition</li> <li>"Relationships with People" to Pioneer the Future</li> </ul>		Creating of the unique attractiveness in region and new value	
[Priority Initiatives] ② <b>Connecting a Sustainable Society and the Times</b>	<ul style="list-style-type: none"> <li>Realization of a carbon-free society</li> <li>Management of a supply chain</li> </ul>		<u>CO2 Emissions]</u> ▲ 50% (compared to Fiscal Year 2013)	
[Priority Initiatives] ③ <b>Improving the Satisfaction of Employees</b>	<ul style="list-style-type: none"> <li>Communication</li> <li>Promoting diversity and inclusion</li> <li>Enhancing Motivation</li> <li>Realization of work-life balance</li> </ul>		<ul style="list-style-type: none"> <li>Sustainable product lineup</li> <li>Promotion of 4R</li> <li>Disseminating Culture, Technology, and Sensitivity</li> </ul>	[% of Females in Management Positions] 38% [% of people with disabilities in workforce] 3.5%

[Base] Group Governance and Communication





## ①-ii: Combining Sustainability Strategies





## ② Governance Structure and Risk Management Structure

### ■ Governance for Sustainable Growth

#### Energized the Board of Directors

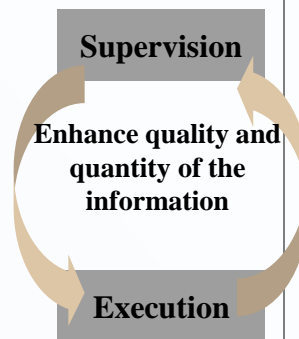
**In order to further improve quality decision-making and effectiveness, Ensuring Transparency in the Decision-Making Process and Strengthening Monitoring**

##### ① Second year of transition to a company with nominating committees

- New system with an outside director serving as chairman of the Board of Directors
- 2-thirds of directors are outside directors

##### ② Efforts by the Board of Directors

- Annual scheduling of important agendas
- Expansion of Board Meetings
- Holding information exchange meetings only for outside directors
- Providing opportunities such as inspections of stores and business sites



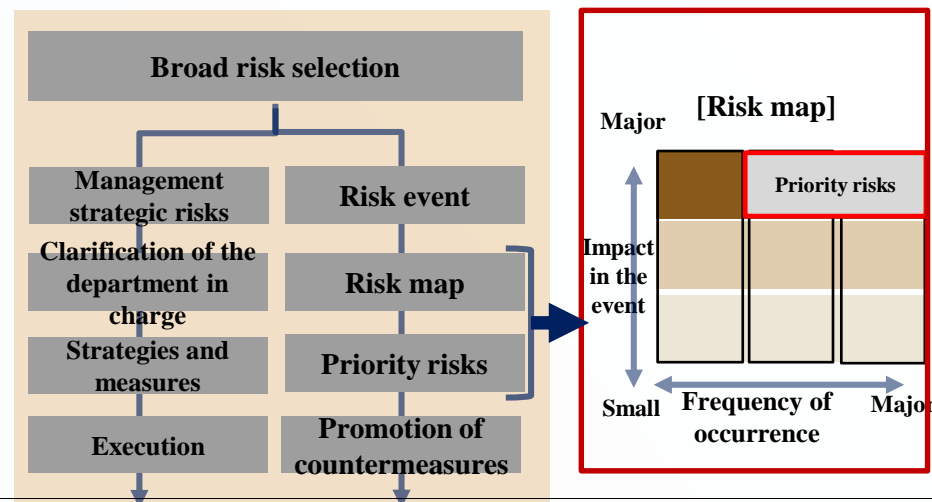
##### ③ Efforts by the 3 Statutory Committees

- **Nominating:** Transformation into a Strategic Executive Human Resources and Succession Plan
- **Remuneration:** Reform to remuneration directly linked to incentives to increase corporate value
- **Audit:** Monitoring of priority risks and sharing with the Board of Directors

#### Risk Management System

**By recognizing a wide range of risks and multiple defense lines Preventing Risks and Strengthening Responsiveness in the Event of Emergence**

##### ① Risk Management Flow



##### ② Concept of Defense Line

- Clarify roles and responsibilities from site to audit under the concept of 3-line defense
- Strengthen responsiveness and establish an effective management system



### ③Stakeholder Engagement

**Approach**

**Building Relationships of Trust through Continuous Dialogue with a Wide Range of Stakeholders**

**Funalization**

Aiming of becoming a fan through continuous dialogue and appropriate feedback

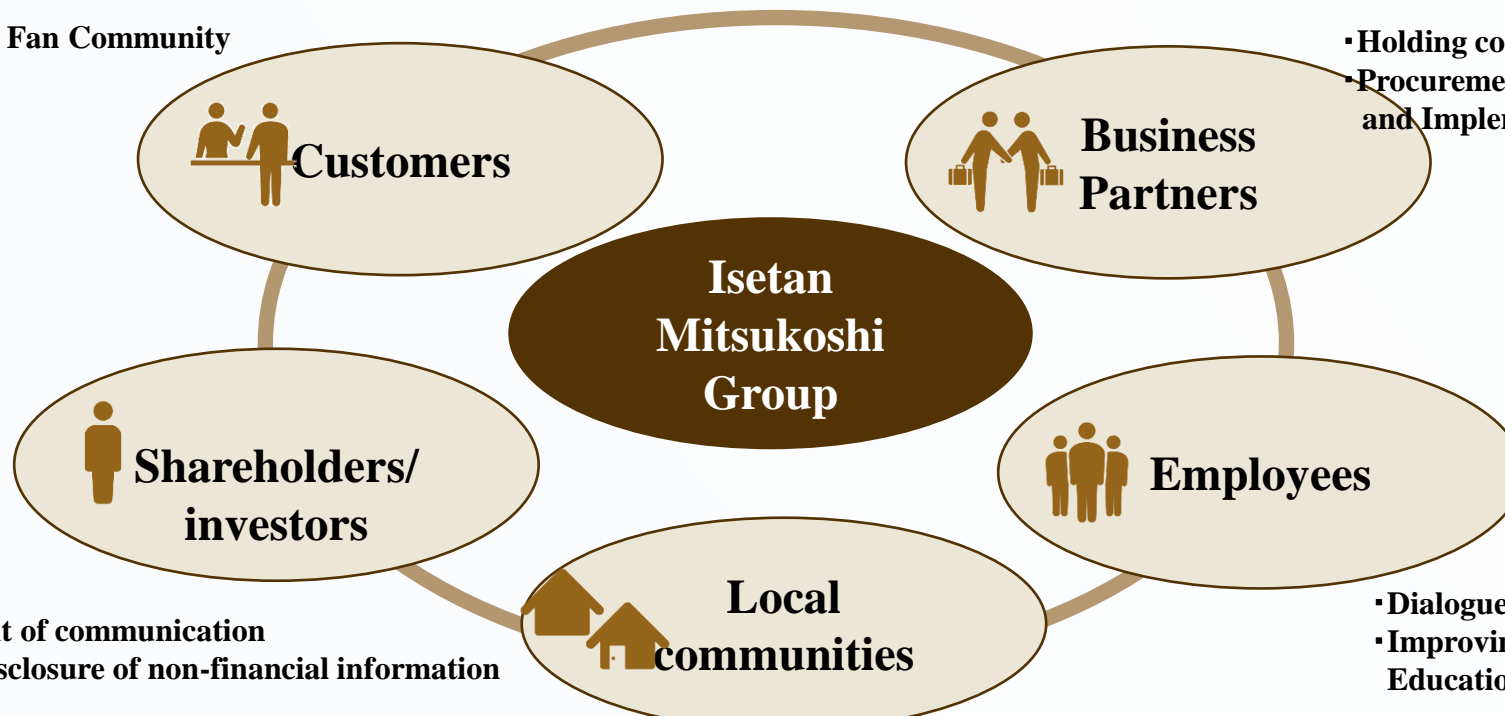
**Balanced management**

Focusing on Balance and Building Trustworthy Relationships

**Future-oriented engagement**

To be a company that always meets the needs of the times through problem solving based on mutual understanding with stakeholders

•Creating a Fan Community





## ④ Restructuring of the management system

### Direction

**Shift to a management system aimed at achieving KPIs by promoting the new medium-term management plan and monitoring PDCA**

#### To date

- Formulated management plan with "waterfall type"
- Profit management in the product group
- Designing a system that emphasizes "individual company/store optimization"

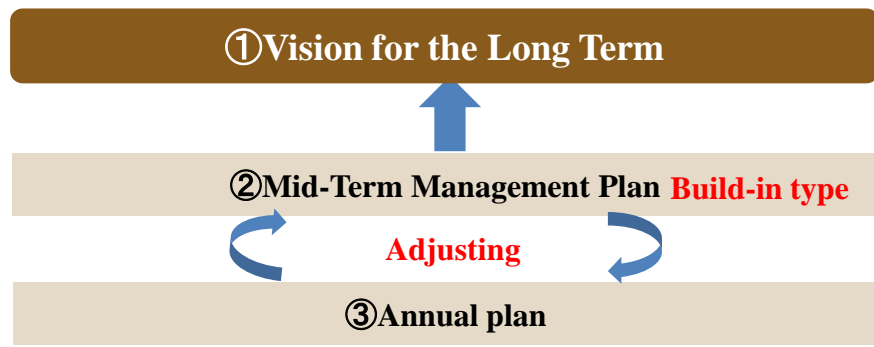


#### Going forward

- Formulated management plan with "build-in" awareness of → parties and management mindset
- Manage earnings at stores/businesses Scientific at → department stores
- Institutional Design with Emphasis on "Group-Optimization" → Federal Thinking

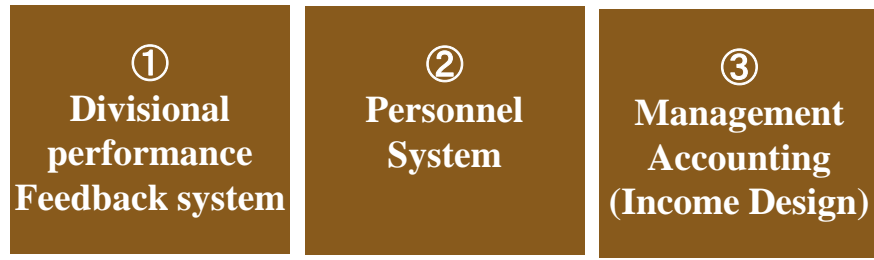
### Major Initiatives

(1) Management plan



- ① Vision for the Long Term
- ② Mid-Term Management Plan
  - Build-in plans for each division through direct dialogue with management
- ③ Annual plan
  - Develop action plans and KPIs and implement PDCA
  - Adjusted to match the progress of the medium-term plan

(2) System



- ① Divisional performance feedback system
  - Introduced as an impact system that "drives people and teams"
- ② Personnel System
  - Optimize Group Allocation and Improve Labor Productivity
- ③ Management Accounting (Income Design)
  - Visualization revenues and expenditures from vertical, horizontal, and diagonal direction, and optimal "internal commissions" system

(3) Base



Strategic organization



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