Isetan Mitsukoshi Group Business Results Explanation Meeting First Quarter of the Fiscal Year Ending March 31,2024

August 3, 2023

ISETAN MITSUKOSHI HOLDINGS

I: Results for the First Quarter of the Fiscal Year Ending March 2024

II: Full Year Plan for the Fiscal Year Ending March 2024

I would like to explain the results for the first quarter of the fiscal year ending March 2024 and the full-year plan for the fiscal year ending March 2024.

I: Results for the First Quarter of the Fiscal Year Ending March 2024

II: Full Year Plan for the Fiscal Year Ending March 2024

First, we will look at the results for the first quarter of the fiscal year ending March 2024.

Consolidated Financial Results (First Quarter)

- Gross sales remain strong: Significant sales increase due to recovery in inbound sales in addition to strong domestic non-tax-exempt sales.
- Steady progress in SG & A expenses control: Despite increase in expenses due to sales-linked costs, expenses restructuring has made steady progress.
- Operating income doubles year-on-year: Q1 operating profit exceeds pre-COVID (FY 2018) level. (Comparison before adoption of the revenue recognition standard)

(0.1 billions of yen)	1Q (April-June)	YoY	Year-on-year difference	(Reference) Before adoption of the revenue recognition standard
Gross sales	2,777	114.3%	+348	2,777
Net sales	1,186	116.8%	+170	2,777
Gross profit	706	113.7%	+85	786
Selling, general and administrative expenses	620	106.6%	+38	672
Operating income	86	218.3%	+46	114
Recurring income	101	223.1%	+55	127
Net income	68	120.4%	+11	95

Here is the consolidated results for the first quarter from April to June.

The red box indicates the actual figures for the first quarter. Gross sales remained strong at 277.7 billion yen, and revenue increased sharply from the previous year, which is an increased 34.8 billion yen or 114.3% year-on-year, owing to the recovery of inbound sales in addition to steady domestic demand.

Net sales after the adoption of the revenue recognition standard were 118.6 billion yen. Net sales increased 17 billion yen or 116.8% year on year.

Selling, general and administrative expenses have been steadily controlled at 62 billion yen. The year-on-year rate was 106.6%, which is relatively low compared to sales growth. Although there has been an increase in expenses related to sales, we are making steady progress in reforming our cost structure reform.

Operating income was 8.6 billion yen, 218.3% year on year. It has doubled compared to the previous year. Before the adoption of the revenue recognition standard, operating income was 11.4 billion yen, exceeding the level of operating income in fiscal 2018 before the COVID-19 pandemic.

Recurring income was 10.1 billion yen and net income was 6.8 billion yen, exceeding the previous year.

Isetan Shinjuku Main Store First Quarter Net Sales Trend (After Consolidation)

- Isetan Shinjuku Main Store posted record net sales in the first quarter, continuing from last year.
- Isetan Shinjuku Main Store will continue to promote its "High sensitivity, fine quality" strategy and CRM strategy to increase net sales.



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

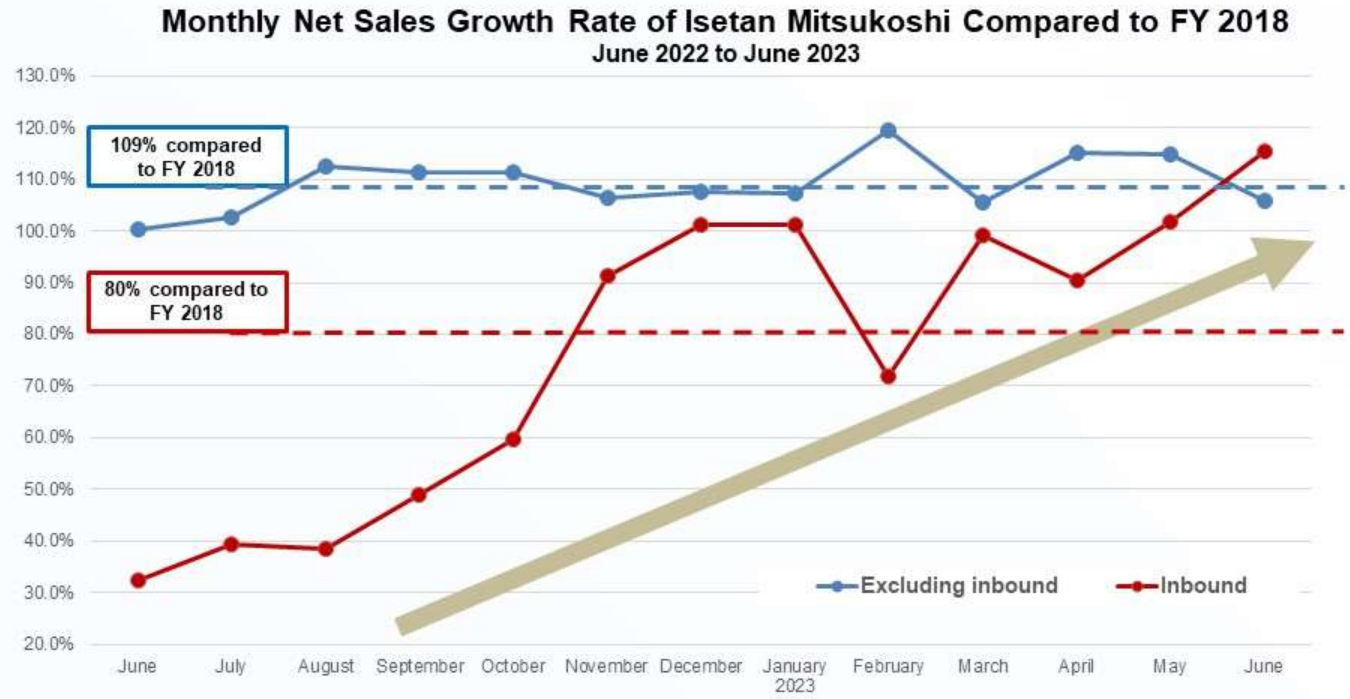
Next, we will look at the top line (net sales).

This table shows the net sales of Isetan Shinjuku Main Store in the first quarter of each fiscal year since the consolidation.

With a peak in fiscal 2018, net sales declined significantly due to the impact of COVID-19 in fiscal 2020. However, net sales recovered from fiscal 2021. Net sales remained strong in the first quarter of 2023, continuing to renew the highest record.

Going forward, we will continue to promote our "high sensitivity, fine quality" strategy and "CRM strategy connecting with individual customers" to increase net sales.

- Growth rate of net sales excluding inbound sales of Isetan Mitsukoshi Ltd. remained steady on a non-consolidated basis. The cumulative figure for the first quarter was 111%.
- Meanwhile, growth rate of inbound net sales has surged since June, and the cumulative growth rate in Q1 was 102% of FY 2018.
- All of these figures exceeded full-year plan (Net sales excluding inbound sales to be 109% of FY 2018, inbound sales to be 80% of FY 2018).



*Excludes Isetan Sagamihara, Isetan Fuchu and Ebisu Mitsukoshi
*Before adoption of the revenue recognition standard, based on gross sales

Next, let's look at the sales trend of existing Isetan Mitsukoshi stores compared to fiscal 2018.

Net sales growth rate excluding inbound sales of Isetan Mitsukoshi alone continued to grow steadily, achieving 111% in the first quarter. The blue line in the chart shows this.

On the other hand, the red line shows the growth rate of the inbound net sales. Inbound net sales has surged since June, with a cumulative first-quarter growth rate of 102%.

Both are performing well and exceeded our full year plan of "net sales excluding inbound sales of 109%" and "inbound sales of 80%".

Increase (decrease) in consolidated SG & A expenses (1Q)

- Cost reduction through expenses restructuring was 1.2 billion yen, and proceeding as planned according to annual reduction target of 4 billion yen.
- Increase in expenses due to price rises were contained below projections, with year-on-year increase of 700 million yen in the first quarter.

			Breakdown of year-on-year changes				
			Changes in FY 2022				
(0.1 billions of yen)	1Q (April-June)	Year-on-year changes	Expenses restructuring	Linked to sales	Price increases	New consolidation	Others businesses
Personnel expenses	221	+11	(4)		+3	+12	
Advertising expenses	21	+4		+4			
Lease payments	80	+1	(4)			+5	
Business consignment expenses	72	+1	(2)			+2	+2
Depreciation and amortization	56	(1)				+1	(2)
Utilities	23	+4	(1)		+4	+1	
Others businesses	145	+15	(1)	+7		+9	
Total	620	+38	(12)	+11	+7	+31	+0

Now, let's look at the changes in consolidated selling, general and administrative expenses for the first quarter.

Selling, general and administrative expenses totaled 62 billion yen in the first quarter, up 3.8 billion yen from the previous year.

On the right side of the table is the breakdown of year-on-year changes. The effect of consolidation of MI FOODSTYLE from the second quarter of the previous year still remains. It will be a factor for an increase of 3.1 billion yen.

The cost reduction due to the cost structure reform was a decrease of 1.2 billion yen. We are planning a decrease of 4 billion yen for the year, and we believe we are making good progress as planned.

Factors related to price increases have also been controlled at a lower level than expected and remain at an increase of 0.7 billion yen. We will continue to maintain dynamic cost control.

Results by Segment (First Quarter)

- Department store business: Further progress in expanding number of identified customers through initiatives at stores in the Tokyo metropolitan area since re-categorization of COVID-19 to Category 5 on May 8. Sales continued to be strong due to lifting of activity restrictions. Operating income increased significantly combined with effects of expenses restructuring.
- Credit and finance business: Gross sales increased due to increase in external transactions, but operating income remained unchanged year-on-year due to investments, etc.
- Real estate business: Gross sales increased due to expansion of construction and design business, but operating income fell year-on-year due to a decrease in rent revenue.

(0.1 billions of yen)	Gross sales	YoY	Net sales	Operating income	Year-on-year difference	(Reference) Operating income before adoption of the revenue recognition standard
Department store business	2,576	111.6%	989	67	+47	87
Credit & finance business/ Customer organization management business	90	104.9%	78	11	+0	17
Real estate business	49	116.1%	49	4	(5)	4
Others businesses*	61	(-9)	68	3	+4	3
Total	2,777	114.3%	1,186	86	+46	114

*Others businesses include adjustments

Here are the results by segment.

The department store business is making further progress in expanding the number of identified customers in the Tokyo metropolitan area. In addition, from May 8, restrictions were lifted due to the change of classification of COVID-19 to class 5. As a result, gross sales remained strong at 257.6 billion yen, or 111.6% year-on-year.

Combined with the effects of the cost structure reform, operating income increased significantly to 6.7 billion yen, a year-on-year increase of 4.7 billion yen.

In the credit & finance business/customer organization management business, gross sales increased due to an increase in external transactions. However, due to investments and other factors, operating income remained the same as the previous year.

In the real estate business, gross sales increased due to the strengthening of the construction and design business. On the other hand, operating income decreased due to a decrease in rental income.

Consolidated adjustments were made to the other parts, and the final operating income totaled 8.6 billion yen.

I: Results for the First Quarter of the Fiscal Year Ending March 2024

II: Full Year Plan for the Fiscal Year Ending March 2024

Next, we will look at the full-year plan for the fiscal year ending March 2024.

- For gross sales, only first quarter results which were favorable in both inbound and non-inbound net sales are factored into the revised full-year plan, while initial plan stands for second quarter onwards.
- Selling and administrative expenses remain unchanged from initial plan, forecasting increase in sales-linked expenses, although some items' results remained below plan.

Operating income projected to reach 38 billion yen exceeding highest figure since 2008 when Isetan Mitsukoshi Holdings was established.

First, I would like to explain our assumptions regarding the forecast for the full year.

Gross sales reflect only the strong first quarter results for both "Sales excluding inbound" and "Inbound sales." Gross sales for the second quarter and beyond are planned in line with the initial plan.

The initial plan for selling, general and administrative expenses remains unchanged, reflecting an increase in expenses related to sales.

Based on these assumptions, we plan to achieve operating income of 38 billion yen, which will greatly exceed the highest profit since the consolidation.

Consolidated Plan (Full-year FY 2023)

- Gross sales: Revised upward by 15 billion yen from May forecast based on latest situation.
- Selling and administrative expenses: initial plan remains unchanged, forecasting increase in sales-linked expenses, although some items' results remain below plan.
- Operating income: Upward revision of 3 billion yen based on recent increase in sales.

(0.1 billions of yen)	Full year	Year-on-year difference	YoY	Difference with May Plan
Gross sales	11,550	+665	106.1%	+150
Net sales	5,150	+275	105.7%	+50
Gross profit	3,040	+174	106.1%	+30
Selling, general and administrative expenses	2,660	+90	103.5%	-
the revenue recognition standard	380	+83	128.3%	+30
Recurring income	400	+99	133.3%	+30
Net income	300	(23)	92.7%	+20

Next, I would like to discuss the full-year consolidated plan for fiscal 2023.

Gross sales is 1,155 billion yen. Based on the recent situation, we have revised the May plan upward by 15 billion yen.

Selling, general and administrative expenses are 266 billion yen. Inflation has slowed slightly, but we have also kept the May plan unchanged, reflecting expenses related to sales.

As a result of the above, operating income was revised upward by 3 billion yen to 38 billion yen based on the recent increase in sales.

Recurring income was revised upward by 3 billion yen to 40 billion yen and net income was revised upward by 2 billion yen and is expected to be 30 billion yen.

Increase (decrease) in Consolidated SG & A Expenses (FY 2023)

- Promoting expenses restructuring through scientific analysis of department stores: Continue to reduce costs, aiming to further increase margin of cuts.
- Sales linked expenses: Any increase in sales-linked expenses resulting from net sales exceeding initial plan is appropriately and systematically controlled.
- Price increases: Maintain initial plan from the second quarter onwards as future situation is unforeseeable.

			Breakdown of year-on-year changes				
			Changes in FY 2022				
(0.1 billions of yen)	FY 2023 Plan	Year-on-year changes	Expenses restructuring	Linked to sales	Price increases	New consolidation	Others businesses
Personnel expenses	932	+2	(21)		+9	+13	+1
Advertising expenses	96	+8		+8			
Lease payments	324	+2	(8)	+3		+5	+2
Business consignment expenses	288	(1)	(4)			+2	
Depreciation and amortization	236	+2				+2	
Utilities	129	+29	(2)		+30	+1	
Others businesses	655	+47	(5)	+41		+10	+1
Total	2,660	+90	(40)	+53	+39	+33	+5

Next, we will discuss the changes in consolidated selling, general and administrative expenses for fiscal 2023.

We will continue to reduce costs by promoting cost structure reform with the scientific analysis of department stores and aim to increase the amount of reduction going forward.

Although it is expected that expenses related to sales will increase further due to net sales being stronger than planned, we will plan accordingly.

Furthermore, the initial plan for inflation expenses will be maintained from the second quarter onward as the future status remains uncertain.

As a result, total selling, general and administrative expenses remain unchanged at 266 billion yen. Although it has increased by 9 billion yen from the previous year, we will proceed with the cost structure reform as planned and promote a decrease of 4 billion yen.

Plan by Segment (FY 2023)

- Department store business: Operating income revised upward by 3 billion yen from May forecast based on recent increase in sales and progress in expenses restructuring.
- Non-department store business: May forecast unchanged due to strong sales compared to initial plan.

(0.1 billions of yen)	Gross sales	YoY	Net sales	the revenue recognition standard	Year-on-year difference	Difference with May Plan
Department store business	10,600	104.2%	4,307	270	+65	+30
Credit & finance business/ customer organization management business	355	105.8%	325	40	+2	-
Real estate business	290	141.3%	290	45	+4	-
Others businesses*	305	181.3%	228	25	+11	-
Total	11,550	106.1%	5,150	380	+83	+30

*Others businesses include adjustments

Finally, I will explain the plan by segment.

Gross sales of department store business are 1.06 trillion yen, reflecting recent sales growth and progress in cost structure reform. Operating income was revised upward by 3 billion yen from the May plan to 27 billion yen.

Segments other than department store business, such as the credit & finance business/customer organization management business and the real estate business have shown steady performance against the initial plan. Therefore, we are planning to leave the May plan unchanged.

In the final total, we plan to achieve gross sales of 1,155 billion yen and operating income of 38 billion yen, an increase of 8.3 billion yen from the previous year.

That concludes my explanation.