Isetan Mitsukoshi Holdings Ltd.

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

Date: Thursday, November 13, 2025, 17:40-18:40

Q: Based on first-half FY2025 results, how confident are you in the second-half and full-year plans—are they realistic, challenging, or is there upside? Also, are there notable differences by segment (department store, credit/finance, real estate, other)?

A: Our first-half operating profit tracked broadly in line with our initial expectations, and we expect to have achieved roughly 40% of the full-year plan by the end of the first half. Compared to historical first-half progress rates, we view this as a solid start. By segment, the department store business experienced some headwinds due to overseas customers, but results were generally within our assumptions. For the second half, we revised our overseas customer gross sales plan to 97% year on year from 108% at the start of the fiscal year; that said, October performance exceeded plan, and we regard the second half start as favorable.

Q: How are domestic customers' behaviors and purchasing patterns evolving, and which initiatives are resonating with them?

A: Sales from identified customers through our cards and app are very strong. In particular, sales from customers who purchase over JPY 3 million annually—a key KPI for us—are growing, and we confirm that these customers are continuing to buy across multiple product categories. This evidence the effectiveness of our Individual customer business process activities; as we identify customers and deliver tailored information to each, we are increasingly seeing that engagement translate into purchases..

Q: What are the success factors behind your overseas out-of-store-sales (for visitors to Japan and foreign residents), and how will you apply those learnings to initiatives for the global app for overseas customers?

A: Customers served through our overseas out-of-store-sales exhibit different behavioral traits from general inbound shoppers. Notably, they "make a point of visiting when they have specific purchase needs" and "stay longer and visit repeatedly," and when they are directly connected with our out-of-store-sales representatives, the likelihood of repeat visits rises significantly—this is a strength. By contrast, app members on the global app for overseas customers are not yet at that level of engagement. We will therefore phase in richer information offerings and incentives to guide app members toward higher engagement over time.

Q: For your second-half outlook, you raised domestic customer gross sales, yet your view differs between the Tokyo metropolitan area (Isetan Mitsukoshi) and regional operating companies. How should we interpret this?

A: We raised second-half domestic customer gross sales by JPY 2.5 billion versus the initial plan, comprising an increase of over JPY 4.0 billion at Isetan Mitsukoshi in the Tokyo metropolitan area and a slight decrease for regional operating companies. This reflects a pattern in which the expansion of our base network steadily increases customer referrals from regional stores, with final spending often consolidating at metropolitan flagship stores. Many regional customers have high purchasing power, and we are seeing increased visits—under the group's out-of-store-sales structure—from regional stores to special events in the metropolitan area such as premium client gatherings and curated showcases. We will continue to broaden a seamless base network between regional areas and the Tokyo metropolitan area and translate the resulting benefits—some of which do not immediately appear as regional-store sales—into earnings improvement for regional operating companies.

Q: Among identified customers, growth appears stronger in the JPY 3 million-plus annual spend cohort than in other segments. How will you narrow this gap, especially given the risk that non-affluent customers may soften under inflationary pressure?

A: Sign-ups for MICARD BASIC, launched in March, are robust, and younger and entry-segment customers are becoming MICARD members and MITSUKOSHI ISETAN App members, expanding usage in categories such as cosmetics and food. Rather than relying on the strength of the high-spend cohort, we will broaden the customer base and raise LTV by simultaneously strengthening initiatives across cards, the app, and community sites, thereby driving usage growth across all customer segments. While we will closely monitor demand trends under inflation, our policy is to stimulate usage through expanded touchpoints and improved proposal precision.

Q: Why has your inbound sales trend run slightly below some peers, and will advancing identification through overseas out-of-store-sales and the global app for overseas customers close this gap? What is your latest view?

A: In the first half, the Kansai area outperformed partly thanks to expo-related factors, and as sales of certain luxury items normalized, regional differences emerged. Rather than reacting to short-term regional variation or peer comparisons, we prioritize building ongoing connections with overseas customers as we do with domestic customers. By advancing customer identification and deepening relationships, we aim for a business model less sensitive to external variables such as inbound traffic and foreign exchange. We will continue to strengthen CRM through overseas out-of-store-sales and the global app for overseas customers, and we expect these efforts to absorb current trend gaps over the medium term.

Q: Regarding cash allocation, has the roughly JPY 35 billion cash-in from sales of shares in affiliates already occurred in FY2025, and how do you view FY2026–FY2027?

A: We recorded a special gain in the first quarter, which is also reflected in the second-quarter statement of cash flows—meaning the one-off cash-in has already been recognized. We plan to allocate this cash primarily to remodeling the three flagship stores in the Tokyo metropolitan area in the latter half of the medium-term management plan, while also deploying funds for shareholder returns as appropriate. For FY2026–FY2027, we will continue to allocate capital flexibly in line with our priorities for investment and shareholder returns.

Q: Within selling, general and administrative expenses, which items can you control in the second half, and will cost structure reform continue beyond next fiscal year?

A: In the second half, we will dynamically rein in advertising expenses and business consignment expenses in line with top-line conditions. Although utilities include elements beyond our control and we maintain a buffer for them, we are prepared to take additional measures to suppress costs if necessary. We view cost structure reform as a "never-ending" Group-wide initiative, and we are scaling it not only at Isetan Mitsukoshi but also across Group companies and overseas stores. While annual impact may vary, we will continue to drive it.

Q: As you transition toward the Individual customer business, will profitability improve further, or should top-line growth be prioritized first?

A: For the department store business, we believe profit expansion is predicated on top-line growth driven by the expansion of identified customers. For Group companies, we adhere to the policy of increasing profits by expanding the value delivered to customers we attract and identify, aiming for a structure in which profits rise progressively as the Individual customer business advances. In addition, we are preparing for "Urban community development" leveraging our owned real estate, positioning ourselves to create new revenue sources distinct from traditional models by harnessing global customer attraction.

Q: With construction materials and labor costs rising sharply, many real estate developments are being reassessed or delayed. Could your projects face longer timelines or higher costs versus initial plans, and how would you absorb such impacts?

A: We formulated our development plans with a degree of construction cost inflation in mind, though some projects have been adjusted from their original scope. For core projects in the Tokyo metropolitan area and elsewhere, we evaluate returns not only on the real estate development itself but also including synergies generated within the Group, and we believe profitability remains adequate. While projects may deviate from schedule given coordination with public authorities, partners, and general contractors, we will implement appropriate measures where needed to enhance both plan certainty and profitability.

Q: Given your Group-specific CRM initiatives and collaboration, is it fair to assume your real estate projects are more resilient to cost inflation than general-market developments?

A: That understanding is correct. First, the target properties are primarily our owned assets, and we are not premising projects on new land acquisitions, limiting risk. Second, we incorporate Group collaboration synergies into our return assessments rather than judging projects on a stand-alone real estate basis. For these reasons, we consider our resilience to cost increases to be higher than that of typical real estate developments.

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