Isetan Mitsukoshi Group
Business Results Explanation Meeting
Second Quarter of the Fiscal Year
Ending March 31, 2021

Isetan Mitsukoshi Holdings Ltd.

November 11, 2020

First and foremost, we would like to express our deepest sympathies to those affected by COVID-19, their families, and all those concerned, and we wish to express our deepest condolences to all those who passed away.
We would also like to express our deepest gratitude to those engaged in medical institutions, as well as to everyone who has made every effort and cooperation to prevent the spread of infection.
The Company is taking measures at stores to prevent the spread of infections, such as wearing face masks and body temperature checks of customers and employees. We will continue to help contain the spread of COVID-19 infections. Thank you for your kind cooperation and understanding.

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Consolidated Results (1H Results)

[Comments in comparison to the previous year]

- ■ Net sales decreased significantly due to temporary closures caused by COVID-19 and store closures in the previous year (Sagamihara, Fuchu, etc.)
- ■ Operating Income decreased significantly despite additional cost reduction as an emergency response
- ■ A substantial loss for the period was recorded due to the posting of ¥19.1 billion of extraordinary loss, including fixed costs during closures

(Billions of yen)	Results	YoY Change	YoY Difference	Change from Announcement in July (%)	Difference from Announcement in July
Net Sales	335.7	58.2%	-241.5	97.6%	-8.0
Gross Profit	96.0	57.2%	-71.8	98.8%	-1.1
SG&A	113.8	73.9%	-40.1	94.7%	-6.4
Operating Income	-17.8	-	-31.6	-	+5.2
Recurring Income	-17.0	-	-32.1	-	-
Net Income	-36.7	-	-44.3	-	-

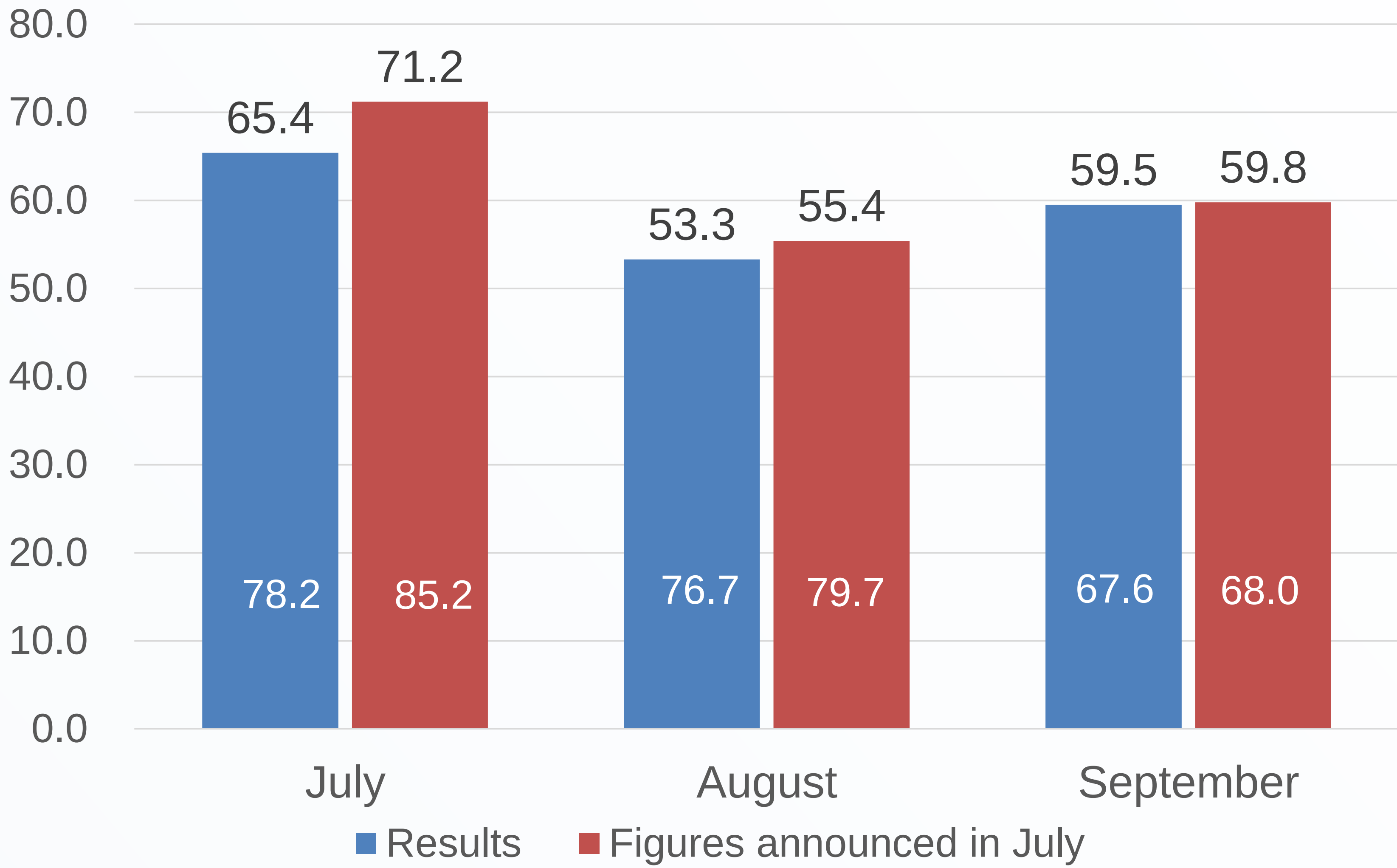
* Fixed costs during closures were transferred to extraordinary loss (-¥12.7 billion)

Results of Department Stores in Japan (1H Results)

■ **(In comparison to the figures announced in July)**
Net sales of comparable department stores in Japan for the second quarter

Unit: Billions of yen, %

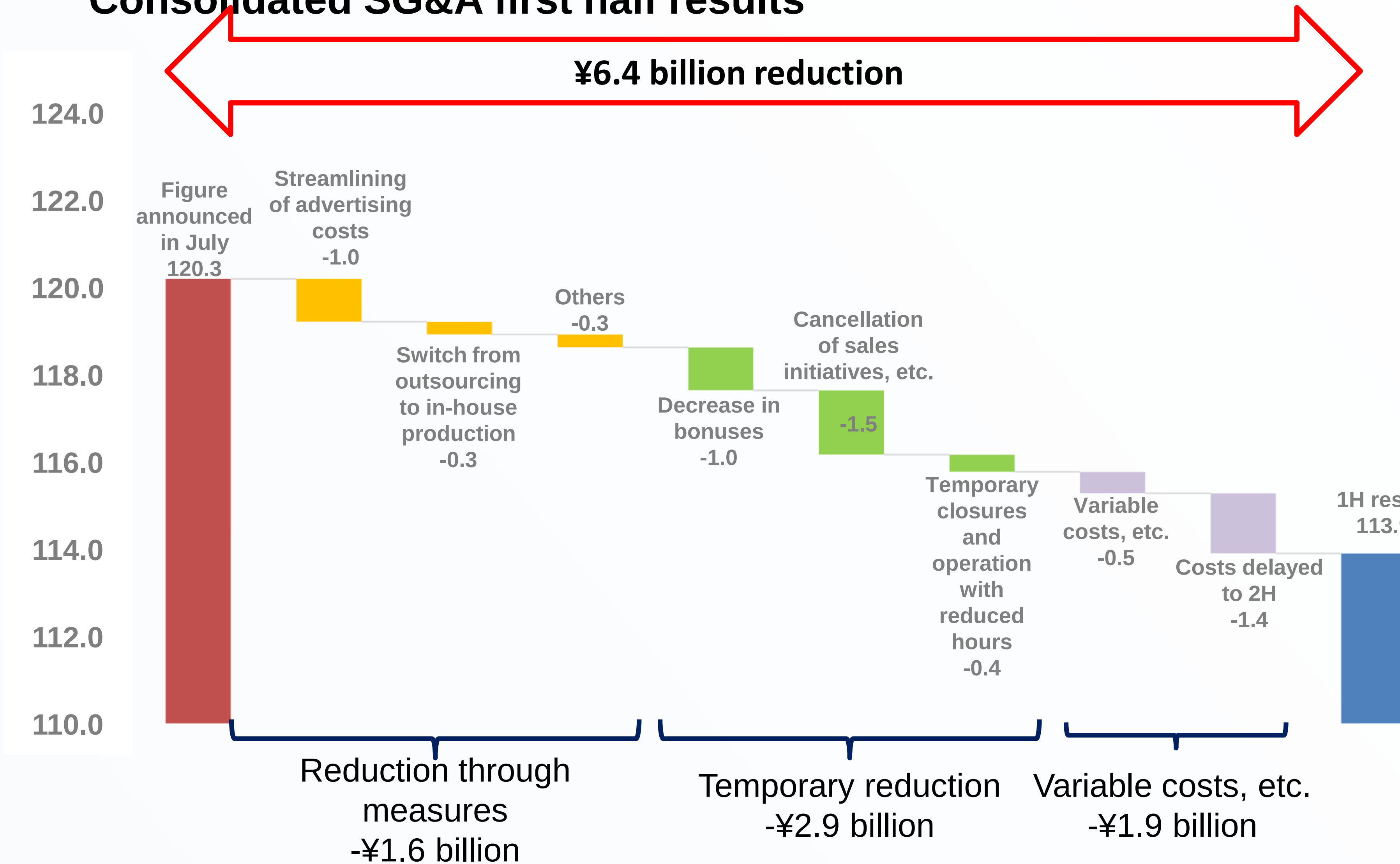
* Figures in bars indicate YoY change (%)



Consolidated SG&A (1H Results)

■ (In comparison to the figures announced in July)
Consolidated SG&A first half results

Unit: Billions of yen



Consolidated Results by Segment (1H Results)

- Department store business saw a significant decline in sales due to temporary closures, etc. caused by COVID-19 and faced harsh conditions with operating deficit
- Finance business secured operating income by reducing expenses, despite a significant decline in handling volume
- Real estate business maintained operating income on par with that of the previous year by offsetting a decline in proceeds from construction and commercial facilities with reduced expenses

(Billions of yen)	Net Sales	YoY Change	Operating Income	YoY Difference
Department Store Business	305.1	56.9%	-21.2	-28.0
Credit & Finance Business/Customer Organization Management Business	15.0	75.7%	1.2	-1.3
Real Estate Business	14.8	89.1%	2.9	-0.0
Other	29.1	70.3%	-0.7	-1.8
Total	335.7	58.2%	-17.8	-31.6

* Total includes adjusted amounts.

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Ⅰ Results of the Second Quarter of the Fiscal Year Ending March 31, 2021

Ⅱ Full Year Targets for FY2020

Ⅲ Positioning of Future Management Plans

Ⅳ Progress of Current Three-year Plan

Ⅴ Strengthening Corporate Governance

Consolidated Plan (FY2020 Full Year)

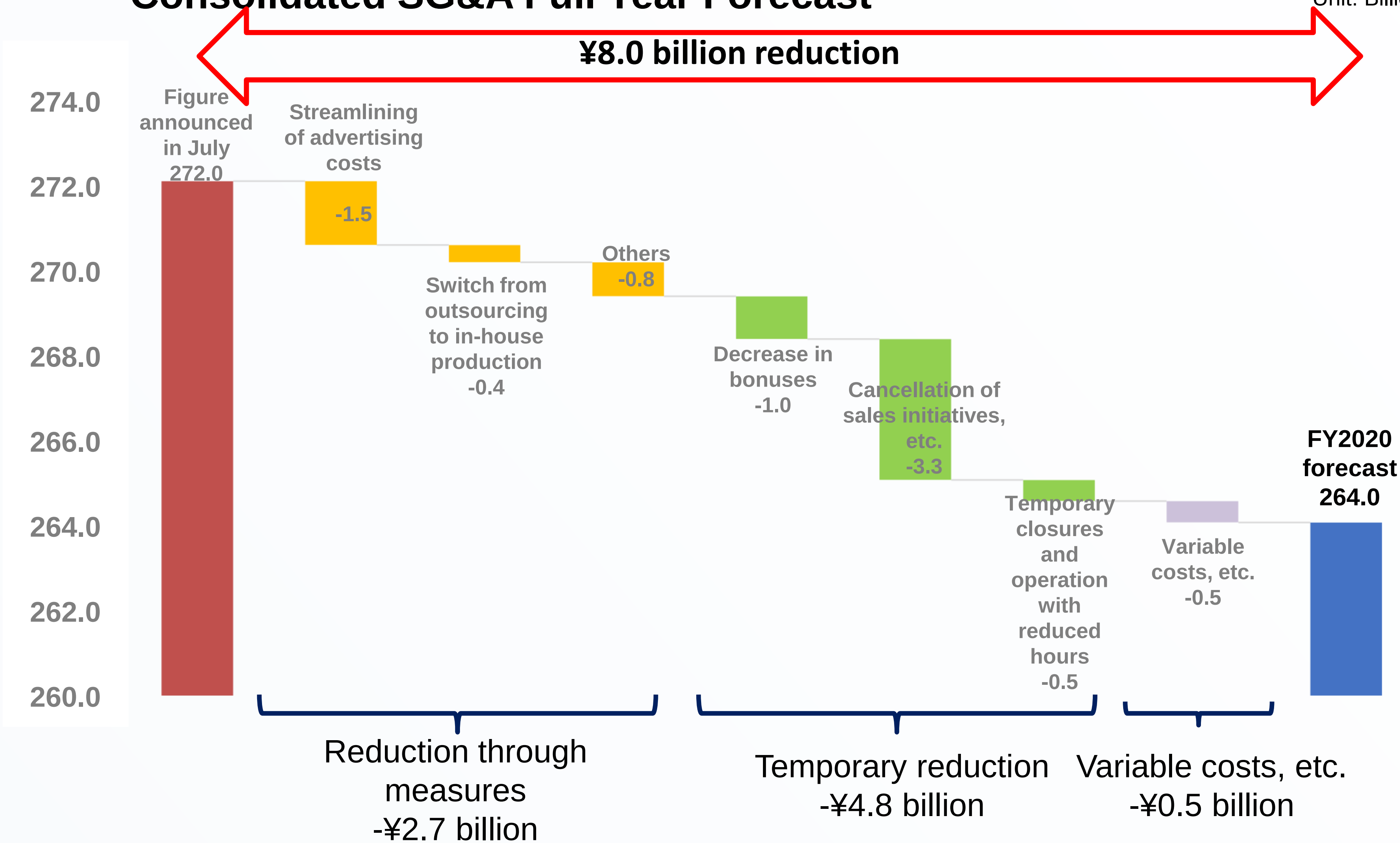
- Despite strong uncertainties remaining over the future, net sales in the second half will be in line with the forecast in July
- By offsetting a decline in gross profit ratio and delayed booking of expenses that incurred in the first half with additional cost reduction, operating income in the second half will be in line with the forecast in July
- Factoring in an increase in gain on donated fixed assets and the recording of gain on sales of shares of subsidiaries and associates, loss for the year will decrease to ¥45.0 billion

(Billions of yen)	1H			2H			Full year		
	Results	YoY Difference / YoY Change (%)	Difference from Announcement in July / Change from Announcement in July (%)	Forecast	YoY Difference / YoY Change (%)	Difference from Announcement in July / Change from Announcement in July (%)	Forecast	YoY Difference / YoY Change (%)	Difference from Announcement in July / Change from Announcement in July (%)
Net Sales	335.7	-241.5 58.2%	-8.0 97.6%	479.2	-62.6 88.4%	0.0 100.0%	815.0	-304.1 72.8%	-8.0 99.0%
Gross Profit	96.0	-71.8 57.2%	-1.1 98.8%	134.9	-19.8 87.2%	-1.8 98.6%	231.0	-91.7 71.6%	-3.0 98.7%
SG&A	113.8	-40.1 73.9%	-6.4 94.7%	150.1	-2.8 98.1%	-1.5 99.0%	264.0	-43.0 86.0%	-8.0 97.1%
Operating Income	-17.8	-31.6 -	+5.2 -	-15.1	-16.9 -	-0.2 -	-33.0	-48.6 -	+5.0 -
Recurring Income	-17.0	-32.1 -	- -	-16.9	-21.6 -	- -	-34.0	-53.7 -	+7.0 -
Net Income	-36.7	-44.3 -	- -	-8.2	10.5 -	- -	-45.0	-33.8 -	+15.0 -

Consolidated Plan

■ (In comparison to the figures announced in July)
Consolidated SG&A Full Year Forecast

Unit: Billions of yen



Consolidated Profit Plan by Segment (FY2020 Full Year)

- Department store business's target is revised upward by offsetting declines in net sales and gross profit ratio in the first half with cost reduction
- Finance business's target is revised upward, despite an increase in promotion expenses projected in the second half to increase card usage
- Real estate business's target is revised upward with improvement in revenue of construction business and commercial facilities business

(Billions of yen)	1H	2H	Full year	Difference from Announcement in July Full year
Department Store Business	-21.2	-17.8	-39.0	+2.0
Credit & Finance Business/Customer Organization Management Business	1.2	0.5	1.7	+0.7
Real Estate Business	2.9	2.6	5.5	+0.5
Other	-0.7	-1.3	-2.0	+1.0
Total	-17.8	-15.2	-33.0	+5.0

* Total includes adjusted amounts.

Consolidated Plan

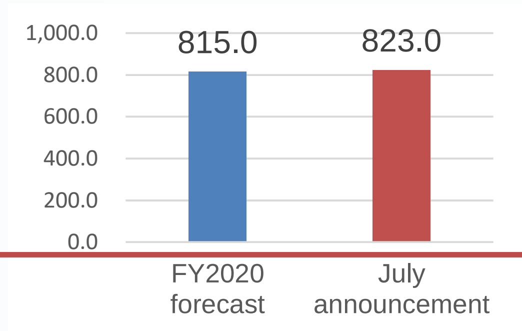
■ Changes in consolidated cash flows and net interest-bearing debt

(Billions of yen)	First half	Second half	Full year	Difference from Announcement in July
Cash flows from operating activities	-16.7	-4.3	-21.0	10.0
Cash flows from investing activities	-17.9	5.9	-12.0	20.0
Dividends /lease obligations	-3.3	-1.7	-5.0	—
NET Interest-bearing debt change	+37.9	+0.1	+38.0	-30.0

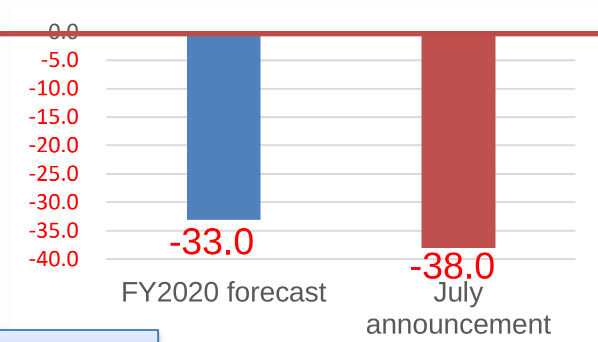
Main Financial Figures in Comparison to the Figures Announced in July

Unit: Billions of yen

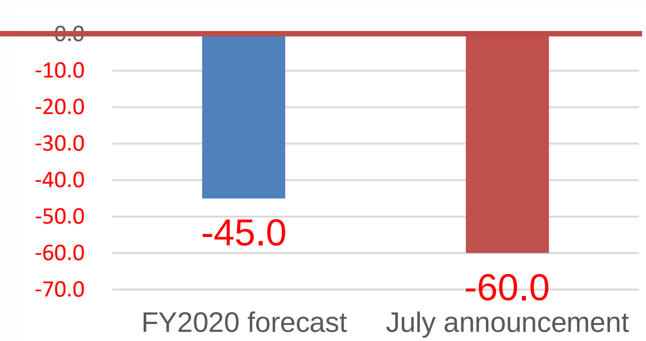
Net sales



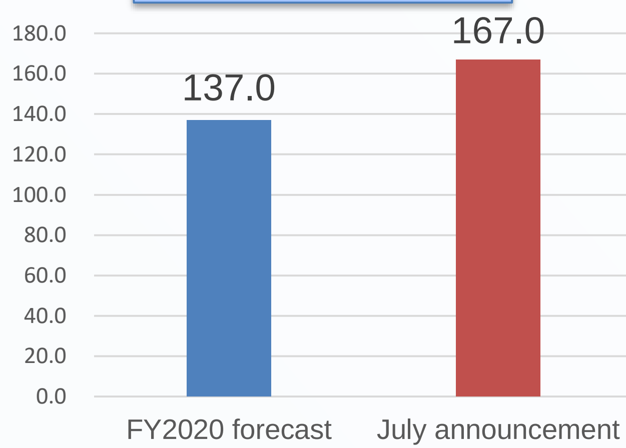
Operating income



Net income



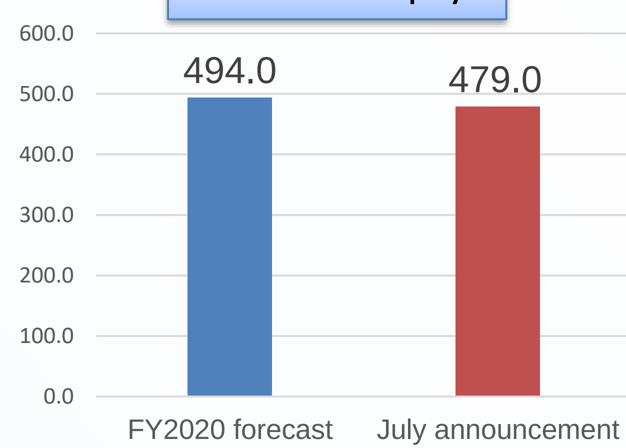
Net interest-bearing debts



NET-debt equity ratio

As of July announcement: 0.35 times → FY2020 forecast: 0.28 times

Shareholder's equity



Shareholder's equity ratio

As of July announcement: 40.1% → FY2020 forecast: 41.7%

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Ⅲ Positioning of Management Plans

Considering changes in the environment caused by COVID-19, review the current three-year plan

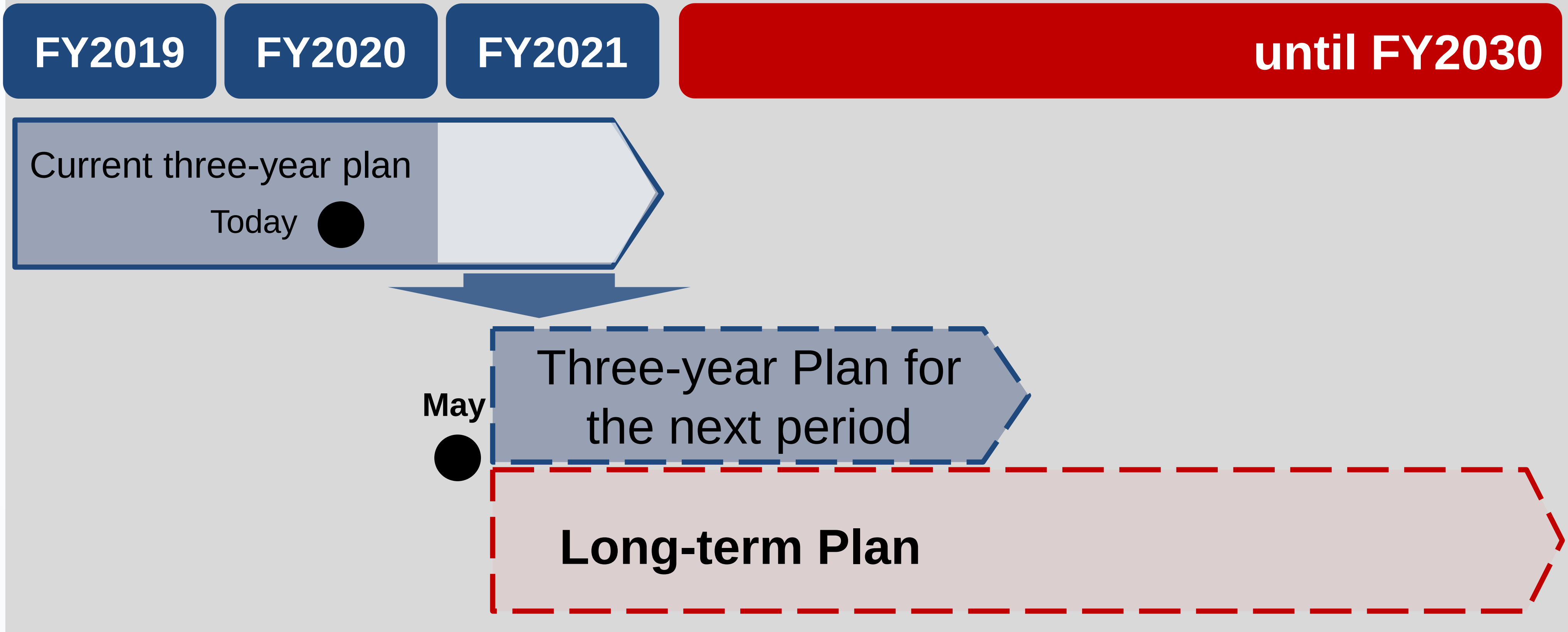
Formulate "Revitalization Plans" and "Visions" anew under the COVID-19 crisis in the current fiscal year with an eye to the future

Establish a platform that only the Company can offer by leveraging stores and digital technologies

In parallel, promote further and thorough business structure improvement, business model reform and cost reduction

Ⅲ Positioning of Management Plans

Toward formulation



Withdraw the current three-year plan, and formulate a “Long-term Plan” and a “New Three-year Plan” during the current fiscal year, which will be announced in May 2021

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1. Status of major initiatives

(1) Store model reform

MD/category balance modification	**Partially implemented during FY2019** Plans for FY2020 are suspended (flagship stores)
Review of store operation model	**Already implemented at Isetan Mitsukoshi** Store staff reduced by approx. 20% after the implementation Plan to apply the same model to all the operating companies
MD efficiency per unit area modification	**Determined scope of modification** Previously planned to start in FY2020, but delayed one year due to COVID-19

(2) Seamless connection between online and offline platforms

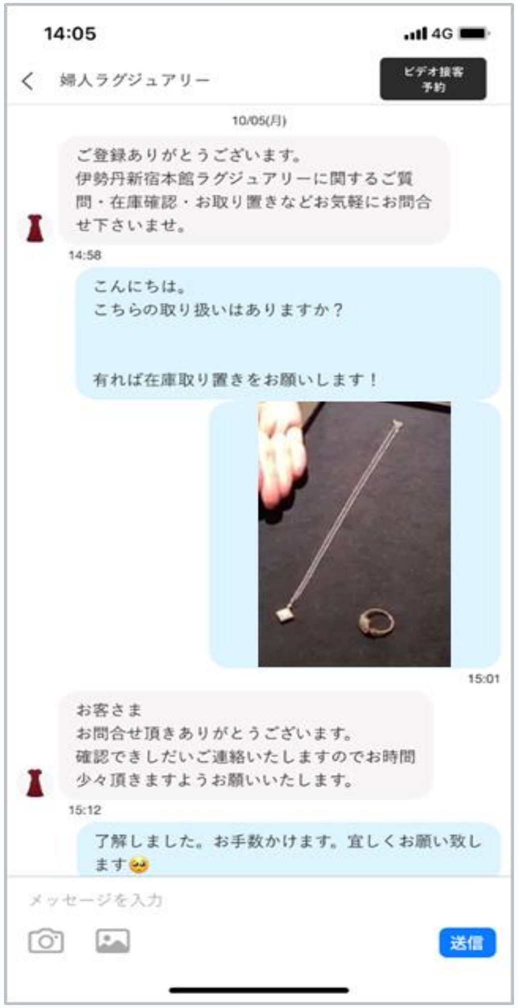
Initiatives in the first half of FY2020

1. Establishing online system	• Integrated websites and launched new apps in June 2020 • Started full-scale acquisition of digital members • Increased the number of items listed online
2. One to One initiatives	• Launched One to One apps • Promoted acquisition of app members • Strengthened communication with customers
3. Expanding EC business	• Revised EC sales plan upward • Expanded sales

(2) Seamless connection between online and offline platforms

◆ Isetan Mitsukoshi Remote Shopping

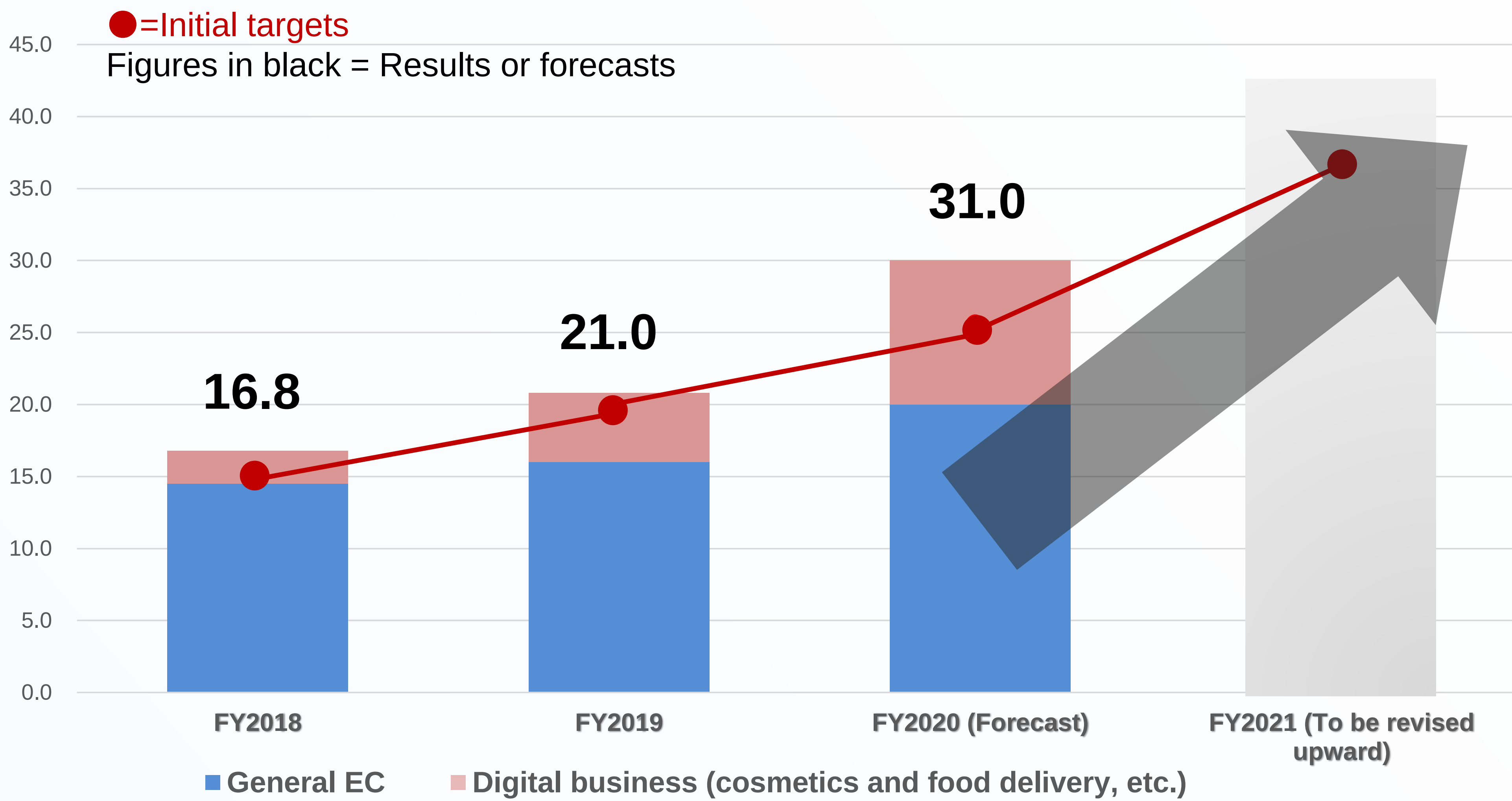
Started trial operations



(2) Seamless connection between online and offline platforms

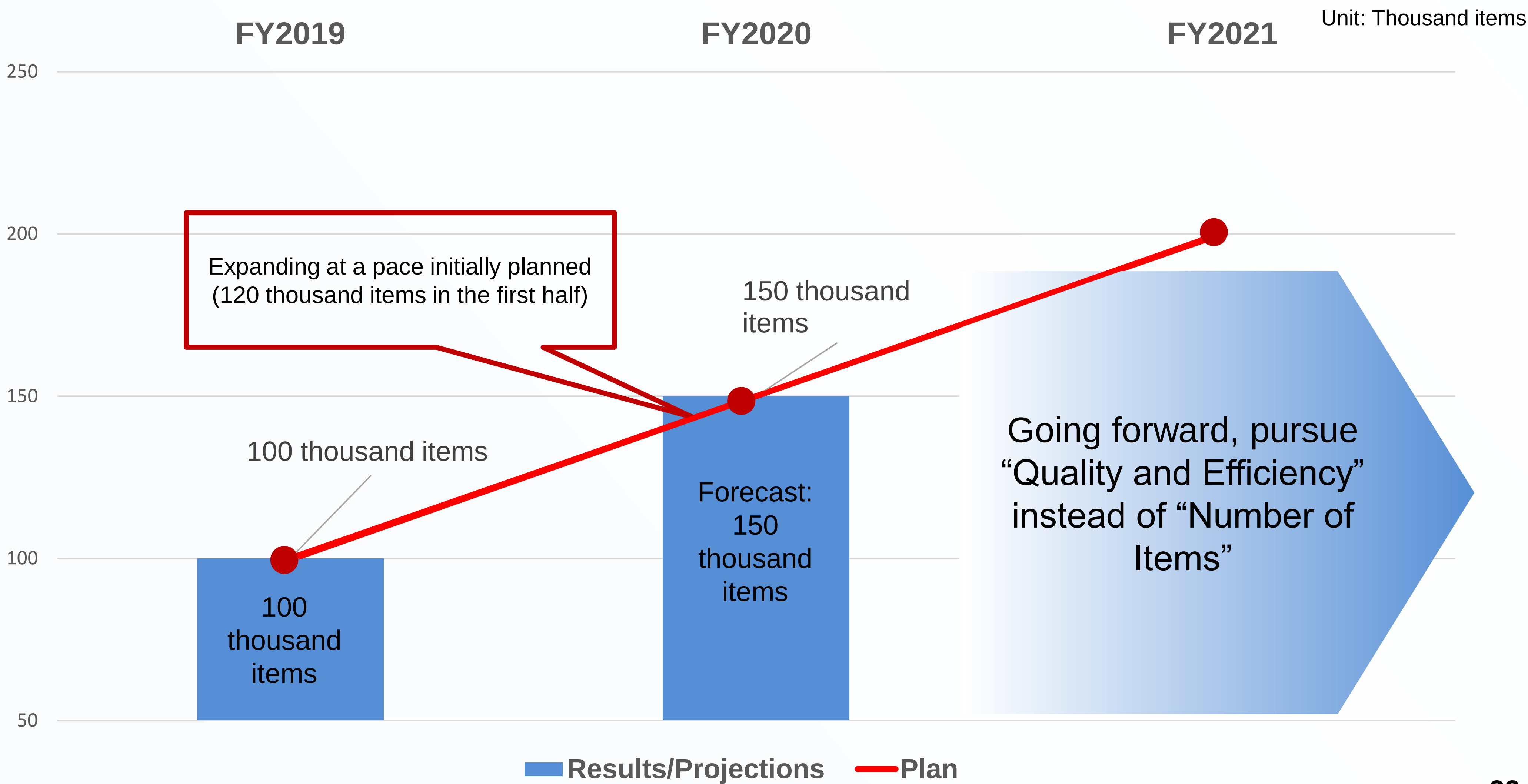
Changes in online sales

Unit: Billions of yen



(2) Seamless connection between online and offline platforms

Number of items listed online



(2) Seamless connection between online and offline platforms

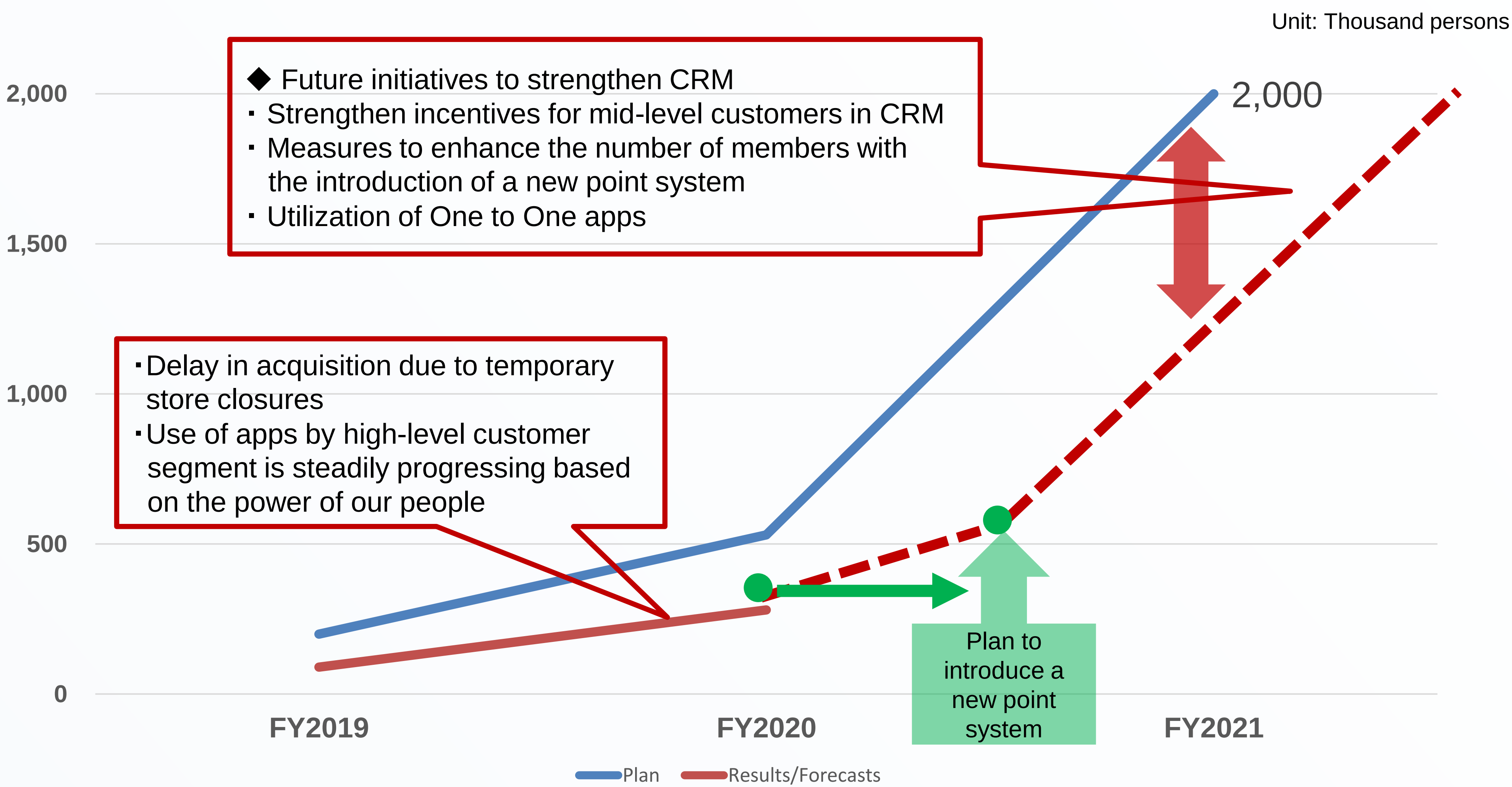
Progress of online listing of items

Total target brands	Approx. 90% of 2,100 brands are already listed
Apparel and sundry goods	**90% of 750 brands**
Foods	**97% of 400 brands**
Cosmetics	**99% of 360 brands**

(3) Group CRM

Digital ID Membership (= identified customers)

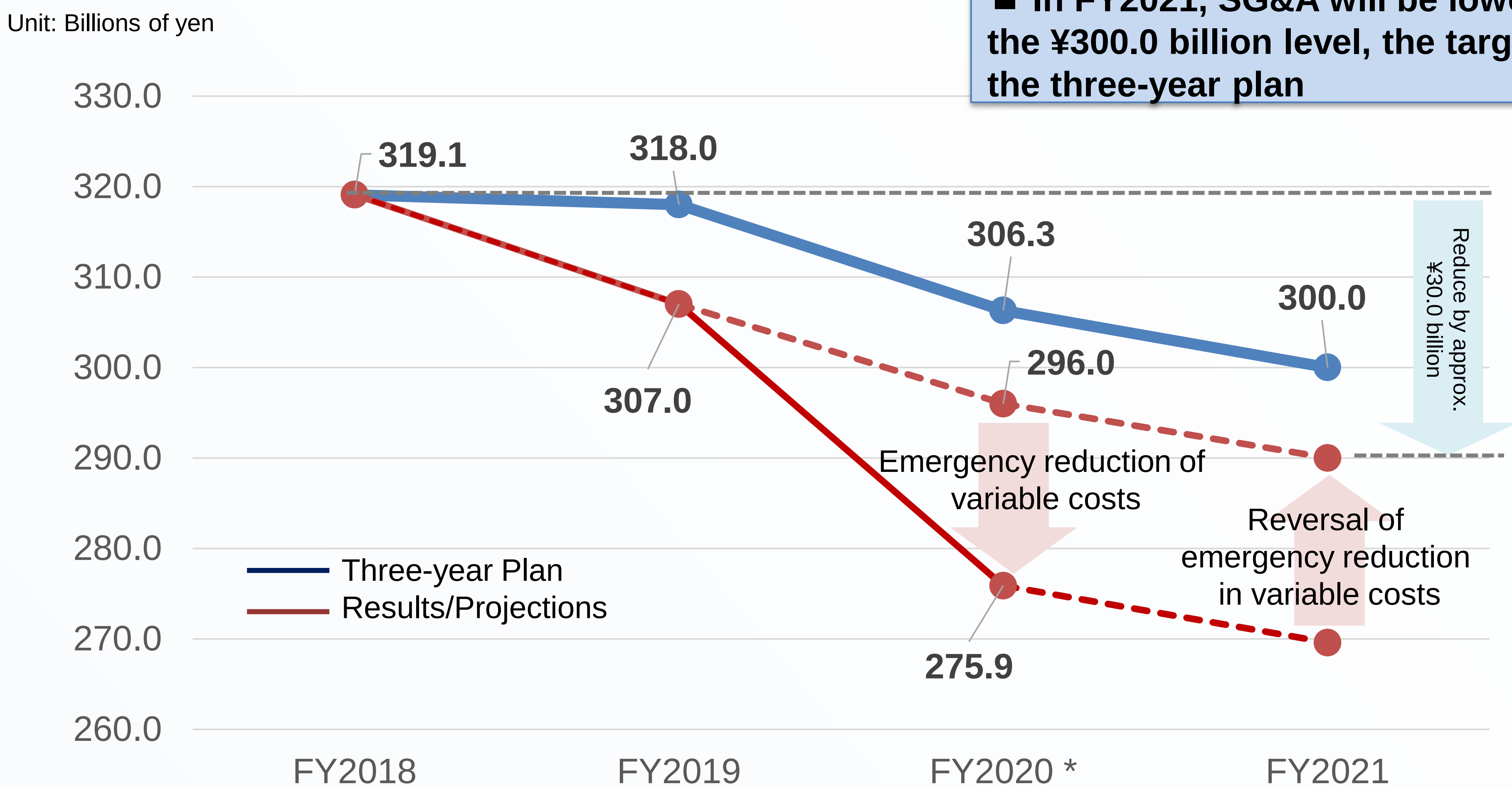
Number of App Members



2. Structural Reform

Changes in SG&A

■ In FY2021, SG&A will be lower than the ¥300.0 billion level, the target in the three-year plan



* Forecasts for FY2020 is calculated after reversing the amount of fixed costs during closures, which was transferred to extraordinary loss.

Cost structure reform

	FY2019	FY2020*	Reduction
Personnel expenses	103.8	94.3	-9.5
Advertising expenses	18.7	13.1	-5.6
Lease payments	31.9	29.1	-2.8
Consignment expenses	33.4	30.9	-2.5
Depreciation and amortization	27.0	26.2	-0.8
Variable costs, etc.	92.2	82.3	-9.9
Total	307.0	275.9	-31.1

* **Fixed costs during closures of ¥11.9 billion that were transferred to extraordinary loss are included.**

■ **Breakdown of ¥31.1 billion reduction in FY2020**

Amount of reduction (Billions of yen)			
Strategic expenses	Structural reform	Emergency measures	Variable costs, etc.
+5.6	-16.6	-7.7	-12.4

(Billions of yen)	Amounts reduced by structural reform
Improve staff productivity	-7.2
Optimize services	-0.4
Optimize unit prices and quantities	-1.7
Business structure improvement	-7.3
Total	-16.6

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Initiatives to Strengthen Corporate Governance

In June 2020: Transition to a company with a Nominating Committee, etc.

◆ Initiatives to enhance effectiveness

1. Establish "Directors' Meeting" (five meetings a year)

- Discuss managerial issues from a long-term perspective

2. Hold meeting sessions primarily led by Outside Directors

3. Refine operation
- Strengthen input of information
- Raise the share of "Discussion"

4. Strengthen effectiveness of committees

- Audit Committee already met nine times

5. Strengthen Group audit system
- Dispatch part-time Audit & Supervisory Board Members from among Audit Committee Staff

6. Strengthen internal control and risk management
- Dual reporting on internal audit

◆ Implement diagnosis and assessment of effectiveness by external institutions ⇒ Further enhance operational effectiveness

Future Schedule

[Today] Announcement of interim financial results for fiscal 2020

[May 2021 (planned)] Announcement of financial results for fiscal 2020

Announcement of forecast of consolidated results for fiscal 2021 (planned)

Announcement of Long-term Plan and new Medium-Term Management Plan (planned)

*** Schedule may change depending on the status of COVID-19.**

This document contains forward-looking statements, which are based on the information currently available and certain assumptions the Company considers to be reasonable, and involve various risks and uncertainties. Actual results, performance, achievements or financial position may be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.