Isetan Mitsukoshi Group
Business Results Explanation Meeting
Fiscal Year Ended March 31, 2021

Isetan Mitsukoshi Holdings Ltd.

May 12, 2021

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Ⅰ. Results of FY2020
(Fiscal Year Ended March 31, 2021)

Ⅱ. Full Year Targets for FY2021

Ⅲ. New Medium- to Long-Term Plan

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Ⅰ. Results of FY2020
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Consolidated Results

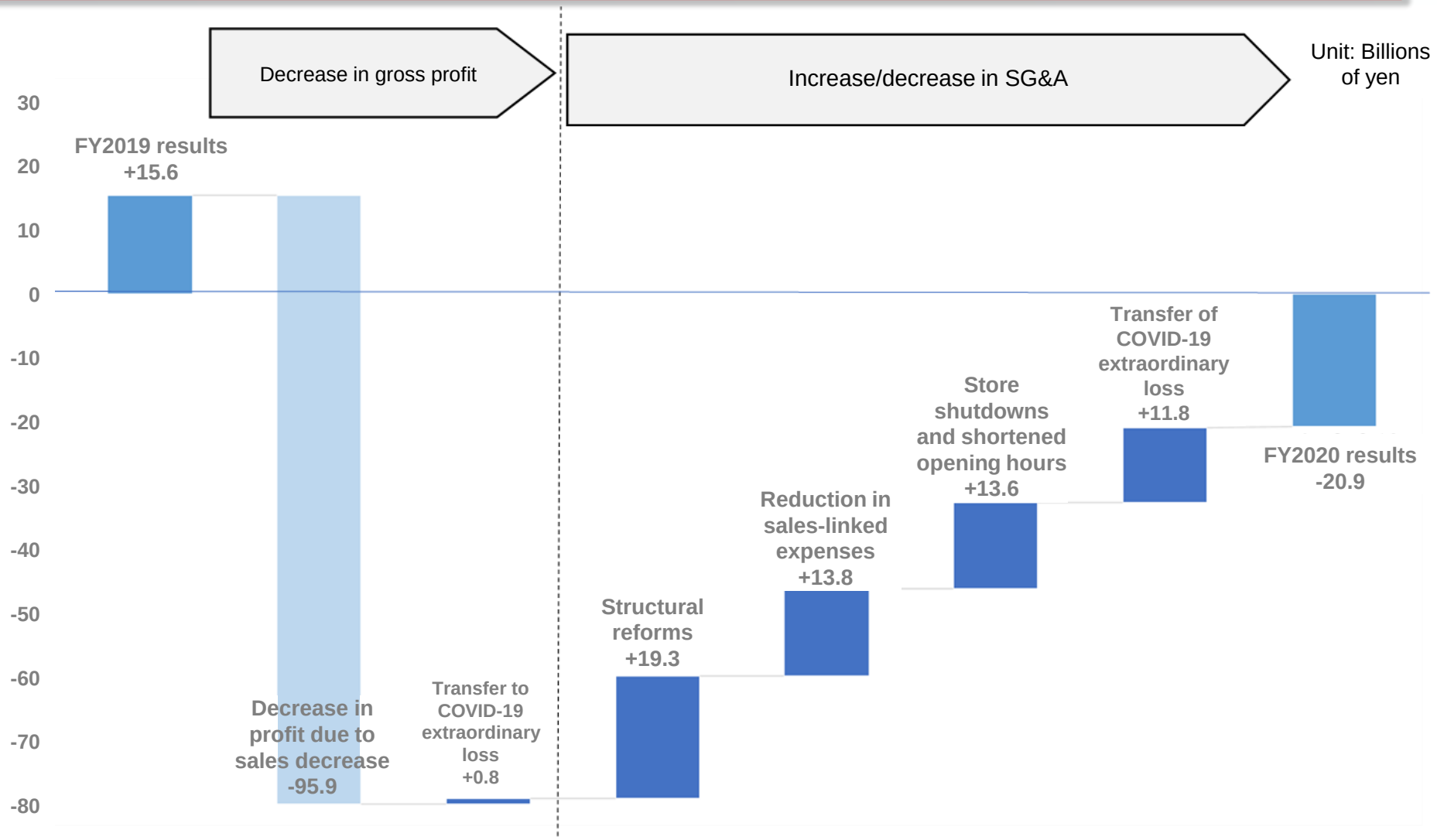
- **Net sales decreased significantly year on year, mainly due to temporary closures caused by COVID-19. An operating loss was recorded despite progressive SG&A expense reductions**
- **Net sales were ¥16.0 billion higher than forecast in January. Reductions in personnel, advertising, maintenance and other expenses progressed ahead of expectations, and operating income exceeded the January forecast by ¥12.0 billion**

(Billions of yen)	FY2020	YoY		Vs Announcement in Jan.	
		Change	Difference	Change	Difference
Net Sales	**816.0**	72.9%	-303.1	102.0%	+16.0
Gross Profit	**227.5**	70.5%	-95.1	102.0%	+4.5
SG&A	**248.5**	81.0%	-58.4	97.1%	-7.4
Operating Income	**-20.9**	-	-36.6	-	+12.0
Recurring Income	**-17.1**	-	-36.9	-	+16.8
Net Income	**-41.0**	-	-29.8	-	+3.9

* Fixed costs during temporary closures were transferred to extraordinary loss (-¥12.6 billion)

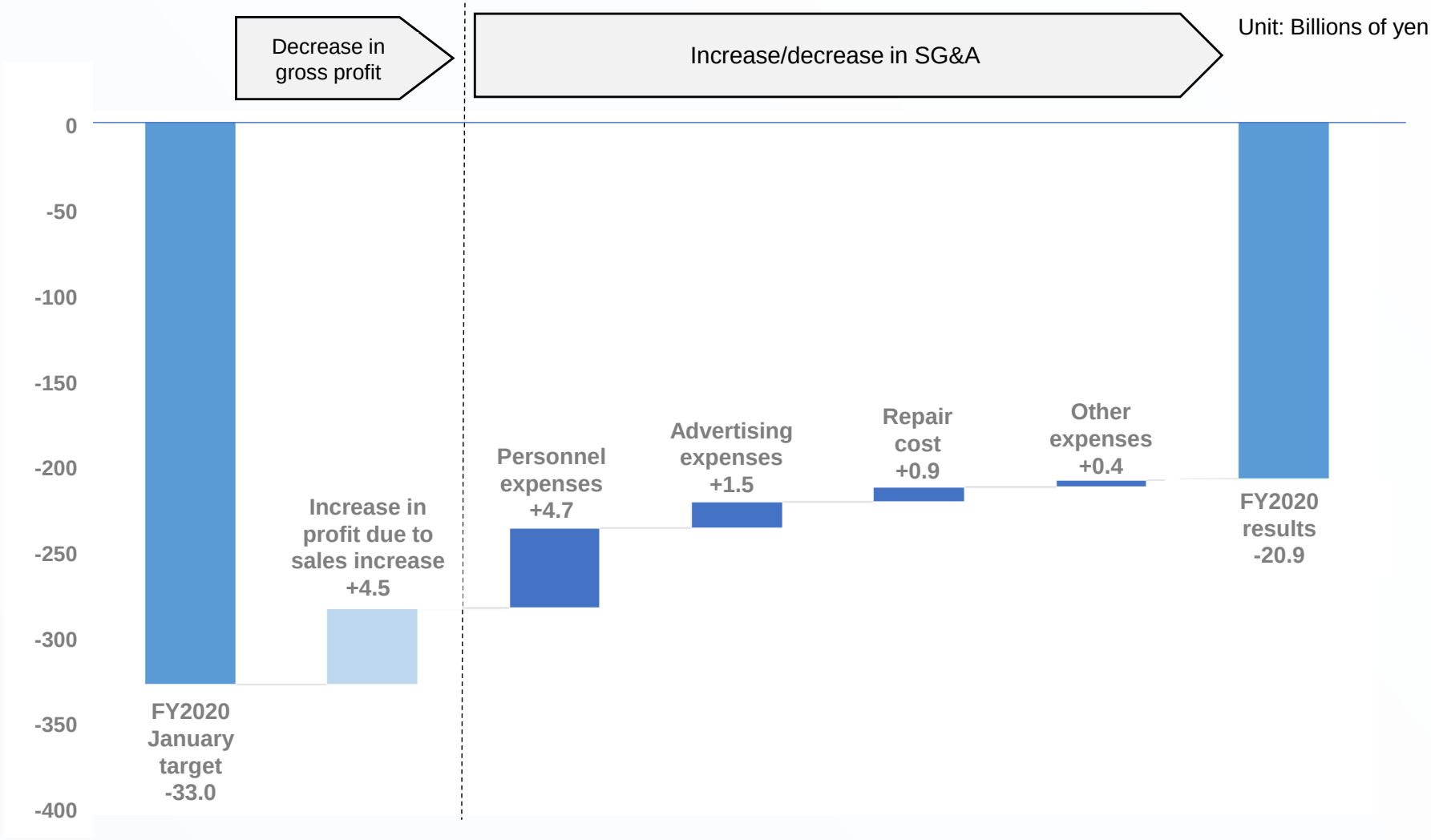
Consolidated Results (Operating Income)

Factors of YoY Difference



Consolidated Results (Operating Income)

Factors of Difference vs November Targets



FY2020 Change in Consolidated SG&A Expenses

			Breakdown of YoY Change			
(Billions of yen)	FY2020	YoY Change	Structural reforms	Sales-linked	Shutdowns	Extraordinary Loss (COVID-19)
Personnel expenses	84.4	-19.2	-10.0		-3.9	-5.4
Advertising expenses	10.3	-8.3	-4.7	-2.0	-1.4	-0.2
Lease payments	25.9	-5.9	-0.9	-1.9	-1.2	-2.0
Consignment expenses	29.9	-3.4	-1.3		-1.2	-0.9
Depreciation and amortization	23.6	-3.3	-1.1			-2.3
Other	74.4	-18.3	-1.3	-9.9	-5.9	-1.0
Total	248.5	-58.4	-19.3	-13.8	-13.6	-11.8

Consolidated Results (by Segment)

- **Department store business recorded an operating loss due to a decline in revenue**
- **In credit & finance business/customer organization management business, operating income fell by ¥1.2 billion to ¥4.4 billion due to a decline in department store handling volume**
- **Real estate business performed firmly despite the COVID-19 crisis**

(Billions of yen)	Net Sales	YoY Change	Operating Income	YoY Difference
Department Store Business	**752.1**	72.6%	-30.3	-32.5
Credit & Finance Business/Customer Organization Management Business	**32.5**	84.3%	4.4	-1.2
Real Estate Business	**28.3**	80.1%	5.4	-0.5
Other	**63.6**	77.2%	-0.6	-2.2
Total	**816.0**	72.9%	-20.9	-36.6

* Total includes adjusted amounts.

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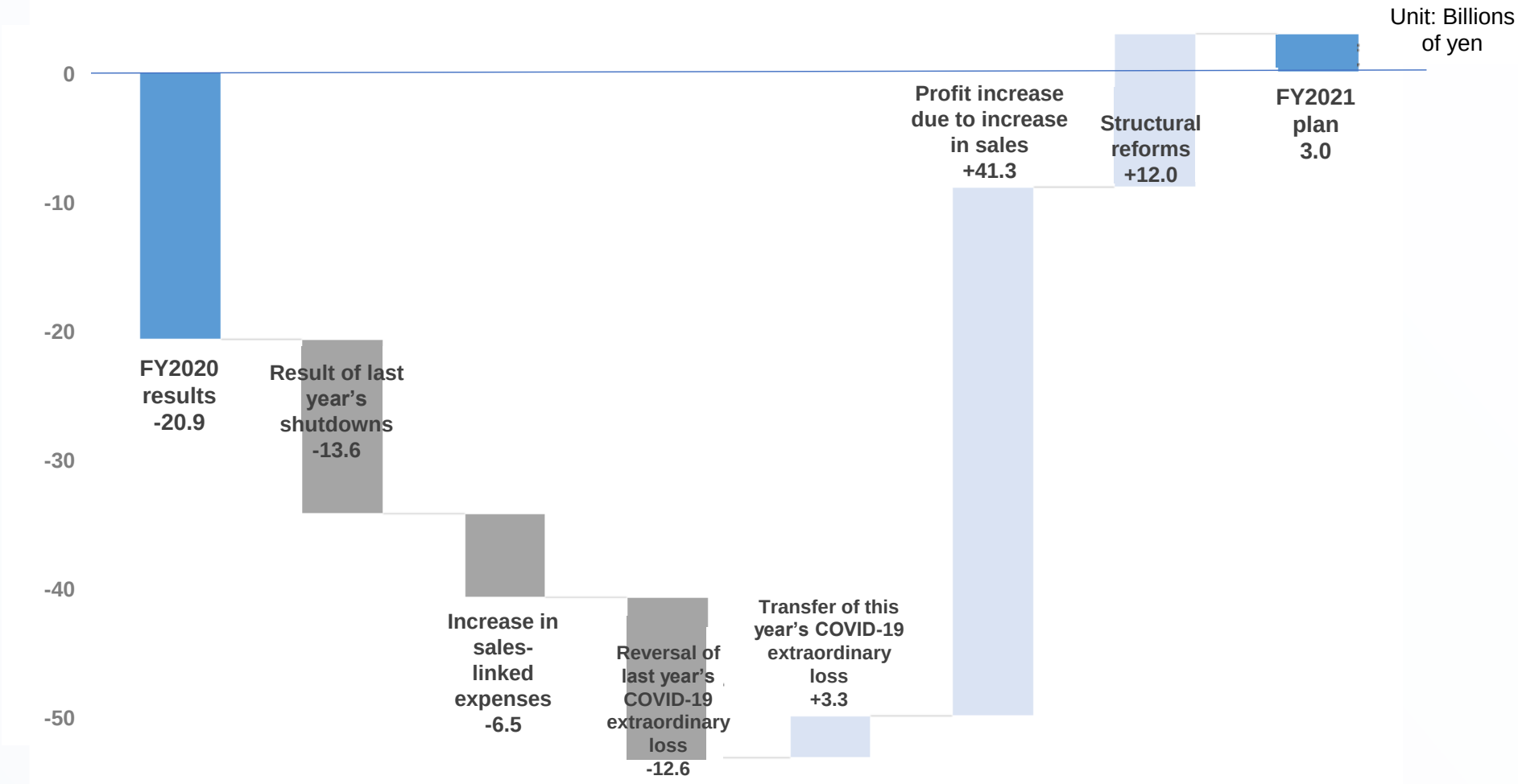
Consolidated Plan (FY2021 Full Year)

- New revenue recognition standards will be applied from FY2021, affecting net sales and SG&A expenses, although the impact on operating income will be negligible
- Gross sales calculated using the previous standards will increase, partly as a result of temporary closures of stores last year
- Variable SG&A expenses will increase due to a rebound from FY2020, but cost cutting initiatives continue
- Net sales and operating income are expected to fall by ¥29.0 billion and ¥3.7 billion respectively as a result of store shutdowns in response to the declaration of a state of emergency (April 25 to May 31)

(Billions of yen)	Full Year	YoY Change	YoY Difference
Gross sales	**965.0**	118.3%	+148.9
Net sales	**447.0**	54.8%	-369.0
Gross Profit	**258.0**	113.4%	+30.4
SG&A	**255.0**	102.6%	+6.4
Operating Income	**3.0**	-	+23.9
Recurring Income	**3.0**	-	+20.1
Net Income	**1.0**	-	+42.0

Consolidated Operating Income Plan (FY2021 Full Year)

Factors of YoY Difference



FY2021 Change in Consolidated SG&A Expenses

			Breakdown of YoY Change				
			Reversal	Change from Factors in FY2021			
(Billions of yen)	FY2021	YoY Difference	Closures COVID-19 Extraordinary Loss	Structural Reform	Change in Accounting Treatment	Sales-linked	Extraordinary loss (COVID-19)
Personnel expenses	88.5	+4.0	+9.3	-4.1	+0.5		-1.6
Advertising expenses	11.5	+1.1	+1.6	-0.5	-0.1	+0.2	-0.1
Lease payments	31.4	+5.4	+3.2	-1.3	+3.3	+0.7	-0.4
Business consignment expenses	30.3	+0.3	+2.1	-1.9	+0.5		-0.3
Depreciation and amortization	24.6	+0.9	+2.3	-0.6			-0.7
Other	68.7	-5.3	+6.9	-3.6	-14.1	+5.6	-0.3
Total	255.0	+6.4	+25.4	-12.0	-9.9	+6.5	-3.3

Consolidated Plan by Segment (FY2020 Full Year)

- **Department store business revenue and profit will both increase, with smaller-scale closures and a moderate recovery in consumption forecast in the second half**
- **Credit & finance business/customer organization management business will secure the same level of operating income as in the previous fiscal year, despite a rise in sales promotion costs**
- **Sales in other businesses will fall due to the transfer of SOCIE, but operating income will be similar YoY**

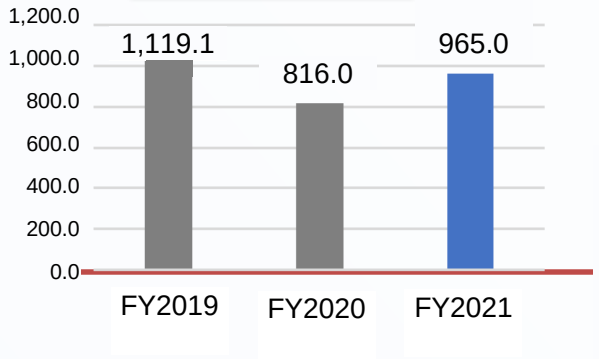
(Billions of yen)	Gross Sales	YoY Change	Net Sales	Operating Income	YoY Difference
Department Store Business	**922.0**	**122.6%**	**409.0**	**-6.5**	+23.8
Credit & Finance Business/Customer Organization Management Business	**34.0**	**104.5%**	**31.0**	**4.5**	+0.0
Real Estate Business	**22.0**	**77.6%**	**22.0**	**5.5**	+0.0
Other	**55.0**	**86.4%**	**52.0**	**-1.0**	-0.3
Total	**9,65.0**	**118.3%**	**447.0**	**3.0**	+23.9

* Total includes adjusted amounts.

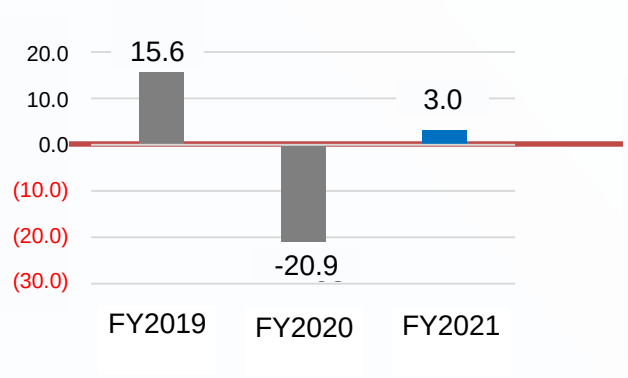
Main Financial Figures Comparison

Unit: Billions of yen

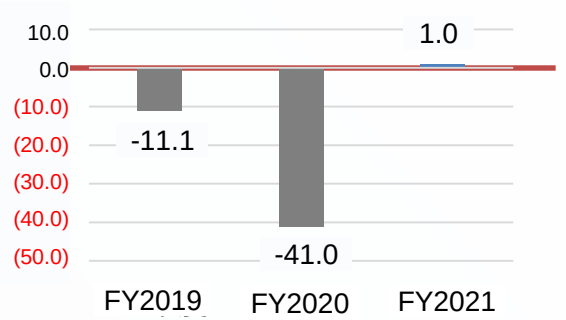
Gross sales



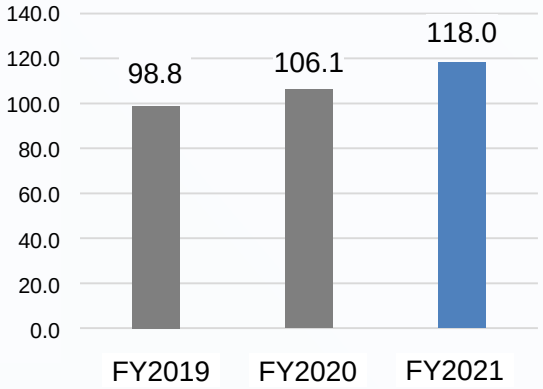
Operating income



Net income



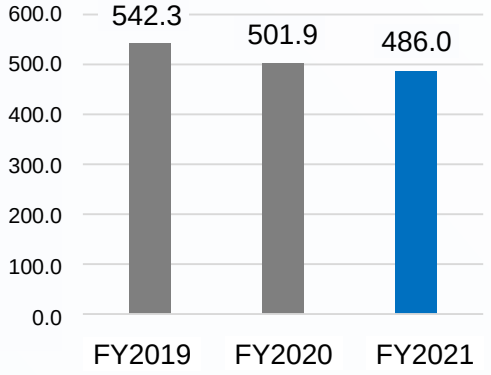
Net interest-bearing debt



NET-debt equity ratio

FY2019: 0.18 times → FY2020: 0.21 times → FY2021: 0.24 times

Shareholder's equity



Shareholder's equity ratio

FY2019: 44.3% → FY2020: 41.9% → FY2021: 42.1%

Introduction of a Consolidated Taxation System / Dividend Forecast

■Introducing a consolidated taxation system from FY2021

- Aim to improve cash flow across the Group through income consolidation between Group companies
- Further strengthen Group tax governance

■Dividend forecast

FY2020	・Year-end dividend of ¥6 to be paid in June 2021, bringing the annual dividend to ¥9 (¥12 last year), including interim dividend of ¥3
FY2021 Forecast	・Aim to reinstate the pre-COVID-19 annual dividend of ¥12 as early as possible, with an improvement in earnings ・Certain degree of recovery expected in business performance, despite the continuing impact of COVID-19; increase annual dividend by ¥1 YoY to ¥10 (interim dividend ¥5, year-end dividend ¥5)

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2. Review of the Previous Medium-Term Management Plan

3. Recognition of Key Environmental Factors

4. Overall Framework of the New Medium- to Long-Term Plan

5. Key Strategies

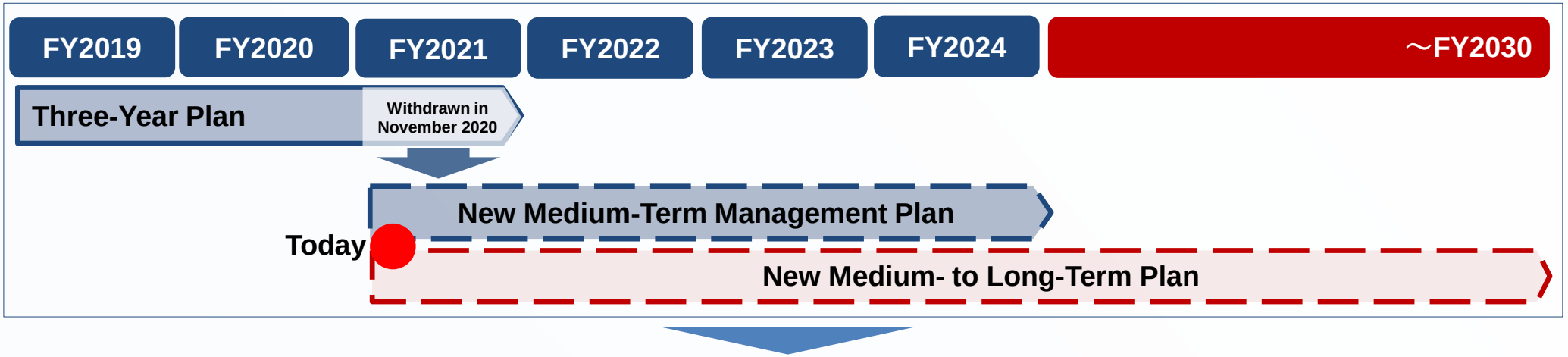
6. Group Platform

7. Management Platform

・Vision for Numerical Targets

1. Positioning of the New Medium- to Long-Term Plan

- **Withdrew the Three-Year Plan in November 2020, in light of significant changes in the business environment**
- **Today, our approach to the New Medium- to Long-Term Plan will be explained**
  We plan to announce specific figures and other details of the plan in stages



	Today	To Be Announced in Stages
Long-Term Vision	●	○
Long-Term Basic Strategy	●	○
Key Medium-(and Long-)Term Strategies and Platforms	●	●
Specific Initiatives	○	●
Sustainability	○	●
Portfolio	-	●
KPIs (Finance/Strategy/Initiatives)	-	●

2. Review of the Previous Medium-Term Management Plan

Numerical Plan

	Previous Medium-Term Management Plan Targets	FY2019 Results	FY2020 Results
Operating Income	¥50.0 billion	¥15.6 billion	-¥20.9 billion
ROE	5.0% or greater	-2.0% Net income: -¥11.1 billion	-7.9% Net income: -¥41.0 billion

➢Fell far short of targets, primarily due to the impact of COVID-19, necessitating swift revitalization

Growth Strategy

Strategies	Results of Initiatives and Challenges
Retail business model innovation	・Expanded LUX, including MD balance modification and inbound response: large-scale remodeling of flagship stores ・Revived previously abandoned categories: shifted to fixed-term lease for part of the Nihombashi Mitsukoshi Annex ・Reformed business model of regional stores: transformation of Matsuyama Mitsukoshi to a commercial complex ➢Fell short of targets due to the impact of COVID-19; our challenge is to rebuild the core department store business
Expanding real estate business	・Participated in real estate development projects: multi-use development business in Manila in the Philippines ➢Need to promote initiatives to maximize the value of the assets we hold
New online businesses	・Achieved 120% of original plan for EC business, and expanded new online businesses (5 businesses) ・Launched measures to realize seamless connection between online and offline stores ➢Sales were strong, except in some areas, and profitability is our challenge

Structural Reforms

Cost structure reform	・Achieved SG&A expenses of ¥273.9 billion through cost reductions such as store closures, structural reform including reorganization of non-core businesses, return of leased properties, shift of consignment work in-house, etc. *FY2020 consolidated SG&A expenses of ¥248.5 billion, plus reversal of extraordinary losses due to COVID-19 (¥11.8 billion) and reduction in SG&A expenses due to temporary closures (¥13.6 billion) ➢Promote “reductions through division alliances” and “reductions through business model transformation”

2. Review of the Previous Medium-Term Management Plan

Review Topic	Transformation of the retail business model

1) Results of remodelling areas at the two main stores (Isetan Shinjuku and Mitsukoshi Nihombashi)

Significantly impacted by COVID-19;

- **Areas remodelled in FY2019 are struggling significantly, but areas remodeled in FT2020 are recovering**
- **In particular, the BicCamera store that opened on floors 6 and 7 of the Nihombashi Mitsukoshi Annex in FY2020 has recorded strong sales**

2) Adjustment of MD balance at the two main stores

- **Greater efficiency has been achieved in luxury, cosmetics and life design, but further improvement is necessary**

Review Topic	Expansion of the real estate business

1) Earnings expansion through participation in overseas development projects

- **Participated in multi-use development business in Manila in the Philippines**

Despite the impact of COVID-19,

<Commercial development business>
Preparations for development are progressing

<Residential development business>
Home sales are progressing smoothly

2) Value maximization of domestic assets

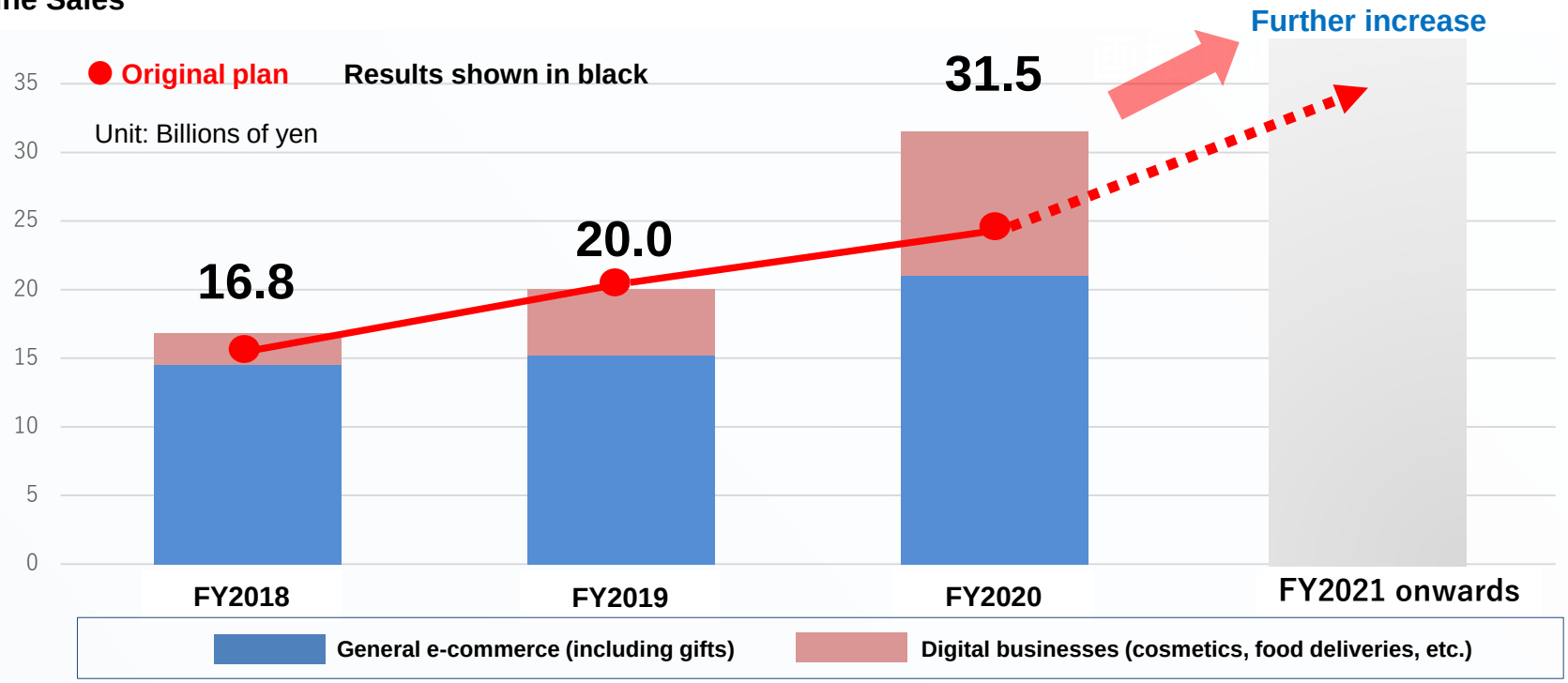
- **Promotion is needed of initiatives for value maximization**

2. Review of the Previous Medium-Term Management Plan

Review Topic **Online results (sales, membership, number of listed items)**

	FY2020 Original Plan	FY2020 Results
New websites/apps	April 2020 launch	April 2020 launch *Impact of COVID-19
Online sales	¥25.0 billion *As of announcement in May 2020	¥31.5 billion
Digital IDs	1.30 million IDs	1.66 million IDs
Number of listed items	150,000 items	125,000 items *Shift from quantity to quality

▼Online Sales

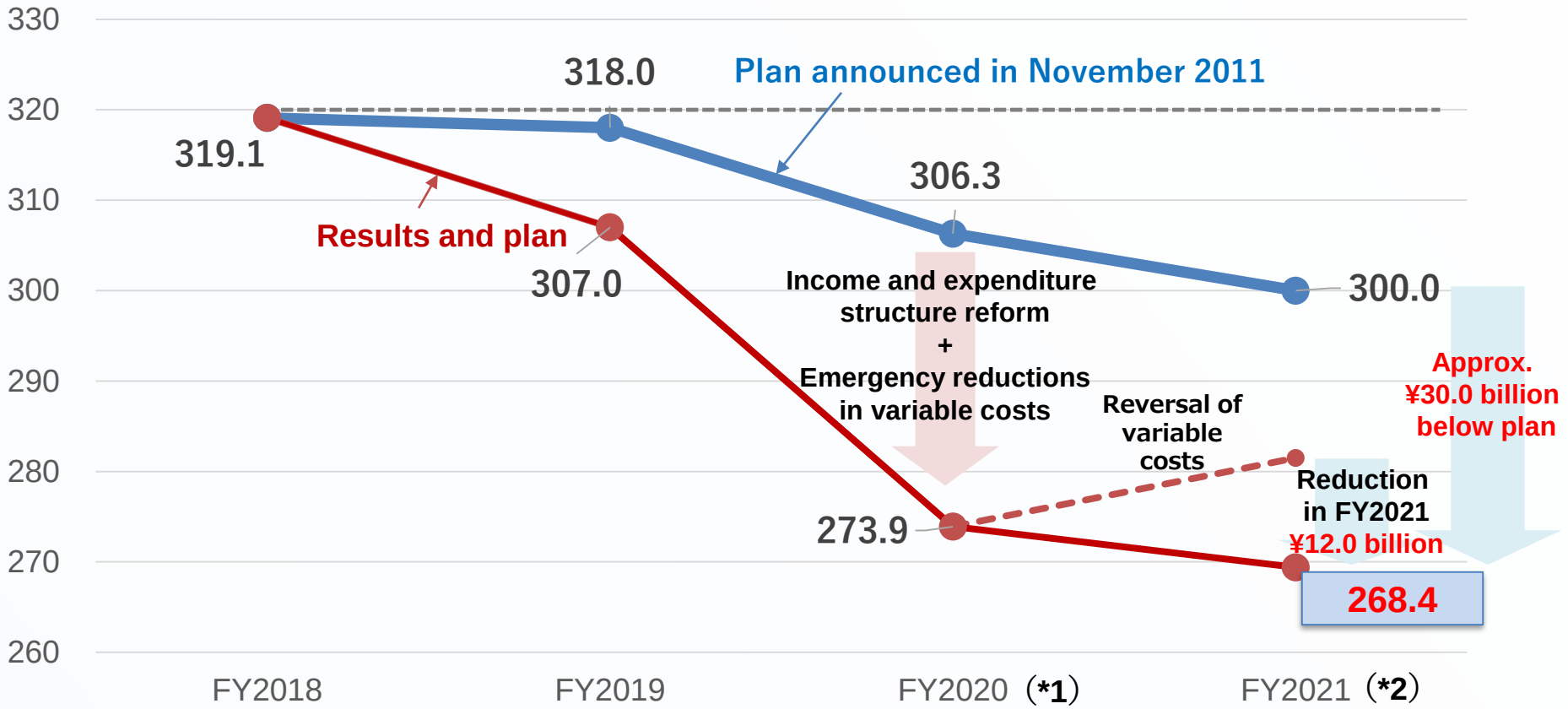


2. Review of the Previous Medium-Term Management Plan

Review Topic **SG&A expenses**

We expanded initiatives at Isetan Mitsukoshi across the whole group in FY2020, further promoting reform of the income and expenditure structure

Unit: Billions of yen



(*1) FY2020 consolidated SG&A expenses of ¥248.5 billion, plus reversal of extraordinary losses due to COVID-19 (¥11.8 billion) and reduction in SG&A expenses due to temporary closure (¥13.6 billion) (see page 4)

(*2) FY2021 consolidated SG&A expenses plan of ¥255.0 billion, plus reversal of effect of change in accounting treatment (¥9.9 billion), extraordinary loss due to COVID-19 (¥3.3 billion), etc. (see page 8)

3. Recognition of Key Environmental Factors

	Environmental Factors	Our Direction
Accelerating polarization of income and consumption	・Japan faces a future of population decline. At the same time, more people will live in comfort ・Our recovery from the impact of COVID-19 is also focused on loyal, discerning customers ・Consumption of apparel, previously our earnings pillar, is declining	・Direct management resources towards the creation of “quality of life” ・Rebuild the department store business, pivoting on an increase in the number of loyal customers ・Establish a new style of merchandising
Irreversible acceleration in online sales	・Trends that would otherwise have taken 3-5 years to emerge have been brought forward by the impact of COVID-19 ・The value provided by physical stores has changed with the penetration of online shopping	・Transform physical stores into forums of “admiration and empathy” ・On this basis, expand customer experience value through the fusion of physical and online stores ・Expand online shopping premised on profitability
Rising environmental and social consciousness	・Increasing demands for social contribution and environmental improvement and conservation, etc. ・Cultivation of new tastes in consumption	・Transformation to environmentally- and socially-conscious management ・Unearth the needs of “individual customers”
Coexistence with local communities	・Trend of moving back to hometowns and relocating to “better places to live” that fit with value perceptions ・Adoption of lifestyles centered around the local economic zone	・Renewed focus on the economic zone around branches and regional stores, to provide new value to these areas

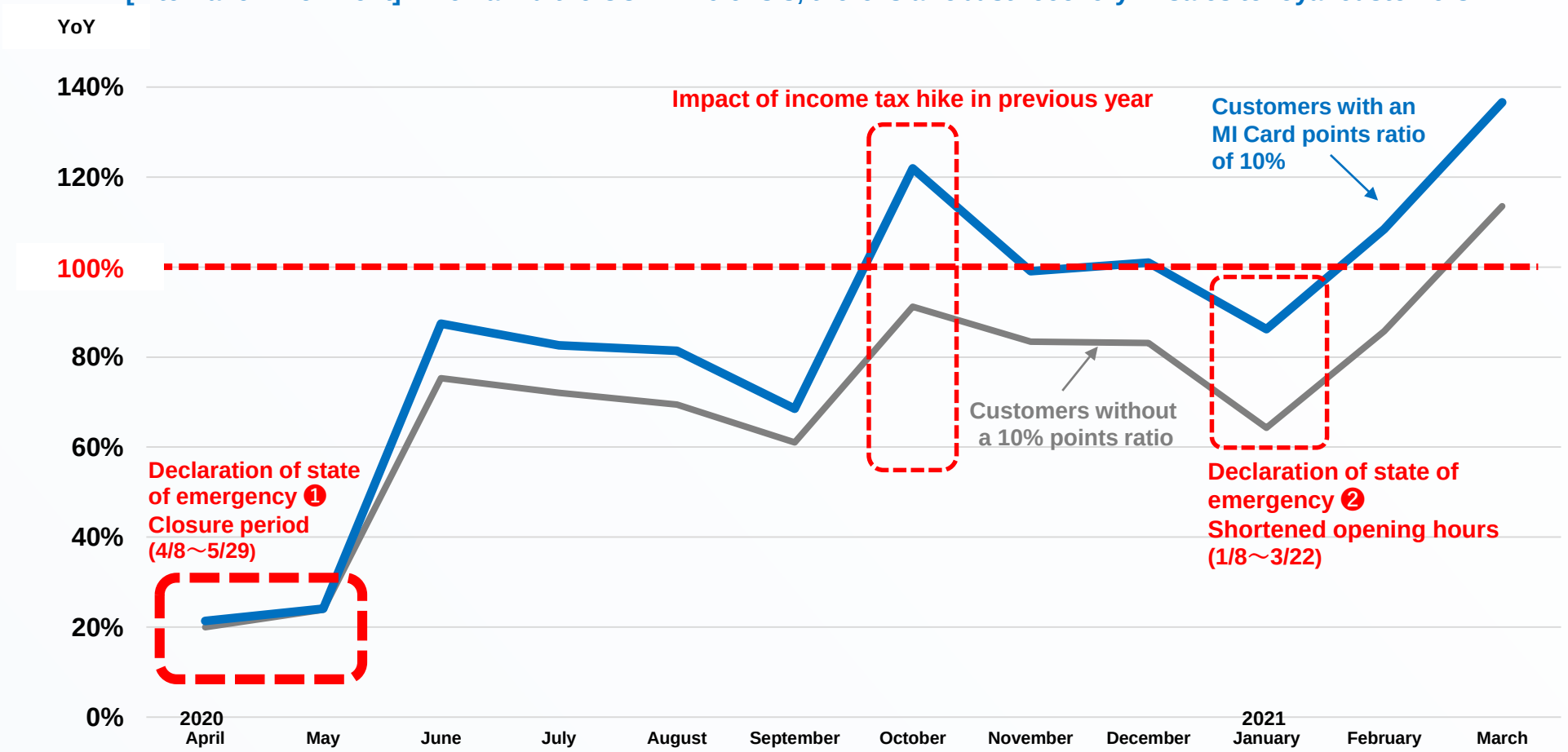
3. Recognition of Key Environmental Factors

Recognition topic

Movement of loyal customers

[External environment] Even amid total population decline, the number of people with an annual income over ¥10 million is increasing

[Internal environment] Even amid the COVID-19 crisis, there is a robust recovery in sales to loyal customers



New Medium- to Long-Term Plan [Contents]

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5. Key Strategies

6. Group Platform

7. Management Platform

・Vision for Numerical Targets

4. Overall Framework of the New Medium- to Long-Term Plan

(1) Long-Term Vision

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 ~

(2) Long-Term Basic Strategy

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

(3) Key Strategies

1) "High sensitivity, fine quality" strategy

- Respond to the needs of discerning people who seek a rich, high quality lifestyle

2) "Connections with customers" strategy

- Accompany each individual customer on his or her life journey and enhance lifetime value

3) "Stronger intra-Group coordination"

- HDS will enhance the Group platform to maximize the combined strength of all Group companies, while respecting the uniqueness of each individual company

i) CRM

ii) CRE and business model reform

iii) Income and expenditure structure reform

4) Group platform

(4) Management Platform

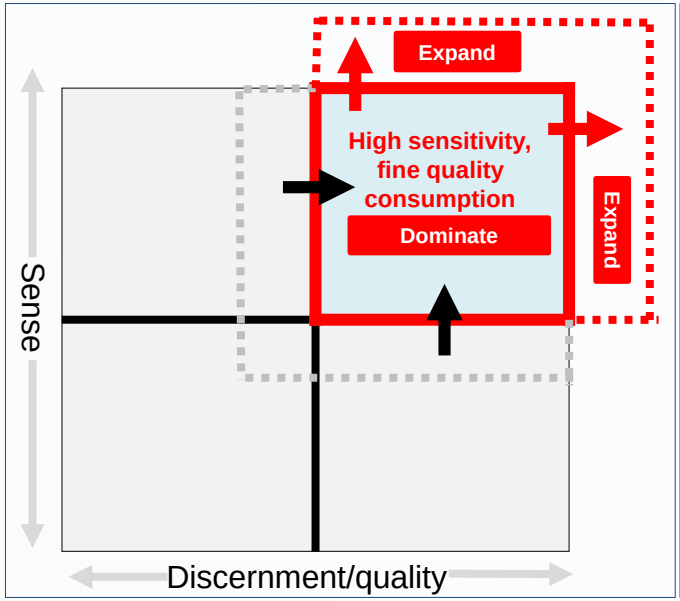
[System / data platform]	[Logistics platform]
[Finance strategy]	・Operating cash flow ・Dividends ・Capital structure
[HR strategy]	・Create an organization that gives employees job satisfaction ・Enhance Group personnel productivity
[Management governance]	・Initiatives to enhance effectiveness ・Steady implementation and monitoring of new Medium-Term Plan
[Sustainability]	・ESG/CSR/CSV

5. Key Strategies: 1) “High sensitivity, fine quality” strategy

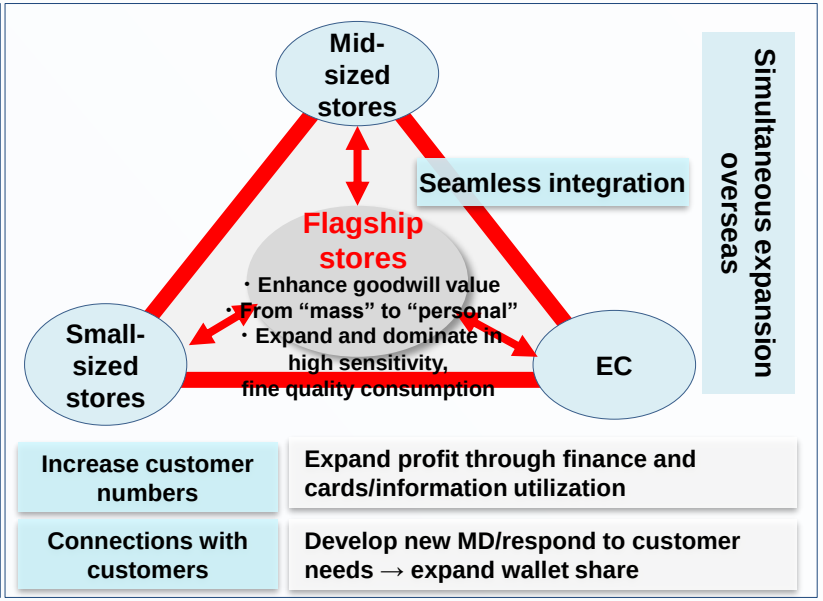
Strategy Direction	
	[Direction of stores] ・**The two main stores will become symbols of “admiration and empathy”** (a town of “admiration and empathy” in the future) ・**Promote small and medium-sized store strategy centered on the Group’s department stores in Japan and overseas** ・**Provide seamless customer experience value, fusing physical stores and online shopping** **[Direction of merchandising]** ・**Attempt “industry 2.8” and create a high sensitivity, fine quality zone** ・**Provide new MD offerings and services through out-of-store sales and alliances with buyers**

■Vision of Initiatives

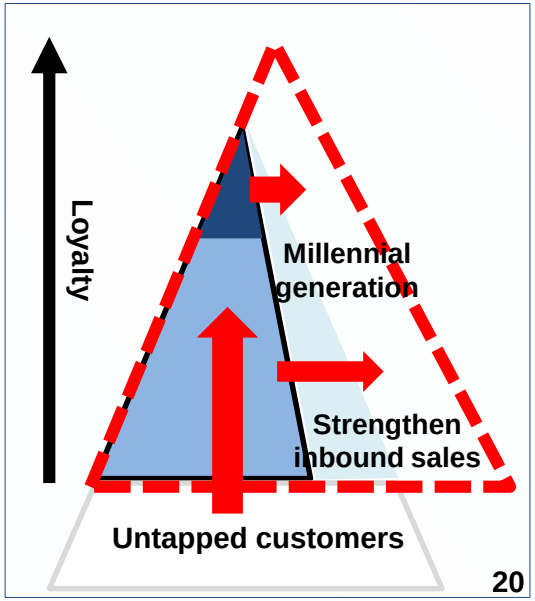
▼Market for high sensitivity, fine quality consumption



▼Forum/category



▼Increase loyal customers



5. Key Strategies: 2) “Connections with customers” strategy

Strategy Direction

- From “mass” marketing to “personal” marketing
- Design mechanisms to “connect” with all customers
- Redesign “systems to increase loyalty” of individual customers
- Reform personal out-of-store sales to respond to the needs of individual customers

■Main Initiatives

◆Systems to increase loyalty

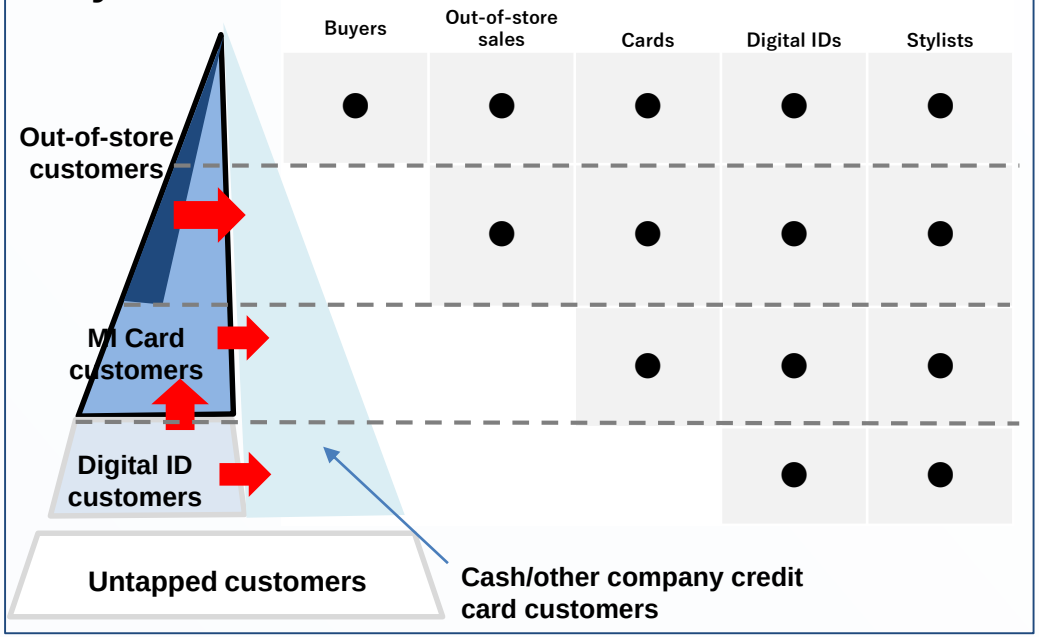
▼Group customer program

Stage



Services	
The Lounge (Isetan Shinjuku store and Mitsukoshi Nihombashi store)	Redesign program
Salon & Lounge (each Group store)	
Free parking service	
Store attendant (exclusive phone number)	
Family Tie’s Service	
Delivery service	
Valet parking service	
New services	

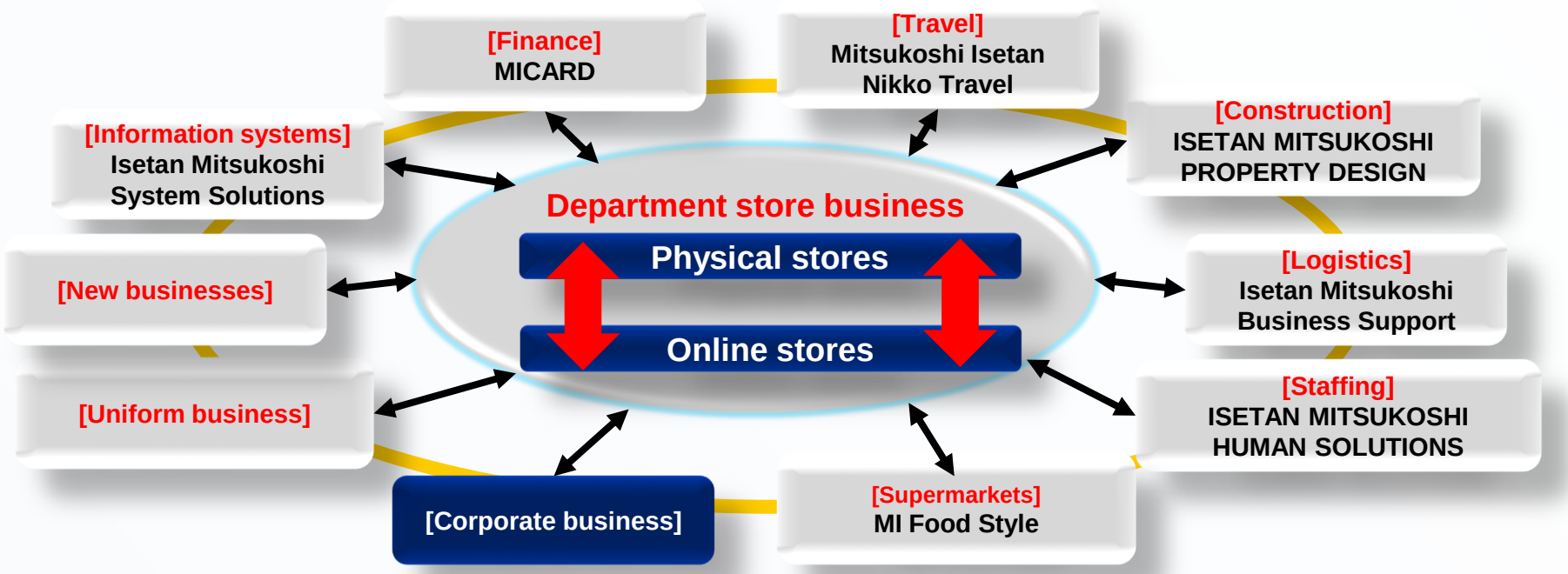
◆Systems to connect



5. Key Strategies: 3) “Stronger intra-Group coordination”

Strategy Direction	
	・Coordinated Group centered on the department store business - Emphasis shift from individual stores/companies to groupwide coordination ONE strategy based on differentiation and cohesion - Provide new value through the consolidation of Group customer assets (information) and resources （STEP 1）Vertical coordination between department store business and Group companies [⟷] （STEP 2）Horizontal coordination between Group companies [○] ・Construct Group B2B business model

■Vision of Initiatives

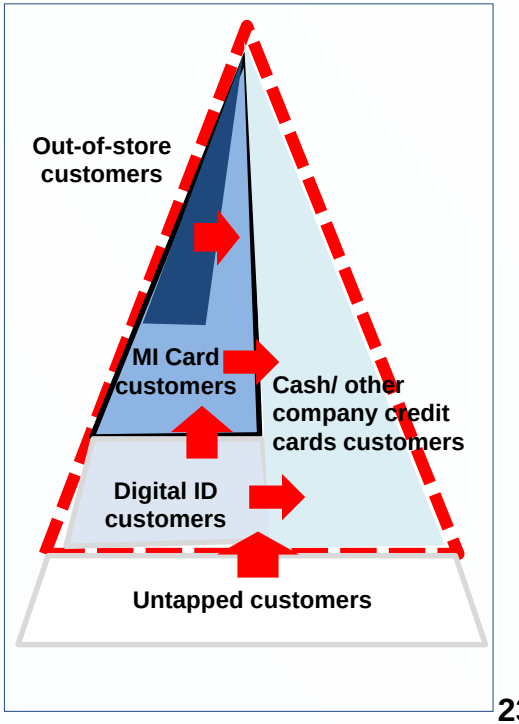


6. Group Platform: 4) – i) CRM

Direction of Initiatives	Identify all individual customers and expand the Group CRM, by ・Awarding points for purchases made with cash and other companies' credit cards ・Give customers an identical digital ID across the Group ・Build systems able to provide Group-wide services and experiences

■Main Initiatives

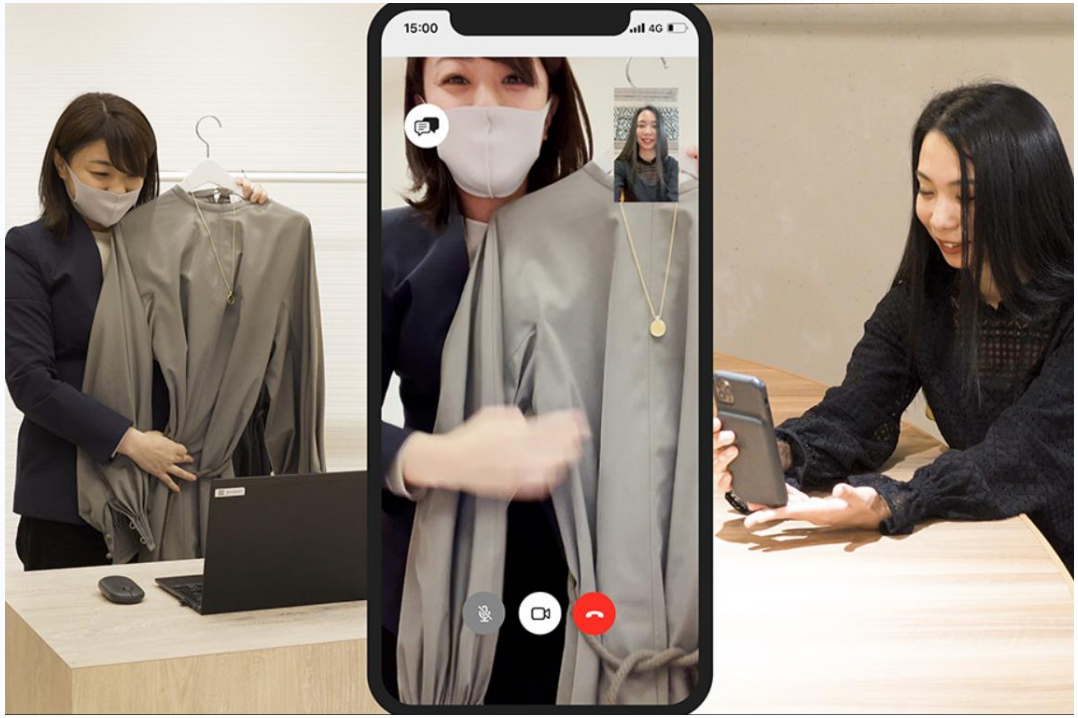
Provide a common service program across the Group	・Unify incentives in each Group company ・Identify digital ID members by awarding points *Implement in the Tokyo metropolitan area from May 2021, then expand nationwide from February 2022
Fuse card customers and digital customers	・Promote MI Cards for digital ID members ・Promote digital IDs for MI Card members
Consolidate IDs across the Group	・Enable smoother logins and strengthen reciprocal customer transfer within the Group through the consolidation of customer IDs
Digitalize the provision of information and services (Digital customer service, digital services)	・Develop digital services to resolve the needs and concerns of individual customers ・Provide content and approaches that match the desires of individual customers



[Reference] Digital Customer Service: Isetan Mitsukoshi Remote Shopping

Isetan Mitsukoshi Remote Shopping	・**Remote customer service shopping service launched in November** ・**Introduced at 51 stores (as of March 2021), centered on the Isetan Shinjuku store and Mitsukoshi Nihombashi store**

▼Reference image: remote customer service



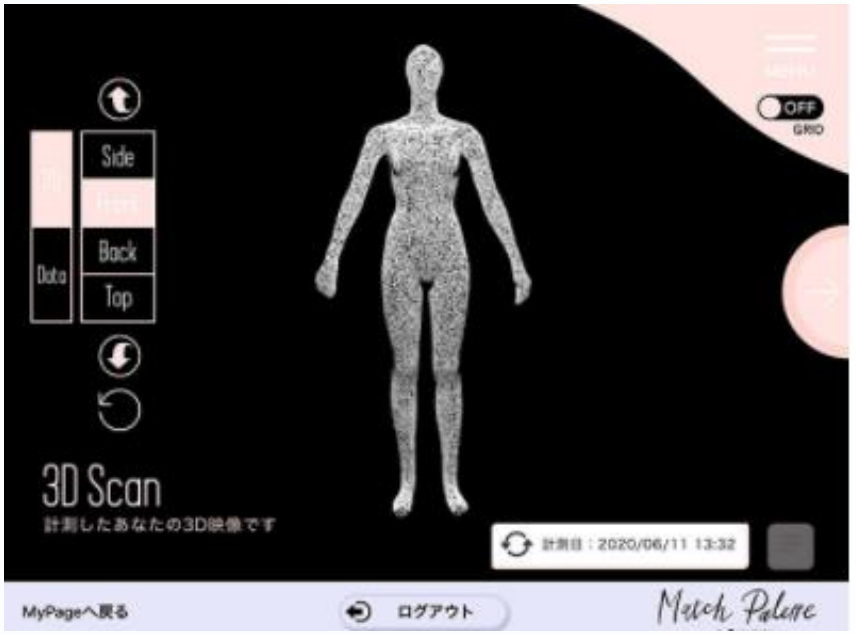


[Reference] Digital Services: 3D Measurement

Product matching services using 3D measurement **(YourFIT365, Match Palette)**	・**Services providing personalized products to match the customer's body shape, foot shape, etc. through customer service by a stylist (sales clerk) based on 3D measurement data** **-YourFIT365 (shoes)** **-Match Palette (ladies' fashion)**

▼Reference image: Match Palette





[Reference] Digital Services: VR Utilization

Virtual store using VR **REV WORLDS**	・**Smartphone app utilizing VR (launched in March 2021)** ・**Recreates Isetan Shinjuku and part of the streetscape near the east exit of Shinjuku Station** **- Users control avatars and enjoy conversation with others** **- Users can also purchase products within the virtual Isetan Shinjuku store**





6. Group Platform: 4) – ii) CRE and Business Model Reform

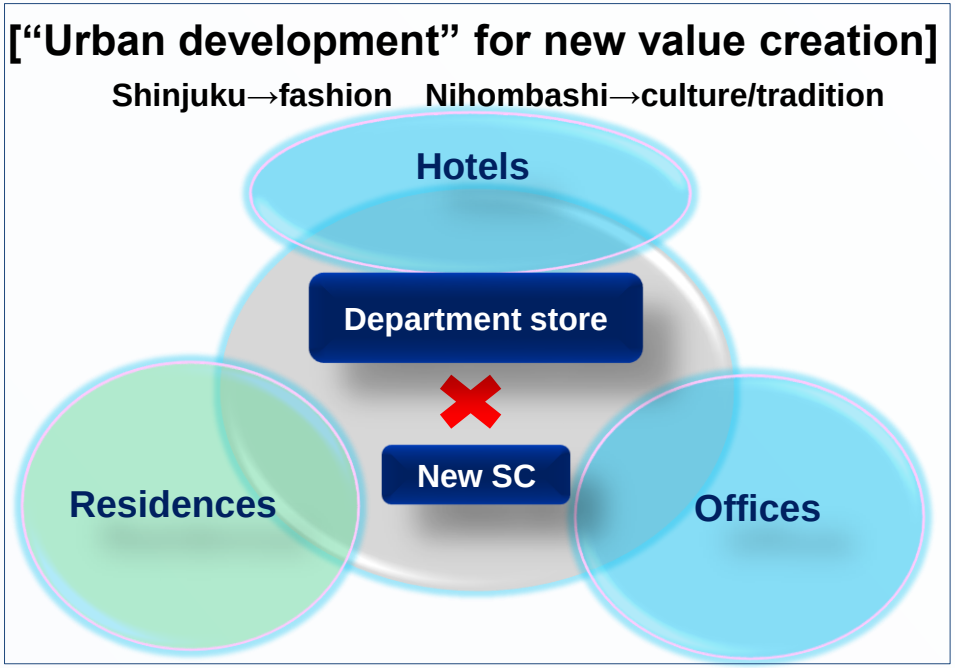
Direction of Initiatives	・Promote development around our real estate holdings and enhance the value of the area for the future - Urban development at flagship stores (“admiration and empathy”) - Promote development of real estate holdings in the area - Realize local area networks

■Urban Development at Flagship Stores

・Multi-purpose “urban development” based on a unified concept, transcending conventional leasing

・Perpetually create new value springing from the “core” department stores

・Optimize the size of the department store portions to match specific needs



6. Group Platform: 4) – iii) Income and Expenditure Structure Reform

Direction of Initiatives	To **improve "earnings quality,"** ・**Transform "revenue quality"** through loyalty of individual customers and stronger intra-Group coordination ・**"Cost reductions" and "reallocation"** in line with the transformation of revenue quality

■Main Initiatives

Transform "revenue quality"	・**Enhance LTV** through **more individual customers** and connections with each one ・**Diversify monetization methods** through **intra-Group coordination and alliances with other companies** based on individual customer data
"Cost reductions" and "reallocation"	・**Control fixed costs [lower the breakeven point]** - Allocate personnel focused on areas where we can be a "source of perpetual value creation" - Long-term personnel planning for the entire Group - Digitalization (AI×marketing automation, automated matching, etc.) ・**Control variable costs** - Shift to in-house operations (more autonomous customer contact points, etc.) - Digitization (total shift to digital media, introduction of electronic sales slips, etc.)

Urgent initiatives	・Visualization of income and expenditure ⇒ visualization by location/channel/measure, and appropriate allocation of resources in terms of individual customers ・SG&A structural reform ⇒ Deepen Isetan Mitsukoshi's initiatives in FY2020 and development across the Group ・Establish sales and operating style ⇒ enhance productivity through a review of the personnel structure

7. Management Platform: Finance Strategy / HR Strategy

Finance Strategy

◆**Basic Approach**

1) Operating cash flow

- **Priority allocation to investment in key strategies**

2) Dividends

- **Aim to swiftly restore to pre-COVID-19 levels**

  ***Annual dividends for FY2021 will be ¥10 yen, ¥1 yen higher than in FY2020**

3) Capital structure

- **Maintain a strong financial base, resilient to changes in the business environment, and ensure financing capability for investing in growth**

  ***FY2020 shareholder's equity ratio 41.9%**

HR Strategy

◆**Create an organization that gives employees job satisfaction: a "work-friendly, fulfilling" organization that also improves productivity**

1) Build a base for self-directed career development

- **Mechanisms for autonomous career-building**
- **Personalized HR programs (lifetime CDP)**
- **Build on data for scientific allocation and training**

2) Promote diversity

- **Create environments where diverse human resources can fully utilize their abilities**

3) Achieve life-work balance

- **Shorten total real working hours across the Group**

◆**Enhance personnel productivity across the Group**

- **Personnel exchange, training and allocation utilizing HR data integrated across the entire group**

7. Management Platform: System and Data Platform Development

Direction of Initiatives

- Modernize core systems using cloud computing
- Expand and enhance the use of customer data through data platform development

→ Bring these initiatives in-house, through Isetan Mitsukoshi System Solutions and IM Digital Lab, and establish new monetization through B2B business

*Isetan Mitsukoshi's DX subsidiaries (established in October 2019)

■Main Initiatives

The four quadrants of DX in the Isetan Mitsukoshi Group

[Individual customer front]
Achieve a seamless, personalized customer front through MI Online and apps

[Employee front]
Enable more sophisticated customer service and efficient operations through sales support tools

[DATA platform]
Integrate of customer data through digital IDs and develop data and analytics platforms

[DX platform]
Modernization of core systems using cloud computing and shift to microservices in front-end systems

Isetan Mitsukoshi System Solutions — **Establish agile, in-house operations** — **IM Digital Lab**

Logistics Platform

1) **Organize the logistics platform** to enhance efficiency and productivity
   - Enhance the productivity of operations through the introduction of RPA, etc. (*1)
   - Establish logistics and expand B2B business in anticipation of the spread of EC
2) **Review operational structures and systems** to reduce costs
   - Reset warehouses around Shinjuku to zero
   - Reduce consignment personnel expenses through the internalization of operations

▼(*1) The auto-store system (automated warehouse and packing system) installed at the Atsugi Center



Management Governance

June 2020: transitioned to a company with a nominating committee, etc.

◆ **Initiatives to enhance effectiveness**

1) Consideration of management issues from a long-term perspective
2) Meeting sessions centered on Outside Directors
3) Stronger Group audit systems
4) Stronger internal control and risk management systems
5) Appointment of an Outside Director to chair the Board of Directors

◆ **Steady implementation and monitoring of the new Medium-Term Plan**

Board of Directors: monitors management plans

Supervision

Executive: formulates and steadily implements management plans

7. Management Platform: Sustainability Initiatives

Basic Policy

- **Contribute to resolving a range of social issues through business activities, as our corporate social responsibility**
- **Play a part in realizing a rich future for people and achieving a sustainable society**

(1) Recent examples of initiatives

- **April 7 ~ May 11, 2021**
  "think good"



Sustainable product line-up, promotion of the four Rs, and the dissemination of culture, technology and sensibility

- **October 2020 ~**
  Renewal of the sustainability page on the MI online site



Connecting creators and users to offer lifestyles for a sustainable future

- **July 1, 2020 ~**
  Abolition of plastic shopping bags



Original bags made of recycled materials

(2) External assessment

- **Sompo Japan Nipponkoa Asset Management Sustainability Index**

2020 Sompo Sustainability Index

Member of SNAM Sustainability Index for FY2020

- **Carbon Disclosure Project**

CDP DISCLOSURE INSIGHT ACTION

Received "A-"on CDP climate change questionnaire in 2020 for the second consecutive year

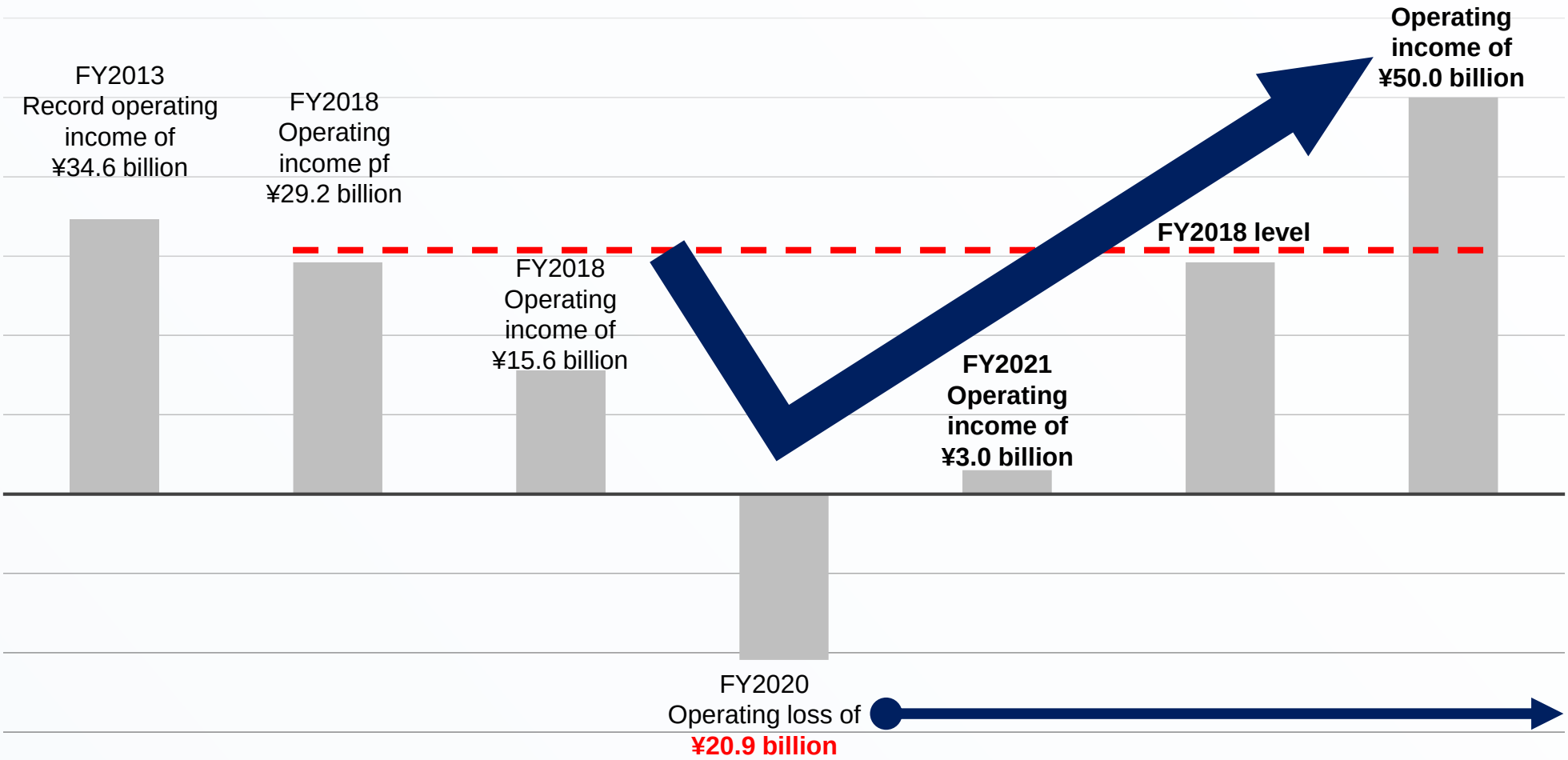
- **Toyo Keizai Basic CSR Evaluation**

CSR TOYOKEIZAI

November 2019 Received a score of "AAA"

Vision for Numerical Targets

- **Recover to FY2018 levels in the medium term**
- **Then aim for a new record level of operating income of ¥50.0 billion**



Conclusion: Steps Towards Our Long-Term Future

	This Fiscal Year	Medium Term	Long Term
Positioning	Establish the dominance of our customer platform Complete reform of the income and expenditure structure		Expand and dominate in high sensitivity, fine quality consumption, providing the ultimate customer experience
"High sensitivity, fine quality" strategy	・Embark on the initiatives on the right, and engage in trials	・Evolve the two main stores into symbols of "admiration and empathy" ・Complete the small and medium-sized store strategy centered on the Group's department stores in Japan and overseas (Department stores: special use; small and medium-sized stores: everyday use) ・Expand seamless customer experience value offerings ・Evolve "industry 2.8" and create a high sensitivity, fine quality zone ・Expand new MD and service offerings through out-of-store sales and alliances with buyers	・Realize "special" department stores - "Urban development" in Shinjuku and Nihombashi ("admiration and empathy") - Establish "industry 2.8"
"Connections with customers" strategy	・Redesign GCP services ・Award points to digital ID members (Tokyo metropolitan area) ・Embark on reforms to individual out-of-store sales	・Completely shift from "mass" marketing to "personal marketing" ・Complete reforms to individual out-of-store sales	・Establish a state where we are personally connected to all individual customers
"Stronger intra-Group coordination"	・Revision of the previous emphasis on individual stores and companies	・Complete horizontal coordination across Group companies, with department stores as the core	・Create new businesses from "connections" with each individual customer and coordination within the Group
Income and expenditure structure reform Business structure reform	・Visualization of income and expenditure ・Structural reform of SG&A expenses ・Establishment of sales and operating styles	・Complete the transformation in "revenue quality," "cost reductions" and "reallocation"	・Establish a new structure of income and expenditure, and a new business structure

Back-cast

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.