

Isetan Mitsukoshi Group Financial Results Fiscal Year Ended March 31,2024 Explanation Meeting

May 14, 2024

 Isetan Mitsukoshi Holdings Ltd.



- I: Fiscal Year Ended March 31, 2024 (FY2023)
Full-Year Results**
- II: Fiscal Year Ending March 31, 2025 (FY2024)
Full-Year Plan**
- III: Progress of the Medium-term Management
Plan (FY2022-FY2024) and the Plan for FY2024**
- IV: Basic Outline of the Next Medium-term
Management Plan (FY2025-FY2030)**



**I: Fiscal Year Ended March 31, 2024 (FY2023)
Full-Year Results**

II: Fiscal Year Ending March 31, 2025 (FY2024)
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III: Progress of the Medium-term Management
Plan (FY2022-FY2024) and the Plan for FY2024

IV: Basic Outline of the Next Medium-term
Management Plan (FY2025-FY2030)

[Yoshinori Makino, Director, Managing Executive Officer, CSDO and CFO]

I would like to talk about the results for the fiscal year ended March 31, 2024 and our plans for the current fiscal year, focusing on numerical figures.

1. FY2023 Full Year Results Summary

Operating income of **54.3 billion yen**, exceeding the initial long-term plan (50 billion yen) of the current medium-term management plan, was achieved due to progress in the **revitalization phase**.

Record-high operating income and recurring income

- The significant increase in both sales and income was due to **strong gross sales** (112% YoY) and **SG&A cost control** through “**scientific analysis of department stores**” (103% YoY), which contributed to the steady growth.
- Store sales were strong, with both **Shinjuku (375.8 billion yen)** and **Ginza (104.7 billion yen)** achieving record highs.
Isetan Mitsukoshi’s sales totaled over 700 billion yen

2. Cumulative consolidated results for FY2023

- **Strong gross sales:** “High sensitivity, fine quality strategy” and “CRM strategy connecting with individual customers” were successful, resulting in a significant increase in sales.
- **Selling, general and administrative (SG&A) expenses remaining under control:** We promoted steady cost control through “scientific analysis of department stores”
- **Both operating income and recurring income reached record highs. Net income also increased substantially.**

(0.1 billions of yen)	FY2023 results	Year on year	Yearly difference	Difference from IR in February	FY2023 4Q (Jan-Mar)	Yearly difference
Gross sales	12,246	112.5%	+1,361	+196	3,144	+455
Net sales	5,364	110.1%	+490	+94	1,346	+144
Gross profit	3,189	111.3%	+323	+39	804	+98
SG&A expenses	2,645	103.0%	+76	(4)	670	+14
Operating income	543	183.6%	+247	+43	134	+83
Recurring income	598	199.5%	+298	+58	149	+105
Net income	555	171.7%	+232	+155	244	+116

We hold great expectations about the success of increasing Gross sales and the strategies we have implemented. These strategies, “high sensitivity, fine quality,” “customer identification,” and “connecting with individual customers,” have enabled the company to significantly increase sales.

As a result, Gross profit increased by more than 32.0 billion yen compared to the previous year. In contrast, we were able to limit the growth of Selling, general and administrative expenses to 7.6 billion, resulting in Operating income of 54.3 billion, an increase of 4.3 billion from the previous year’s 24.7 billion, due in part to the strong performance since the February 2 disclosure.

Also, the table on the right shows the 4Q results. In the past, the fourth quarter was not a quarter in which profits increased that much, but this time, profits increased by 8.3 billion from the previous year to 13.4 billion, and I believe that the current profit structure is changing very much and that the fourth quarter was a quarter in which we could hold great expectations about the increase of profits.

The change from Operating income to Recurring income from the previous year was +5.5 billion to 59.8 billion, due in part to a significant contribution from equity in earnings of affiliates.

Net income for the year was 55.5 billion, 171% of the previous year’s level, due in part to the recording of tax-effect income taxes adjustment.

3. Accumulated results of our major department stores in Japan in FY2023 (by store and company)

- Isetan Shinjuku Main Store sales **reached a record high** (an average of 254.2 billion yen over the 10 years prior to COVID-19)
- Mitsukoshi Nihombashi Main Store and Ginza Store led the overall sales with sales of 150 billion yen and over 100 billion yen, respectively
- Major regional stores also achieved significant revenue growth.

(0.1 billions of yen)	Gross sales	Year on year	Yearly difference	(0.1 billions of yen)	Gross sales	Year on year	Yearly difference
Isetan Shinjuku Main Store	3,758	114.7%	+482	Sapporo Marui Mitsukoshi	605	110.3%	+56
Mitsukoshi Nihombashi Main Store	1,528	110.4%	+144	Sendai Mitsukoshi	276	102.2%	+5
Mitsukoshi Ginza store	1,047	135.6%	+274	Nagoya Mitsukoshi	616	106.9%	+40
Isetan Tachikawa store	322	106.5%	+19	Niigata Isetan Mitsukoshi	359	100.9%	+3
Isetan Urawa store	388	103.8%	+14	Iwataya Mitsukoshi	1,245	113.6%	+148
Total Isetan Mitsukoshi	7,047	115.3%	+936	Total of 5 major regional stores	3,103	108.9%	+254

This page shows Net sales of major department stores in Japan in FY2023.

Sales and profits have been very strong, especially in the three mainstay stores in the center of Tokyo , and in the major cities in the region.

4. Increase/decrease in consolidated SG&A expenses

- **Cost structure reform:** Reduction of **6.4 billion yen (160% of initial plan)** compared to **initial plan of -4.0 billion yen** Company-wide penetration of cost structure reforms to control each expense category
- **Impact from price changes:** Personnel expenses were higher, but utilities expenses were lower than planned.

(0.1 billions of yen)	FY2023 results	YoY difference	Breakdown of year-on-year increase/decrease				
			Current year increase/decrease				
			Cost structure reform	Sales-linked	Impact from price changes	Newly consolidated	Other
Personnel expenses	948	+18	(30)		+35	+12	+1
Advertising expenses	95	+8	(3)	+11			
Lease payments	327	+6	(7)	+6		+5	+2
Business consignment expenses	298	+8	(7)		+9	+2	+5
Depreciation and amortization	227	(6)				+2	(8)
Utilities expenses	93	(6)	(4)		(5)	+1	
Other	654	+47	(13)	+51		+9	
Total	2,645	+76	(64)	+69	+39	+32	0

Next is consolidated Selling, general and administrative expenses.

As part of cost structure reforms, we were able to reduce expenses by 6.4 billion compared to our initial plan of 4.0 billion. As a result, we were able to limit the growth of Selling, general and administrative expenses that is associated with Net sales to an extent, and were able to take in other cost increases such as the impact of rising prices, which I believe contributed significantly to the 54.3 billion yen in Operating income.

5. Results by segment (full-year results)

- Department store business: In addition to Isetan Mitsukoshi's substantial increase in sales and profit, the improvement in profits at regional stores also contributed to the success. **Operating income of 45.1 billion yen (221% of the previous year's figure)** was a great achievement
- Credit & finance business: Operating income of 4.0 billion yen, exceeding the plan as of February due to **SG&A cost control**
- Real estate business: Construction and design sales were in line with plans.

(0.1 billions of yen)	Gross sales	Year on year	Net sales	Operating income	Yearly difference	Difference from IR in February
Department store business	11,373	111.8%	4,483	451	+247	+41
Credit & finance business/ Customer organization management business	354	105.6%	327	40	+2	+2
Real estate business	267	130.6%	267	30	(9)	+0
Other businesses*	251	149.2%	285	21	+7	(0)
Total	12,246	112.5%	5,364	543	+247	+43

* Operating income in the "other businesses" segment includes adjustment (40 million yen)

Next, I would like to present our segment performance for the fiscal year ended March 31, 2024.

For FY2023, the department store segment, which is at the top of the list, showed a large difference from the previous year and from the upward revision to 50 billion in February, resulting in a total Operating income of 54.3 billion.



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Full-Year Results

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IV: Basic Outline of the Next Medium-term
Management Plan (FY2025-FY2030)

1. Summary of FY2024 full-year plan

Continue revitalization and evolution of each business and launch new initiatives to switch from the "store" business to the individual customer business.

Aim for record-high operating income of 64 billion yen and recurring income of 69 billion yen

- **SG&A expenses** are planned to be **reduced by 6.1 billion yen** through further penetration of cost structure reforms based on “scientific analysis of department stores”
- **Department store business** surpassed the 50 billion yen mark and came to **51.5 billion yen (+6.3 billion yen YoY)**
Credit & finance and real estate businesses are also expected to see significant increases in their profits.
- **Shinjuku Store (411 billion yen) plans to exceed 400 billion yen in store sales for the first time**
Ginza Store (114.0 billion yen) also aims to set a new record

Continuing on, here is our plan for FY2024, starting this April. The first page shows the concept.

As you can see, this time Operating income is 64 billion yen and Recurring income is 69 billion yen. We plan to significantly increase the FY2023 record high.

2. Consolidated plan (full FY2024)

- **Gross sales: Further progress will be made in each strategy**, especially in department stores. **Strong inbound sales** are also expected.
- **SG&A: Promote steady cost control at the company-wide level through “scientific analysis of department stores”**
- **Operating income, recurring income: Record highs**
 - * **Net income** reflects a reduction of 9.6 billion yen in income taxes-deferred in the previous year. Plan to **increase profit in real terms**

(0.1 billions of yen)	Full year	Yearly difference	Year on year
Gross sales	12,800	+553	104.5%
Net sales	5,480	+115	102.2%
Gross profit	3,340	+150	104.7%
SG&A expenses	2,700	+54	102.1%
Operating income	640	+96	117.7%
Recurring income	690	+91	115.2%
Net income	530	(25)	95.4%

Here is the consolidated plan for FY2024.

Gross sales were 104.5% of the previous year’s total, or 1.28 trillion yen. Gross profit was +15.0 billion yen.

In contrast, Selling, general and administrative expenses were increased by 5.4 billion yen, so Operating income increased by 9.6 billion yen to 64.0 billion yen. We project Recurring income of 69.0 billion yen in anticipation of continued to be strong on equity in earnings of affiliates.

There was a tax effect of approximately 10 billion yen on deferred tax assets in FY 2023, but we do not have that amount, so although Net income is 53 billion yen, we believe we are able to plan an increase in income in real terms.

3. Plan for major department stores in Japan for FY2024 (by store and company)

- **Isetan Shinjuku Main Store plans** to break its current sales record, **exceeding 400 billion yen**
- Mitsukoshi Ginza Store also aims for record sales of 114 billion yen. Mitsukoshi Nihombashi Main Store also aims to continue to increase revenues to 158 billion yen
- Regional stores, especially Iwataya Mitsukoshi, plan to significantly increase sales

(0.1 billions of yen)	Gross sales	Year on year	Yearly difference	(0.1 billions of yen)	Gross sales	Year on year	Yearly difference
Isetan Shinjuku Main Store	4,110	109.3%	+351	Sapporo Marui Mitsukoshi	610	100.7%	+4
Mitsukoshi Nihombashi Main Store	1,580	103.4%	+51	Sendai Mitsukoshi	280	101.3%	+3
Mitsukoshi Ginza store	1,140	108.8%	+92	Nagoya Mitsukoshi	620	100.6%	+3
Isetan Tachikawa store	335	103.8%	+12	Niigata Isetan Mitsukoshi	375	104.3%	+15
Isetan Urawa store	380	97.7%	(8)	Iwataya Mitsukoshi	1,300	104.4%	+54
Total Isetan Mitsukoshi	7,545	107.1%	+497	Total of 5 major regional stores	3,185	102.6%	+81

Here is the plan for major department stores in Japan.

The three mainstay stores in the center of Tokyo, shown in the upper left corner, especially the Isetan Shinjuku Main Store, are planning to achieve a record high of over 410 billion yen. The Mitsukoshi Nihombashi Main Store and Mitsukoshi Ginza Store are also planning strong sales.

Those in the area to the right are also planning to increase their revenues, especially at Iwataya Mitsukoshi, located in the lower right corner.

As you all know, we disclose April sales on a preliminary basis in early May. The pace of sales in April and May was much faster than this figure at the Isetan Shinjuku Main Store and other mainstay stores, as well as at regional and Iwataya Mitsukoshi.

4. Sales plan for existing department stores in Japan (full FY2024)

- Isetan Mitsukoshi plans a YoY 7% increase in full-year sales (including a **45% increase in sales to inbounds**)
- Regional operating companies plan a YoY 2% increase in full-year sales (including a **40% increase in sales to inbounds**)
- Annual inbound sales of department stores in Japan are **planned at 156.3 billion yen**, based on recent performance.

(0.1 billions of yen)	First half		Second half		Full year	
	Plan	Year on year	Plan	Year on year	Plan	Year on year
Total Isetan Mitsukoshi	3,555	111%	3,989	104%	7,545	107%
(of which) inbound sales	630	179%	630	121%	1,260	145%
Total regional operating companies	1,738	105%	1,958	100%	3,697	102%
(of which) inbound sales	149	208%	153	106%	303	140%
Total domestic department stores	5,294	109%	5,947	103%	11,242	105%
(of which) inbound sales	779	184%	783	118%	1,563	144%

*Regions: Excluding Iwataya Kurume Store and Matsuyama Mitsukoshi; rounded down to the nearest 100 million yen.

Continuing on, here are the sales plans for Isetan Mitsukoshi’s regional domestic department stores for the first and second half of the year.

First, looking at the full year, Isetan Mitsukoshi plans to achieve 107% year-on-year growth, and 105% year-on-year growth for domestic department stores as a whole.

Especially in the first half of the year, we are planning 111% year-on-year growth at Isetan Mitsukoshi and 109% year-on-year growth in Japan, as there is still much room for growth due to the impact of the reclassification of COVID-19 into Class 5 and other factors in the previous year. As of April, Isetan Mitsukoshi’s sales had exceeded 111% of the previous year’s level by a wide margin (115%), and May sales continued to be strong, so I do not think the numbers are overly high.

Lower right, inbound sales are planned at 156 billion yen for the entire full year. Simply dividing by the month, the monthly average is about 13 billion yen. Inbound sales also achieved 13 billion yen in April, and are coming in at a level that will hit the mark in May as well.

5. Changes in consolidated SG&A expenses (full FY2024)

- Cost structure reform: We plan to reduce expenses by 6.1 billion yen, **continuing from the previous fiscal year's plan** to reduce expenses by **more than 6 billion yen**.
- Strategic expenditures: Reflect factors such as an increase in personnel due to business expansion.
- Impact from price changes: Increases are expected **in personnel expenses (including base pay) and utilities costs**.

(0.1 billions of yen)	FY2024 Plan	YoY difference	Breakdown of year-on-year increase/decrease				
			Current year increase/decrease				
			Cost structure reform	Sales-linked	Strategic expenditures	Impact from price changes	Other
Personnel expenses	954	+5	(29)		+14	+21	
Advertising expenses	104	+8	(0)	+8			
Lease payments	317	(10)	(20)	+10			
Business consignment expenses	299	+0	(4)		+4		
Depreciation and amortization	234	+6			+6		
Utilities expenses	106	+12	(3)			+15	
Other	686	+31	(5)	+29		+6	+2
Total	2,700	+54	(61)	+47	+24	+42	+2

Next is the full-year Selling, general and administrative expenses for FY2024.

By factoring in 6.1 billion yen in cost structure reforms, we also plan to increase expenses by 5.4 billion yen. The plan is to ensure an increase in Operating income by limiting the increase that is associated with sales to the extent.

The structural reform of expenses includes expenses related to the two recently closed stores in Tianjin, China, as well as expenses related to the subsequent closure of the Shanghai store.

6. Segment plan (full FY2024)

- Department store business: In addition to Isetan Mitsukoshi's sales and profit growth, regional companies also **continue to plan profit growth**
- Credit & finance business: **Significant profit increase** due to **higher card transaction volume** and progress in cost structure reform
- Real estate business: Increased profit, resulting from steady construction and design sales and increased rental income, is planned.

(0.1 billions of yen)	Gross sales	Year on year	Net sales	Operating income	Yearly difference
Department store business	11,820	103.9%	4,500	515	+63
Credit & finance business/ Customer organization management business	370	104.4%	340	55	+14
Real estate business	330	123.2%	330	37	+6
Other businesses*	280	111.5%	310	33	+11
Total	12,800	104.5%	5,480	640	+96

*The "Other businesses" segment factors in adjustments

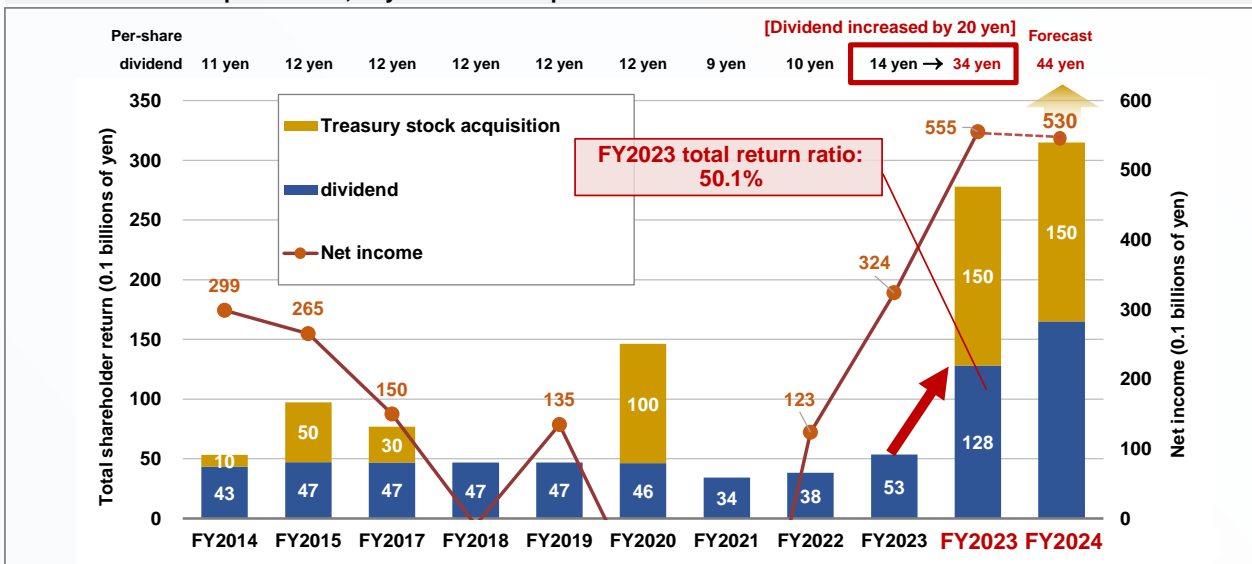
Next is the segment plan for the full year 2024.

As in FY2023, here, too, the weight of Department store business is still very high in terms of Operating income, as is to be expected, and the difference from the previous year is also large.

However, the Credit & finance business centered on MICARD, Real estate business, and other related companies have also shown a certain level of profit increase as seen in the year-on-year difference, and we plan to renew the highest Operating income while increasing the earnings of each group company for Stronger intra-Group coordination.

7. Return to shareholders in FY2024

- Revised year-end dividend forecast for FY2023 and also revised per-share dividend forecast for FY2023 to **34 yen (an increase of 20 yen from the previous fiscal year)**
- The annual dividend forecast for FY2024 is set at 44 yen, with an eye on a **total return ratio of 50%**. Simultaneously, **share buyback of ¥15.0 billion** is planned
 → **Total return ratio at the time of the initial plan is 59.5%**
* Trial calculation based on the number of shares at the beginning of the period (375 million shares issued excluding treasury stock)
- Consider **additional shareholder returns** from time to time by monitoring **progress of profit and investment plans**, as well as stock price levels, beyond the initial plan.



The last page of my part is shareholder returns.

In light of this Net income of 55.5 billion yen, we have revised the year-end dividend for FY2023, increasing it by 2 yen to a projected annual dividend of 34 yen.

The company has revised its dividend plan to an increase of ¥20 per share from the previous fiscal year.

We plan to pay an annual dividend of 44 yen for the current fiscal year (FY2024), while keeping in mind a total return ratio of 50%. In addition, the company plans to repurchase 15 billion of its own shares, as separately released today. This one will last until the end of October, and these acquired shares will be cancelled as before.

Taking these factors into account, the total return is 59.5% of the 53 billion in Net income mentioned earlier. While keeping this initial plan in place, we will consider additional returns while keeping a close eye on future profits and the level of the stock price.

That's all for my part.



I: Fiscal Year Ended March 31, 2024 (FY2023)
Full-Year Results

II: Fiscal Year Ending March 31, 2025 (FY2024)
Full-Year Plan

**III: Progress of the Medium-term Management
Plan (FY2022-FY2024) and the Plan for FY2024**

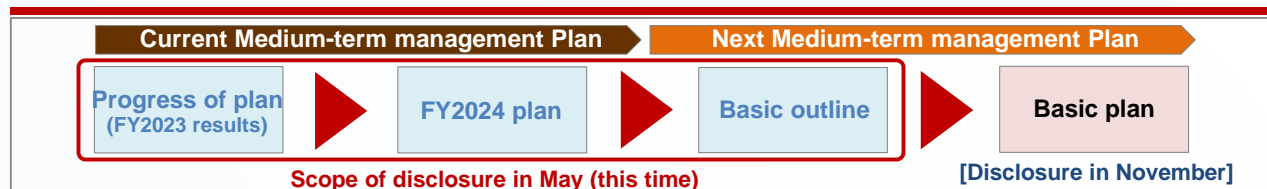
**IV: Basic Outline of the Next Medium-term
Management Plan (FY2025-FY2030)**

[Toshiyuki Hosoya, Director, Representative Executive Officer, President
and CEO]

From here, Hosoya would like to give an explanation.

I would like to explain number 3 and 4 in the table of these two contents.

1. Disclosure flow



2. Digest of disclosures

III: Progress of the current Medium-term Management Plan and plans for FY2024

1. Progress of the current Medium-term management Plan

- Through further progress in the strategy, “Revitalization and Evolution” was accelerated and the initial long-term operating income target of 50 billion yen was achieved ahead of schedule

2. FY2024 plan

- Steady progress in each of the **Key Strategies** for revitalization and evolution
- In light of the final year of the current Medium-term management Plan, the “9 **Key Strategies**” will be **continued**. **Strengthen efforts in four Key Strategies**

IV: “Basic Outline” of the next Medium-term Management Plan (main specific plans will be disclosed in November)

- **Establish a six-year** Medium-term Management Plan for the next fiscal year, taking into consideration the construction start and completion dates of the urban community development.
- This is an important **preparatory period** for us **to shift towards an individual customer business**, and **the way we spend these six years** will be critical to our **growth** in the years to come.
 - ⇒ Aim to achieve target operating income of **80 billion yen in FY2027** and **100 billion yen in FY2030**
- Transform the business model from the “store” business to **the individual customer business to realize our vision**.
- Expand business profit through **[vertical] business strategy to evolve the unique points** of each business
- Create intra-Group coordination-based profits through **[horizontal] intra-Group coordination activities to provide customer value by combining unique points**
- In Phase I (FY2025-FY2027), before the start of “real estate development investment,” we will increase the **emphasis on shareholder returns** and continue to **improve capital efficiency**.
- Work to optimize our **investment in human capital** and **cultivate human resources specialized** in that business who can create value unique to our company by combining the **[horizontal]** and **[vertical]**.
- Promote **strategies for each business linked to priority initiatives** (materiality)

I will explain the entire disclosure process first.

Today, I would like to explain the progress of the current Medium-term Plan, the plan for FY 2024, and the outline of the next Medium-term Plan starting from FY 2025.

I would like to explain the basic plan in detail in November.

I am posting here the summary of what I will be discussing today, and I hope you will stay with me.

1. Profit plan

(1) Initial plan (disclosed in November 2021): Targeted an operating income of 35 billion yen in FY2024, and an operating income of 50 billion yen in the long-term (10-year span).
 (2) Previous plan (disclosed in May 2023): Revised upward to “40 billion yen” in operating income for FY2024.
 (3) Current plan (Disclosed in May 2024): The long-term operating income target was achieved in FY2023 ahead of schedule, and an operating income of 64 billion yen is planned for FY2024.

Unit: 0.1 billions of yen / Disclosure period		FY2023	FY2024	Long term (10-year span)
(1) Initial plan (Disclosed in November 2021)	Gross sales	—	11,100	—
	Operating income	—	350	500
	ROE	—	5.3%	—
(2) Previous plan (Disclosed in May 2023)	Gross sales	11,400	11,800	—
	Operating income	350	400	—
	ROE	5.0%	5.7%	—
(3) Current plan (Disclosed in May 2024)	Gross sales	12,246	12,800	—
	Operating income	543	640	—
	ROE	9.8%	8.8%	—

* Including special factors in FY2023

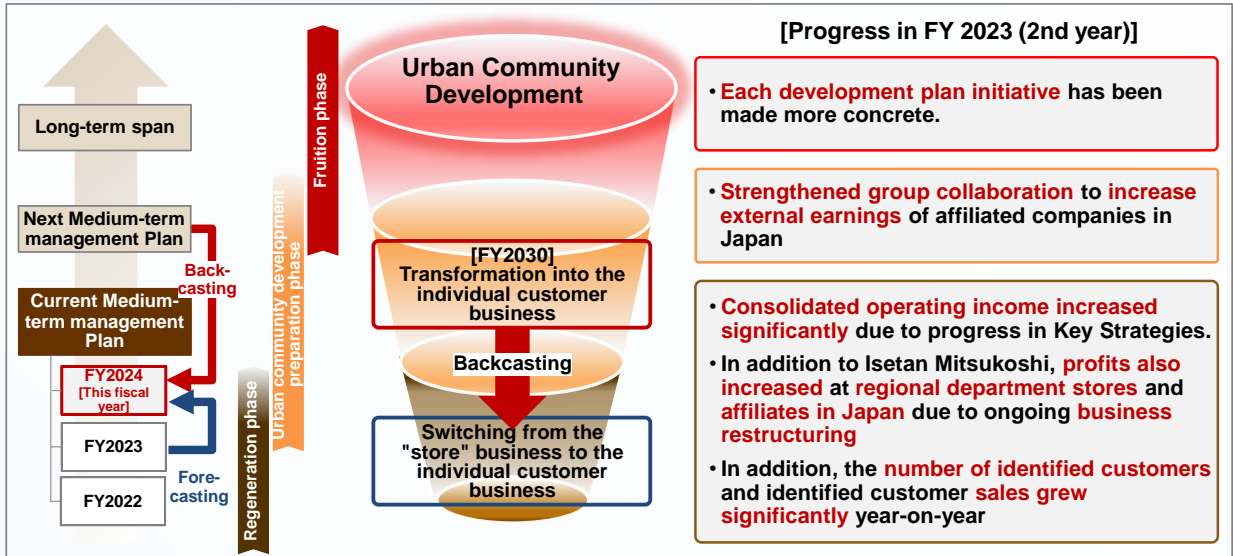
This is about the overall profit plan.

We made this disclosure in November 2021. The highest Operating income in the past was 34.6 billion yen, and the company wanted to exceed 35 billion yen in Operating income in FY2024. We disclosed that we were aiming for 50 billion over the long term, and all of these figures were achieved in FY2023.

This fiscal year is the final year of the 2024 Medium-term Plan, and we want to make sure that we will hit the number that Makino talked about earlier.

2. Strategic steps

- [FY2023] • **Significant progress** in the revitalization phase, with consolidated operating income reaching a **record high**
- [FY2024] • Developed a plan from two perspectives to **switch from the "store" business to the individual customer business**.
- **Forecasting perspective:** **Continue revitalization and evolution** of each business in the final year of the current Medium-term management Plan
- **Backcasting perspective:** **Start to work on initiatives for the next Medium-term Management Plan ahead of schedule**



We have not changed anything about the overall strategic steps.

In terms of content, we will aim for things and management over the long term, and go through to the final Fruition Phase over a long span of time. We are now working on various things, assuming that the final result will be “urbanization”. Initially, we will let the department store revitalize itself over a three-year period. Strengthen the profit structure while significantly transforming the business model in the first place.

The next phase is to make sure that we are well prepared for the things that await us in the “urbanization” phase, converting the department store to an individual customer business.

What I will explain later today is the contents of this next Medium-term Plan.

3. Management objectives: Financial KPIs

[FY2024 plan]

- **Gross sales: 1,280.0 billion yen (+55.3 billion yen YoY) (1)**
- **SG&A expenses: Will be controlled within the growth rate (102% in the previous fiscal year) of gross sales (105% YoY) (2)**
- **Operating income: An operating income of 64.0 billion yen, an increase of 9.6 billion yen YoY and a record-high for the second consecutive year, is planned (3)**
- **Net income: 53.0 billion yen is planned in line with the upward revision of operating income (4)**
- **ROE: 8.8%, a significant upward revision from the figure disclosed in May of FY2023 (5.7%), is planned (5)**

	FY2023 results		FY2024 plan	
	Actual results	Difference from FY2022	Planned value	Difference from FY2023
Gross sales	1,224.6 billion yen	+136.1 billion yen	(1) 1,280 billion yen	+55.3 billion yen
SG&A expenses	264.5 billion yen	+7.6 billion yen	(2) 270 billion yen	+5.4 billion yen
Operating income	54.3 billion yen	+24.7 billion yen	(3) 64 billion yen	+9.6 billion yen
Net income	55.5 billion yen	+23.2 billion yen	(4) 53 billion yen	-2.5 billion yen
ROE	9.8%	+3.6%	(5) 8.8%	-1.0%

* Including special factors in FY2023

We have not changed any of the items in this financial KPI.

It shows the state from Gross sales to ROE, the figures for FY2023 and the numbers we are aiming for in FY2024.

The negative part is that there was a 9.6 billion yen tax issue in the last fiscal year, as Makino explained earlier, but in real terms, all of our plans are positive.

3. Management objectives: Customer KPIs

[FY2023] • Continued YoY growth of identified customer sales is planned due to double-digit YoY growth in digital ID-only member sales.

[FY2024] • We plan to achieve YoY growth in all KPIs by strengthening marketing to individual customers

	FY2023 results		FY2024 plan	
	Actual results	Compared to FY2022	Planned value	Compared to FY2023
Identified customer sales	596.7 billion yen	108%	615 billion yen	103%
MI Card Member sales	463 billion yen	103%	470 billion yen	102%
Sales to MI Card Members who purchase over 1 million yen per year	246.4 billion yen	106%	251 billion yen	102%
Digital ID-only member sales	133.7 billion yen	129%	145 billion yen	108%

Customer KPIs.

I believe that this is an extremely heavy KPI for our Isetan Mitsukoshi Group.

As a result of establishing these KPIs, I believe we have begun to transform ourselves from a “store” business to an individual customer business.

4. Information by company

[FY2023]

- (1) [Isetan Mitsukoshi] In addition to the strong performance of Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store, **Mitsukoshi Ginza Store reached 100 billion yen in sales.**
- (2) [Regional operating companies] **Sales recovery progressed** mainly in major regional cities, and operating income **increased significantly** due to the effect of SG&A cost control.
- (3) [Domestic affiliates] Substantial growth in operating income due to **efforts to further strengthen in-house production and external sales** and to control SG&A expenses

[FY2024]

- Further **increases in sales and profit are planned** for Isetan Mitsukoshi, regional operating companies and domestic affiliates

(1) Isetan Mitsukoshi <small>* Excluding real estate rental income</small>				(2) Regional operating companies				(3) Domestic affiliates <small>* Excluding finance, real estate and logistics</small>			
Gross sales				Gross sales				Gross sales			
	Actual/plan	Year on year	Yearly difference		Actual/plan	Year on year	Yearly difference		Actual/plan	Year on year	Yearly difference
FY2023 results	704.7 billion yen	115%	+93.6 billion yen	FY2023 results	370.5 billion yen	107%	+25.2 billion yen	FY2023 results	74.8 billion yen	125%	+15.2 billion yen
FY2024 plan	754.5 billion yen	107%	+49.7 billion yen	FY2024 plan	379.4 billion yen	102%	+8.9 billion yen	FY2024 plan	83.2 billion yen	111%	+8.4 billion yen
Operating income				Operating income				Operating income			
	Actual/plan	Year on year	Yearly difference		Actual/plan	Year on year	Yearly difference		Actual/plan	Year on year	Yearly difference
FY2023 results	37.2 billion yen	205%	+19.1 billion yen	FY2023 results	6.6 billion yen	666%	+5.6 billion yen	FY2023 results	2.6 billion yen	182%	+1.2 billion yen
FY2024 plan	42 billion yen	113%	+4.8 billion yen	FY2024 plan	8.8 billion yen	134%	+2.2 billion yen	FY2024 plan	3.8 billion yen	145%	+1.2 billion yen

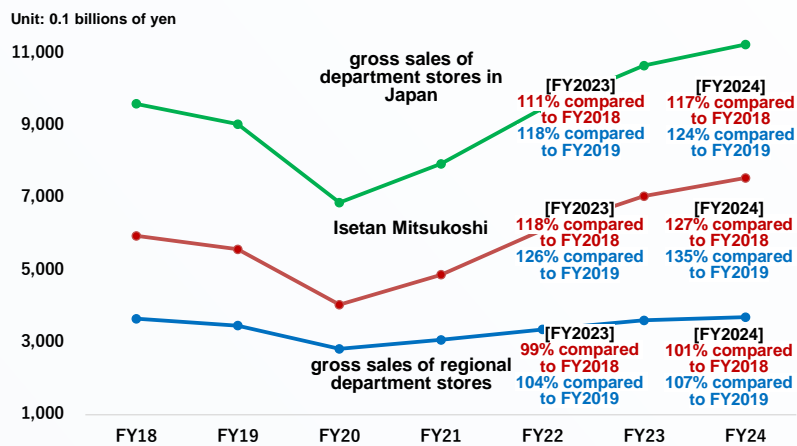
From here on, it is about by company.

I have written the figures for FY2023 and then FY2024. The figures are for Isetan Mitsukoshi's department store in the Tokyo metropolitan area and other companies, regional business companies, and domestic affiliated companies excluding finance and real estate, all of which are expected to increase revenues and profits. This means that we had very good numbers last year.

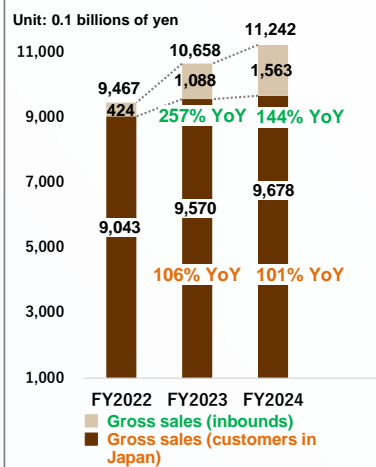
[TOPICS] Department store sales in Japan

- Isetan Mitsukoshi has continued to **drive** domestic department store **sales**, while regional department stores also saw further **sales recovery**
- Further progress in marketing to individual customers has also led to **growth in customer sales in Japan**, excluding sales to inbounds.

[Sales of Isetan Mitsukoshi and regional department stores]



[Sales to customers in Japan and inbounds]



* Isetan Mitsukoshi: Isetan Sagamiyama Store, Isetan Fuchu Store, and Ebisu Mitsukoshi are excluded; Region: Iwataya Kurume Store, Matsuyama Mitsukoshi, and Niigata Mitsukoshi are excluded

I will discuss two topics from here.

This is about domestic department store sales.

The graph is shown as a line graph from 2018. What you will see is that in FY2023, we have already achieved the very good sales figures in FY2018.

The plan for FY2023 has been largely achieved, and the plan for FY2024 is also largely achieved. For our company, which focuses on Department store business, we believe that the growing domestic department store sales figures are very strong.

The figure on the right shows inbound sales figures.

The share of inbound sales in FY2023 is still low at 10%. There is actually a great deal of room here. Globally, I believe that it would be difficult to imagine department stores having an inbound share of 10%. The next outline of the plan is to increase the share of inbound sales to 14% this year, with the idea that it will still go up in the future.

[TOPICS] Sales to inbounds

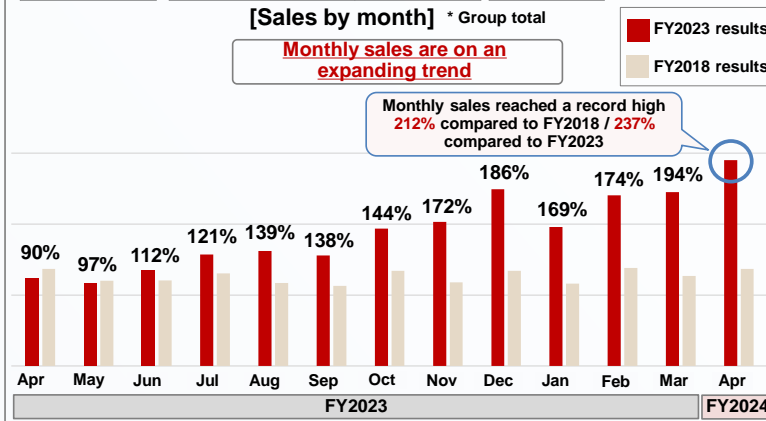
- inbound sales exceeded **100 billion yen**, far surpassing the pre-COVID-19 level (145% compared to FY2018) and **reaching a record high**
- Customers visiting Japan from **mainland China** fell below the pre-COVID-19 level, but sales expanded mainly due to tourists from **other Asian regions**.

FY2023 results				FY2024 plan			
			Compared to FY2018				Year on year
Sales to inbounds	gross sales of department stores in Japan	108.8 billion yen	145%	Sales to inbounds	gross sales of department stores in Japan	156.3 billion yen	144%
	Isetan Mitsukoshi total	87.2 billion yen	144%				

[Sales by month] * Group total

Monthly sales are on an expanding trend

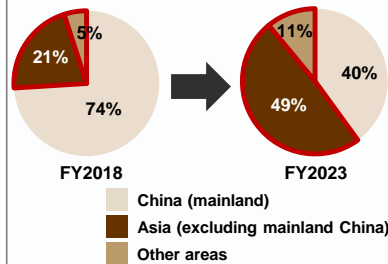
Monthly sales reached a record high 212% compared to FY2018 / 237% compared to FY2023



[Sales share by country/region]

gross sales of 3 stores including Isetan Shinjuku Main Store, Mitsukoshi Nihombashi Main Store and Mitsukoshi Ginza Store

Asia (excluding mainland China) drove sales 21% → 49%



I would like to elaborate a bit on inbound.

The sales of inbound tourists in the last fiscal year, which I mentioned earlier as a 10% share, were achieved significantly to a total of 108.8 billion yen in domestic department stores, 145% of the previous peak in fiscal 2018.

In the current fiscal year, we plan to achieve 144% of the previous year's level, well over the 150 billion yen.

See bar graph below.

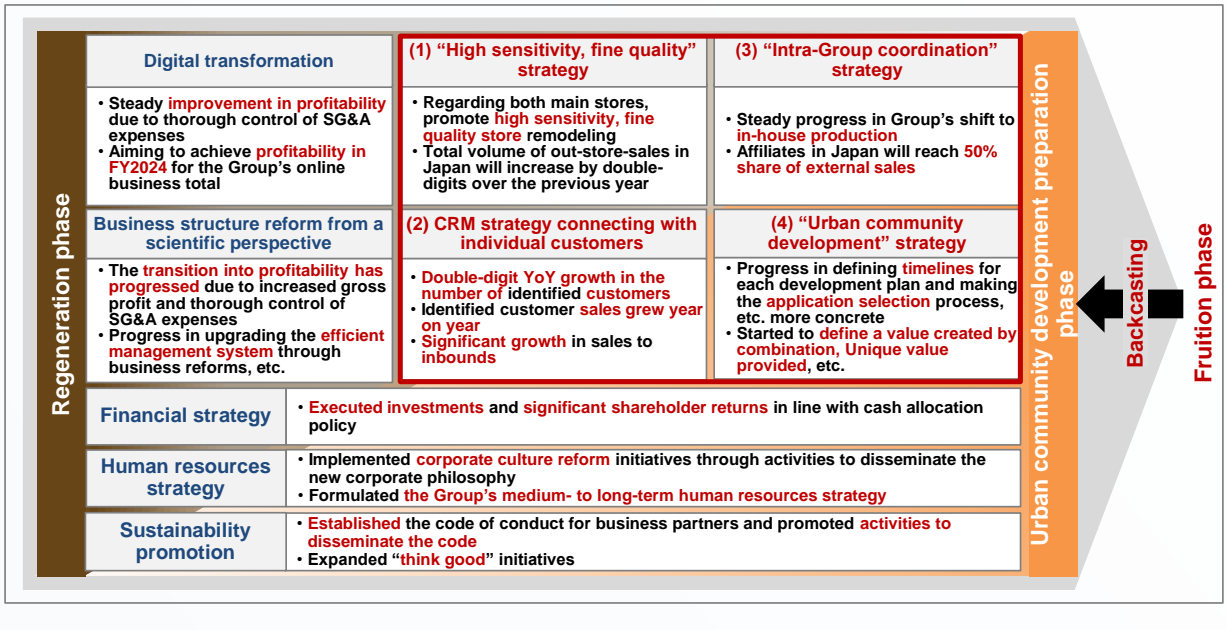
The bars of the graph are shown up to April of this year. We see a situation that has been rising steadily ever since last April. Normally, a record high sales of inbound tourists in April is not very likely in the department store business, but it is still a sign that it is likely to be on the upswing.

May, like April, went about halfway through the month and has been very strong.

Moving to the pie chart on the right, looking at the share of inbound tourists' sales by country and region during the peak period of the past 2018 so far, mainland Chinese customers were the very main customers, accounting for over 70%. Mainland Chinese customers now account for 40% of the total. We recognize that this trend has become stronger since the 40% share remained virtually unchanged last month.

5. By strategy (frame)

- [FY2023] • Steady progress in each of the **Key Strategies** for revitalization and evolution
 [FY2024] • In light of the final year of the current Medium-term management Plan, the “9 **Key Strategies**” will be **continued**. Strengthen efforts in 4 **Key Strategies**



The strategic frame has not changed as a whole.

Of particular note are the four strategies circled in red in the diagram above.

The following three strategies are used to make profits: “Thoroughly attract customers with a High sensitivity, fine quality strategy,” “Identify the attracted customers with CRM strategy connecting with individual customers,” and “After identifying them, get into the mind of them and provide them with various types of information”.

On the other hand, the entire Stronger intra-Group coordination will profit from the attracted customers in areas other than department stores. It was up to us to create a stronger intra-Group coordination based on the idea that the affiliates surrounding the department stores would not end up being shared, but would become more of a profit center.

To attract even more customers, we will build a town as well as a department store to attract customers from all over the world. Then, we do the identification again. We believe that this is a very bright strategy for the future as we move forward with this kind of rotation.

6. Key strategy: “High sensitivity, fine quality” strategy

FY2023: Steady progress in revising the MD balance and implementing the Out-store-sales Reform to create high sensitivity, fine quality stores.

FY2024: Aiming to increase customer value by further expanding high sensitivity, fine quality content and promoting out-store-sales collectively as ONE Group

FY2023 initiatives				FY2024 initiatives																			
High sensitivity, fine quality store remodeling <ul style="list-style-type: none"> Further expanded high-touch MD to achieve ideal MD balance ⇒ FY2023 profit increase due to remodeling (total for Isetan Mitsukoshi): approx. 1.4 billion yen, 185% of the previous year's level <table border="1"> <tr> <th colspan="2">Total for Isetan Shinjuku Main Store</th> <th colspan="2">Total for Nihombashi Mitsukoshi Main Store</th> </tr> <tr> <td>Total</td> <td>157% YoY</td> <td>Total</td> <td>282% YoY</td> </tr> <tr> <td>LUX</td> <td>138% YoY</td> <td>LUX</td> <td>2209% YoY</td> </tr> <tr> <td>Cosmetics</td> <td>279% YoY</td> <td>Jewelry & watches</td> <td>209% YoY</td> </tr> </table>				Total for Isetan Shinjuku Main Store		Total for Nihombashi Mitsukoshi Main Store		Total	157% YoY	Total	282% YoY	LUX	138% YoY	LUX	2209% YoY	Cosmetics	279% YoY	Jewelry & watches	209% YoY	high sensitivity, fine quality content <ul style="list-style-type: none"> Strengthening uniqueness to attract customers from around the world <div style="border: 1px solid red; padding: 5px; margin: 5px;"> Concept type Use our uniqueness to attract customers from around the world </div> <div style="border: 1px solid brown; padding: 5px; margin: 5px;"> Solution type Product lineup focusing on individual customers </div>			
Total for Isetan Shinjuku Main Store		Total for Nihombashi Mitsukoshi Main Store																					
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Out-store-sales Reform <ul style="list-style-type: none"> Steady growth in total volume of out-store-sales nationwide <table border="1"> <tr> <th rowspan="2">Total volume of individual out-store-sales</th> <th colspan="2">Actual results for FY2023</th> </tr> <tr> <th>Actual results</th> <th>Year on year</th> </tr> <tr> <td>Group total</td> <td>Approx. 223 billion yen</td> <td>111%</td> </tr> <tr> <td>Isetan Mitsukoshi</td> <td>Approx. 123 billion yen</td> <td>115%</td> </tr> <tr> <td>gross sales of regional operating companies</td> <td>Approx. 100 billion yen</td> <td>106%</td> </tr> </table>				Total volume of individual out-store-sales	Actual results for FY2023		Actual results	Year on year	Group total	Approx. 223 billion yen	111%	Isetan Mitsukoshi	Approx. 123 billion yen	115%	gross sales of regional operating companies	Approx. 100 billion yen	106%	Promoting out-store-sales collectively as ONE Group <ul style="list-style-type: none"> Expanding the value provided to customers through out-store-sales activities collectively as ONE Group <div style="border: 1px solid red; padding: 5px; margin: 5px;"> Maximize utilization of the Group's assets </div>					
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The High sensitivity, fine quality strategy itself implies that “the company will thoroughly target high sensitivity, fine quality consumption”. As you can see in the upper left-hand corner, it is written as “high sensitivity, fine quality remodel”, we excel at merchandising, which requires high-touch service. I believe this will be permanent, so I quantified how many square meters are needed in the calculation with a solid science of department stores. As a result of concrete steps taken in this direction, Net sales were still very high in each of those areas. We are still waiting for openings in several areas this year, so we believe the numbers will still rise.

The bottom left hand corner shows the “out -store-sales reform”. Sales of out -store-sales themselves have not grown that much to date, and we consider this to be more of a shrinking model. We have transformed it significantly through reforms. We believe this number was achieved by overwhelmingly enhancing the customer’s experience by shifting from the structure of one sales person for one customer to multiple sales persons for one customer.

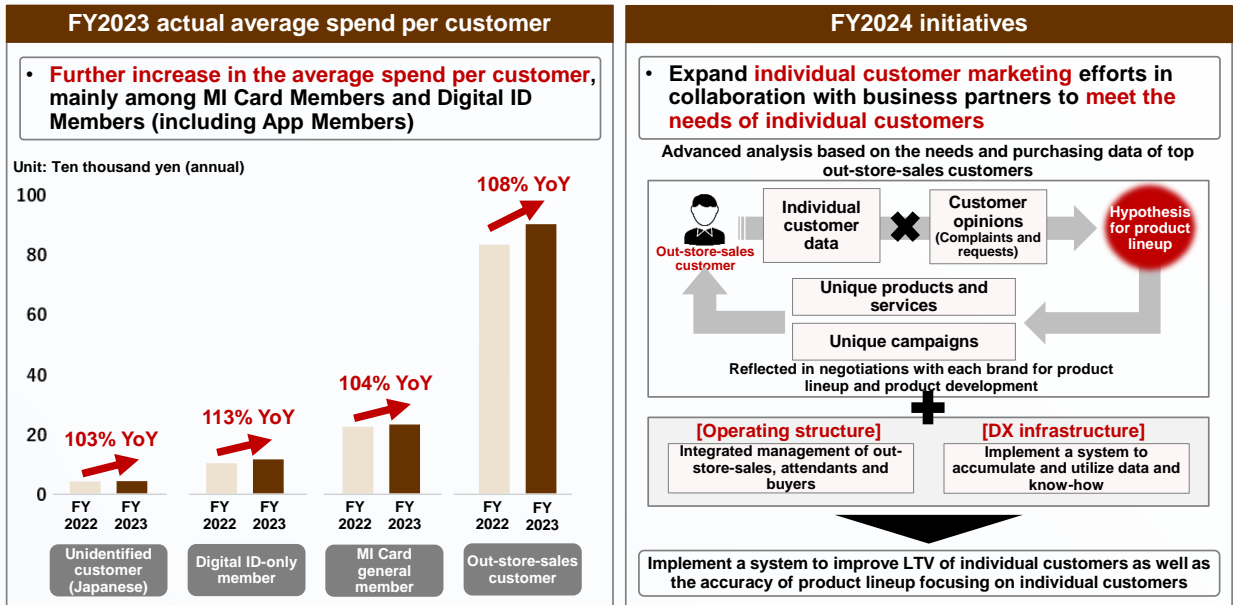
Also, on the right side is the remodel that we will be doing from FY2024 onward. We said that we would get into the mind of the customers. We are now in the process of planning various things, such as the need to not only scientifically calculate the merchandising required for high-touch services and expand them, but also to create such concept and solution types that appeal more to the senses.

The right side of the bottom row is the next initiative of the out -store-sales reform, which is to stop store-based out -store-sales. Until now, the organization of out -store-sales was vertically divided into Isetan Shinjuku main store, Mitsukoshi Nihombashi main store, and Mitsukoshi Ginza Store. The integration of Shinjuku and Nihombashi has resulted in a very large shopping turnover, as customers can buy at either store. As a result, based on the calculation that the unit price per customer has increased, we are now in a position to do this for the entire Isetan Mitsukoshi Group. So we started this fiscal year under the banner of out-store-sales collectively as ONE Group, which also encompasses the region.

6. Key strategy: CRM strategy connecting with individual customers

FY2023: Continued increase in the average spend per identified customer due to progress in the sophistication of marketing to individual customers

FY2024: Further strengthen product lineups focusing on individual customers in order to further increase the average spend per customer and LTV of individual customers.



This is about identifying customers captured by the High sensitivity, fine quality strategy and “connecting with individual customers”.

The bar graph on the left shows how much difference there is between identified and unidentified customers.

De-identified customers only purchase about this much per year. Digital ID customers spend more per customer than de-identified customers. Having an MICARD will further increase the customer’s spend. If you become an out -store-sales customer, you will be able to spend more per customer.

Within each of these categories, year over year, the cost per customer has increased very much, but in addition, the growth rate is higher for digital ID customers because of the information they are able to provide. As a result, we believe that our employees now have a better understanding of how to “connecting with individual customers” and “attract and identify individual customers”.

The right-hand side of the page shows our efforts in 2024 to further enhance our “connecting with individual customers”. We use the power of people and data to thoroughly get into the mind of customers. This is about changing our model from simply selling products to offering a variety of services and related companies as well.

6. Key strategy: “Intra-Group coordination” strategy

FY2023: Shifted from a structure in which each business complements the department store business to one in which all businesses operate in parallel, and strengthened external sales activities

FY2024: In addition to further strengthening external sales activities, maximize business opportunities by strengthening intra-Group coordination activities through a structure in which all businesses operate in parallel.

FY2023 initiatives		FY2024 initiatives																								
<ul style="list-style-type: none"> Shift from a structure in which each business complements the department store business with vertically divided initiatives to one in which all businesses operate in parallel and horizontal collaboration is strengthened 		<ul style="list-style-type: none"> Maximize business opportunities based on intra-Group coordination by aligning each business <ul style="list-style-type: none"> Utilize an intra-Group coordination package to strengthen promotion 																								
<p>Until now</p>		<p>From now</p>																								
<p>Actual external sales</p> <table border="1"> <tr> <td rowspan="2">gross sales of affiliates in Japan</td> <td colspan="3">◀FY2023▶</td> </tr> <tr> <td>Actual results</td> <td>Year on year</td> <td>Sales share</td> </tr> <tr> <td></td> <td>Approx. 59 billion yen</td> <td>123%</td> <td>50%</td> </tr> </table>		gross sales of affiliates in Japan	◀FY2023▶			Actual results	Year on year	Sales share		Approx. 59 billion yen	123%	50%	<p>■ An example of our efforts for remodeling a men's store</p> <table border="1"> <tr> <td colspan="2">Affiliated companies / orders received</td> </tr> <tr> <td>Interior construction</td> <td>Isetan Mitsukoshi Property Design Ltd. Shop interior construction, etc.</td> </tr> <tr> <td>Staffing service</td> <td>Isetan Mitsukoshi Human Solutions Company Limited. Store cashiers, etc.</td> </tr> <tr> <td>Logistics</td> <td>Isetan Mitsukoshi Business Support Ltd. Dedicated stock, etc.</td> </tr> <tr> <td>Security</td> <td>Isetan Mitsukoshi IM Facilities Ltd. Store security, etc.</td> </tr> <tr> <td>Advertisement</td> <td>STUDIO ALTA Co., Ltd. Signage ad placement, etc.</td> </tr> </table>		Affiliated companies / orders received		Interior construction	Isetan Mitsukoshi Property Design Ltd. Shop interior construction, etc.	Staffing service	Isetan Mitsukoshi Human Solutions Company Limited. Store cashiers, etc.	Logistics	Isetan Mitsukoshi Business Support Ltd. Dedicated stock, etc.	Security	Isetan Mitsukoshi IM Facilities Ltd. Store security, etc.	Advertisement	STUDIO ALTA Co., Ltd. Signage ad placement, etc.
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<p>*gross sales of 12 major companies excluding MICARD</p>																										

From here, we will discuss "Stronger intra-Group coordination" strategy.

Past efforts have involved dozens of group affiliates, but the relationship was basically vertical and mostly shared companies supporting department stores.

As a result of our declaration to cease all of this, we decided to work side by side with the department stores to figure out how the group companies could make a profit from the customers that the department stores attracted or the corporate customers that worked with the department stores.

As a result of this horizontal structure, group affiliates have been able to turn a profit. Finally, Net sales from external transactions have become so large that their share of sales is now half of the total.

Moving to the chart on the right, the chart combines how corporate customers can be served efficiently and with the same sensitivity by leveraging the strengths of these group affiliates and working together.

We just did a remodel in March of last fiscal year, and as a result of the combination as an intra-Group coordination, we received positive feedback that it worked very well, and we would like to continue this state of affairs.

7. Business strategy: Department store business in Japan

*Different from values disclosed for the segments (simple aggregate)

FY2023: Double-digit year-on-year growth in sales at stores in the Tokyo metropolitan area and major regional cities, as well as thorough control of SG&A expenses, led to a significant increase in profits.

FY2024: We plan to increase sales and profits by strengthening measures for identified customers and by reforming our business structure, including lowering the break-even point.

FY2024 plan

	Gross sales			SG&A expenses			Operating income		
	Actual/plan	Year on year	Yearly difference	Actual/plan	Year on year	Yearly difference	Actual/plan	Year on year	Yearly difference
FY2023 results	1,075.2 billion yen	112%	+118.9 billion yen	223.9 billion yen	101%	+2.9 billion yen	43.8 billion yen	229%	+24.7 billion yen
FY2024 plan	1,133.9 billion yen	105%	+58.7 billion yen	229.6 billion yen	103%	+5.7 billion yen	51 billion yen	117%	+7.2 billion yen

[TOPICS] February 2024: Tansei-kai, Ippin-kai

- Both Tansei-kai and Ippin-kai posted record sales
 - Overseas customers for out-store-sales were newly invited

* Tansei-kai/Ippin-kai: Events for the Group's major customers

February 2024 results

	Year on year
Tansei-kai	123%
Ippin-kai	114%

	Number of visitors
Overseas customers for out-store-sales	Approx. 160 groups

* Inbound customers + foreign customers residing in Japan

"Intra-Group coordination" strategy

- Expand content offerings to identified customers connected via department stores

Creation of contents by each business



Identified customers connected via department stores
Aiming to expand use throughout the Group

Sales volume across the base network

	◀ FY2023 ▶	
	Actual results	Year on year
Isetan Mitsukoshi total	Approx. 16 billion yen	112%

* Equivalent to approximately 4% of gross sales of regional department stores

This is about the domestic department store business.

As you can see from the numbers above, we are planning to exceed 1 trillion yen in gross sales in FY2023, and even more in FY2024. In particular, what I would like to talk about here is still the operating margin in the area of operating income. We will achieve an operating margin of 4% in FY2023 and 4.5% in FY2024, so this profit margin will still be increasing.

Of course, in terms of net sales based on international accounting standards, the operating profit margin is over 10%, so I think we have reached the point where we can say, "Department stores are quite profitable". I think this is also due to the fact that we are changing our marketing from mass marketing to marketing to individuals, which allows us to properly control how we spend our money. I think that will be evident in the topics on the lower left. It has become such an event that the single day sales of the Tansei-kai and Ippin-kai make the highest sales of the year.

Until now, department stores have had record sales and 200,000 to 300,000 customers for the first sale on January 2 each year. Now, Tansei-kai and others are able to get more sales than that with 7,000 people, so I think that is one of the factors that made it work so well.

Below that, we have also launched a Foreign Customer Division, which started the year before last and has been running for a year and a half, and this is also going very well. This overseas foreign business has already exceeded 100 pairs of foreign customers that we have invited to this Tansei-kai and Ippin-kai, and I believe that this is an indication that customers are accumulating more and more.

The next one is about the intra-Group coordination strategy shown on the right, which is more about expanding it to group companies, not just department stores. I would like you to take a special look at the base network below. The content is about how much sales are generated by both main branches of a local department store, and is written from the viewpoint of expanding to group-related companies. Isetan Mitsukoshi's sales in the base network is 16 billion. This will be 4-5% of total regional department store sales. Although sales from our base network are very high, we have a strategy to expand to affiliated companies in the future, not only with products from both head offices, but also with services.

7. Business strategy: Real estate business

* Real estate rental income, construction and design, and logistics/
Different from values disclosed for the segments (simple aggregate)

FY2023: Despite a temporary **decrease in profits** due to lower rental income, sales **grew by double digits** year on year due to expansion of the construction, design and logistics businesses.

FY2024: Plan to further **strengthen external sales activities** in the construction, design and logistics businesses and **increase profits** through higher rental income

FY2024 plan											
	Gross sales			SG&A expenses			Operating income				
	Actual/plan	Year on year	Yearly difference	Actual/plan	Year on year	Yearly difference	Actual/plan	Year on year	Yearly difference		
FY2023 results	44 billion yen	118%	+6.8 billion yen	FY2023 results	1.3 billion yen	106%	+100 million yen	FY2023 results	3.3 billion yen	78%	-1 billion yen
FY2024 plan	50.6 billion yen	115%	+6.6 billion yen	FY2024 plan	1.5 billion yen	113%	+200 million yen	FY2024 plan	4 billion yen	122%	+700 million yen

Isetan Mitsukoshi Property Design Ltd.	Isetan Mitsukoshi Business Support Ltd.						
<p>Become a company that dominates the “construction and design market” with high sensitivity, fine quality services</p> <p>- Strengthen acquisition of high-value-added projects -</p> <table border="1"> <tr> <td>Office Executive floor</td> <td>Commercial facilities LUX brand</td> </tr> <tr> <td>Hotel 4-5 star hotels</td> <td>Housing Fine quality renovation</td> </tr> </table>	Office Executive floor	Commercial facilities LUX brand	Hotel 4-5 star hotels	Housing Fine quality renovation	<p>Expand business beyond department stores by leveraging logistics know-how cultivated in department store logistics operations</p> <p>- Externally expand services that leverage our strengths -</p> <table border="1"> <tr> <td>Logistics solution service Undertake logistics services from outside companies</td> </tr> <tr> <td>EC business support Undertake EC-related operations</td> </tr> </table> <p>...</p>	Logistics solution service Undertake logistics services from outside companies	EC business support Undertake EC-related operations
Office Executive floor	Commercial facilities LUX brand						
Hotel 4-5 star hotels	Housing Fine quality renovation						
Logistics solution service Undertake logistics services from outside companies							
EC business support Undertake EC-related operations							

In the real estate business, Gross sales grew by double digits year on year, the result of the interior design and logistics companies doing extremely well.

Operating income was negative overall due to a partial decrease in rent income.

However, we assume that the current fiscal year will work on a positive trend, and we hope to secure an increase in revenues and profits.

7. Business strategy: Credit & finance business * Different from values disclosed for the segments (simple aggregate)

FY2023: Profit growth by strengthening cooperation with department stores in line with sales expansion at department stores.

FY2024: Further strengthen cooperation with department stores. Plan to increase revenue and profit by accelerating efforts in card and financial strategies and income and expenditure structure reforms

FY2024 plan

	Gross sales			SG&A expenses			Operating income				
	Actual/plan	Year on year	Yearly difference	Actual/plan	Year on year	Yearly difference	Actual/plan	Year on year	Yearly difference		
FY2023 results	36 billion yen	105%	+1.8 billion yen	FY2023 results	29.1 billion yen	106%	+1.6 billion yen	FY2023 results	4.2 billion yen	107%	+300 million yen
FY2024 plan	37.6 billion yen	104%	+1.5 billion yen	FY2024 plan	29.2 billion yen	101%	+200 million yen	FY2024 plan	5.5 billion yen	131%	+1.3 billion yen

Expand development of financial products

- Develop and provide financial services uniquely cultivated by the department store business

[Product warranty]



- Warranty service for watches and clocks
- Integrated non-manufacturer warranty and maintenance services
- * Started in FY2023 at Isetan Shinjuku Main Store.

Further expansion of target brands and stores in FY2024

Income and expenditure structure reform

- Plan to significantly increase profit thanks to the effect of income and expenditure structure reforms implemented from FY2023 onward

[Income growth]

Revise commission rates

Monetize services

Review the systems

[Expenditure reduction]

Reduce system operating costs

Optimize services

Promote DX and digitization

As for the financial business, we secured an increase in both revenues and profits.

We will expand the successful examples developed through “scientific analysis of department stores,” an income and expenditure structural reform that we will focus on this fiscal year, to our affiliated companies. The financial business is taking the lead in promoting.

We expect a large increase in operating income this fiscal year. In the section of the new six-year plan, I will discuss the financial business in more detail.

7. Business strategy: Related businesses in Japan * Media business, staffing services, travel agency, etc./Different from values disclosed for the segments (simple aggregate)

FY2023: Significant increase in profit due to the strengthening of external sales activities through intra-Group coordination and the control of SG&A expenses.

FY2024: Further increase in sales and profit is planned through expansion of external sales activities (B to B and B to C) by each company.

FY2024 plan

	Gross sales				SG&A expenses				Operating income		
	Actual/plan	Year on year	Yearly difference		Actual/plan	Year on year	Yearly difference		Actual/plan	Year on year	Yearly difference
FY2023 results	74.8 billion yen	125%	+15.2 billion yen	FY2023 results	17.1 billion yen	128%	+3.7 billion yen	FY2023 results	2.6 billion yen	182%	+1.2 billion yen
FY2024 plan	83.2 billion yen	111%	+8.4 billion yen	FY2024 plan	19.7 billion yen	115%	+2.6 billion yen	FY2024 plan	3.8 billion yen	145%	+1.2 billion yen

MI Food Style Ltd.

Become a driving force in the “food” area of the Group

- Further acceleration of new store openings to expand trade area
- Promote development of new PB products



Queen's Isetan Nakano Store
(Opened in March 2024)



Queen's Isetan Jujo Store
(tentative name)
(Scheduled to open in winter 2024)

Isetan Mitsukoshi Nikko Travel Ltd.

Become a company that offers high sensitivity, fine quality “experience value”

- Strengthening the Group's unique and rare proposals
- Strengthening the approach to identified customers through department store collaboration



Palace of Versailles x Alain Ducasse Private Dinner


Domestic related businesses are increasing revenues and profits.

We expect both revenues and profits to increase in the current fiscal year. For all group companies, we will stop the shared service relationship within the group, make them work together, and then profit from the customers collected in the department stores.

7. Business strategy: Overseas business

FY2023: **Structural reforms** in accordance with the conditions of each store and **business expansion** centered on food and beverage

FY2024: Participate in a **new real estate mixed-use development** project (Bangkok, Thailand)

Structure reform	Expansion of food and beverage business
<ul style="list-style-type: none"> • April 2024: Tianjin Isetan and Tianjin Binhai Isetan ceased operations • End of June, 2024: <u>Shanghai Mei Long Zhen Isetan to close (planned)</u> 	<ul style="list-style-type: none"> • KLCC, Malaysia <ul style="list-style-type: none"> ➔ Opened a new restaurant zone under independent management (February 2024) ➔ Plan to expand in other areas in the future 

[TOPICS] Participation in a real estate mixed-use development project in Bangkok, Thailand

Phase 1 (opened in July 2023): **Retail x Residence** mixed-use development model in Manila, Philippines

Phase 2 (current initiative): **Retail x Office** mixed-use development model in Bangkok, Thailand
 ➔ Profit image [Long-term] 10 billion yen scale (cumulative)

- Participation in one of Bangkok's largest **new mixed-use development projects (ONE BANGKOK Project)**
- Participation in the **opening of an upscale supermarket** (approx. 4,600 m²), inspired by the "basement food markets of department stores" in Japan, and in the **development and operation of an adjacent office** (full-scale business development planned to start during FY2024).



Acquire know-how to create urban communities in Japan, as well as to expand business overseas

Regarding overseas business.

We have adopted a clear strategy of "selection and concentration," and have decided to withdraw from stores that will have difficulty continuing operations under the past business model. In China, we are withdrawing two stores this April and another in June, for a total of three locations.

On the other hand, successful businesses are those that promote Japanese food and restaurant systems on our own. We will promote it by combining it well with merchandising in department stores.

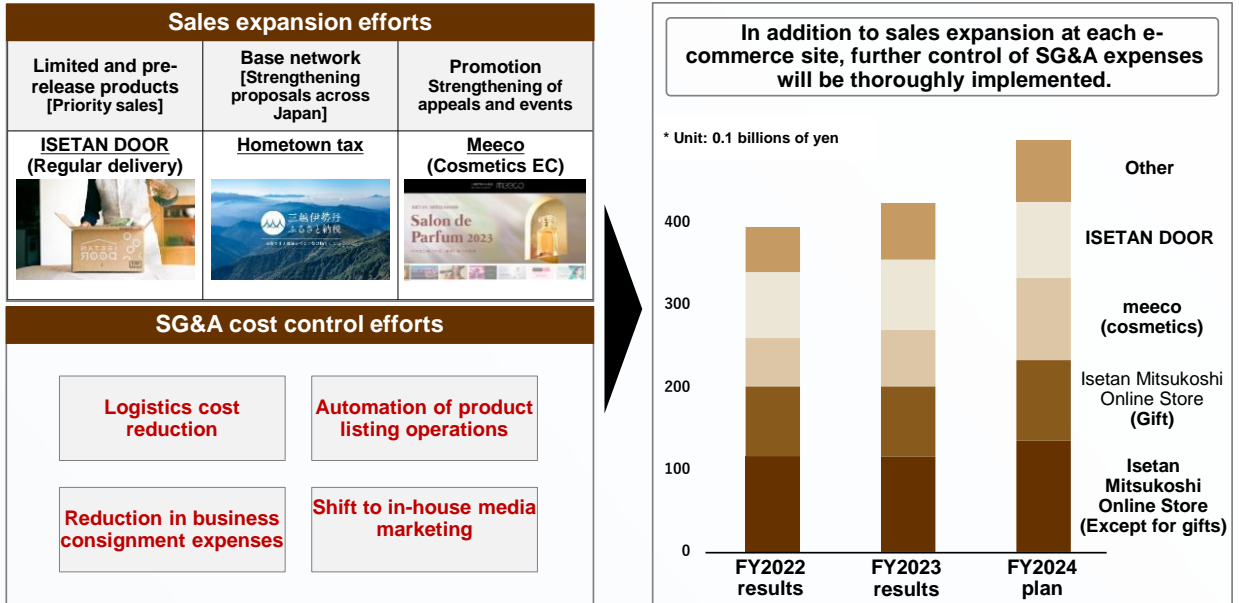
Our new initiative, a combined retail and residential business in the Philippines, is being promoted very successfully. The plan is to be profitable starting this year.

Newly announced today is our participation in the "ONE BANGKOK Project" in Bangkok, Thailand. The project will invest in retail (department store quality food products) and office, and promote collaboration between retail and office.

7. Business strategy: Online business

FY2023: Steady progress in **improving profitability** through efforts to expand sales and control SG&A expenses

FY2024: Aiming to **achieve profitability in FY2024** for the Group's overall online business.



Regarding online business.

Last year, FY2023, we still had a small deficit. By category, Isetan Mitsukoshi Online Store is finally profitable, while Meeco (cosmetics EC) and Other businesses are also profitable. What remains is ISETAN DOOR's regular home delivery.

This year, we will make the online business profitable as a whole. We believe that once profitable, the business will grow very strongly.

8. Group platform strategy: Sustainability

FY2023: Steady progress in efforts to realize **priority initiatives (materiality)**

FY2024: Strengthening **“think good”** and **supply chain management** activities

Initiatives through FY2023	FY2024 initiatives			
<p>[Priority initiative (1)] Connecting people and communities</p> <ul style="list-style-type: none"> Started the “think good” initiative in April 2021. Rolled out a cumulative total of more than 2,000 sustainable products and services over the three years through FY2023 	<ul style="list-style-type: none"> Group governance communication added to materiality from FY2024. In addition, revise the goal from “improving employee satisfaction” to “maximizing people’s strengths” <p>(1) Strengthening “think good”</p> <div style="border: 1px solid black; padding: 5px;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 50%; border: 1px solid black;"> <p>Until now</p> <p>Socially and environmentally conscious merchandising activities by department stores</p> </td> <td style="width: 10%; text-align: center; vertical-align: middle;"> <p>▶</p> </td> <td style="text-align: center; width: 40%; border: 1px solid black;"> <p>From now</p> <p>Expansion to Group-wide sustainability activities</p> </td> </tr> </table> </div> <ul style="list-style-type: none"> Aiming to expand the branding and awareness of “think good” throughout the Group In addition to the biannual campaign, the scale of the campaign has been expanded to a year-round effort. Expanding the scope to include affiliated companies and strengthening group-wide efforts <p>(2) Strengthen supply chain management</p> <div style="border: 1px solid black; padding: 5px;"> <ul style="list-style-type: none"> Strengthening cooperation with business partners to build a sustainable supply chain </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <ul style="list-style-type: none"> Expand dialogue with business partners Expanded scope of employee training Conduct the FY2024 version of the business partner questionnaire. </div>	<p>Until now</p> <p>Socially and environmentally conscious merchandising activities by department stores</p>	<p>▶</p>	<p>From now</p> <p>Expansion to Group-wide sustainability activities</p>
<p>Until now</p> <p>Socially and environmentally conscious merchandising activities by department stores</p>		<p>▶</p>	<p>From now</p> <p>Expansion to Group-wide sustainability activities</p>	
<p>[Priority initiatives (2)] Connecting to a sustainable society and era</p> <ul style="list-style-type: none"> Strengthening efforts in energy conservation, energy creation and renewable energy <ul style="list-style-type: none"> ➔ Greenhouse gas emissions: -47.6% (FY2022 results/compared to FY2013) Establishment and notification of “Code of Conduct for Business Partners” and enhancement of communication with business partners through dialogues <ul style="list-style-type: none"> ➔ Notification of the Code of Conduct for Business Partners: About 12,000 companies (actual results for FY2023) ➔ Dialogue with business partners: Approx. 600 companies (FY2023 results) 				
<p>[Priority Initiative (3)] Improvement of Employee Satisfaction</p> <ul style="list-style-type: none"> Ratio of female managers <ul style="list-style-type: none"> ➔ 31.2% (as of April 1, 2024/Group total) Percentage of male employees taking childcare leave <ul style="list-style-type: none"> ➔ 100% (FY2023 results/Isetan Mitsukoshi) 				

It is about sustainability.

The sustainability initiatives that we have promoted up to now have been firmly carried over and promoted in FY2023. We have set forth three materialities and have stepped up various initiatives in each materiality.

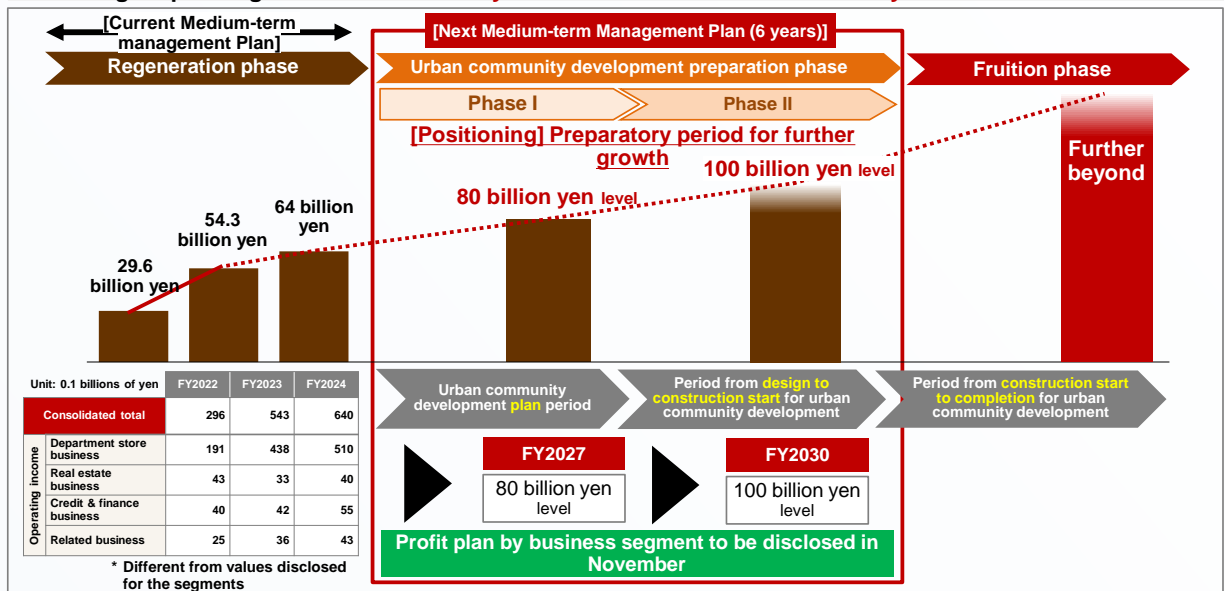
This year, we are adding one materiality.

In addition, we will expand the “think good” approach, which is centered on department stores, to all group companies.

Also, in addition to department stores and group companies, we will work together with our partners to reform supply chain management.

1. Positioning (profit step illustration)

- Establish a six-year Medium-term Management Plan for the next fiscal year, taking into consideration the construction start and completion dates of the urban community development
- This is an important preparatory period for the transformation to the individual customer business, and the way these six years are spent is critical for future growth.
 - ➔ Target operating income of 80 billion yen level for FY2027 and 100 billion yen level for FY2030



This is the basic outline of the next Medium-term Plan for the period from 2025 to 2030.

We will explain the details of this master plan in November.

The part circled in red in the diagram is the next Medium-term Plan for the six years from 2025 to 2030.

Construction will begin in the second half of the six-year period as the “urban community development” phase awaits in the future. Therefore, we will talk about a six-year term, including the timing of this construction start, and break it down into two phases: the “first three years” and the “second three years”.

We will make an announcement in November regarding net sales, operating income, and other details.

We aim to achieve Operating income of 80 billion yen in FY2027 and 100 billion yen in FY2030.

2. Environmental awareness

- Overall impression of the Japanese macroeconomy (i.e., mass economy) over the medium to long term is **expected to become increasingly severe**.
- On the other hand, there are many elements of change that have growth potential, and we aim to take advantage of these opportunities to achieve **medium- to long-term growth**

Element of change	Risk	Opportunity
Demographics	<p>Declining population in Japan</p> <ul style="list-style-type: none"> • Decreasing after peaking in 2008 <p>Aging of the population</p> <ul style="list-style-type: none"> • Aging rate of the population is 29%, the highest in the world 	<p>Expansion of urban population</p> <ul style="list-style-type: none"> • Tokyo's population is rising to peak in 2040 <p>Increase in world population</p> <ul style="list-style-type: none"> • Asian population also continues to grow
Economic growth	<p>Slowing economic growth</p> <ul style="list-style-type: none"> • Real GDP per capita growth slows <p>Inflation progression</p> <ul style="list-style-type: none"> • Increased costs due to price hikes and yen depreciation 	<p>Increase in affluent people in Japan</p> <ul style="list-style-type: none"> • Increase in the number of households with net financial assets of 100 million yen or more <p>Inflation progression</p> <ul style="list-style-type: none"> • Increased consumption and economic activity <p>Increase in inbounds</p> <ul style="list-style-type: none"> • Increases in both the number of visitors to Japan and the amount spent
Retail market	<p>Shrinking retail market</p> <ul style="list-style-type: none"> • Declining population shrinks retail market in Japan <p>Decrease in the working population</p> <ul style="list-style-type: none"> • Manpower shortage becomes even more serious 	<p>Expanding the market for selective consumption</p> <ul style="list-style-type: none"> • Growing needs for “high-sensitivity, fine-quality” goods and services <p>Night-time economy expansion</p> <ul style="list-style-type: none"> • This economy is still in the development stage in Japan; large cities have great potential.

It is about environmental awareness.

Demographics, economic growth, and retail markets, which we have categorized and listed.

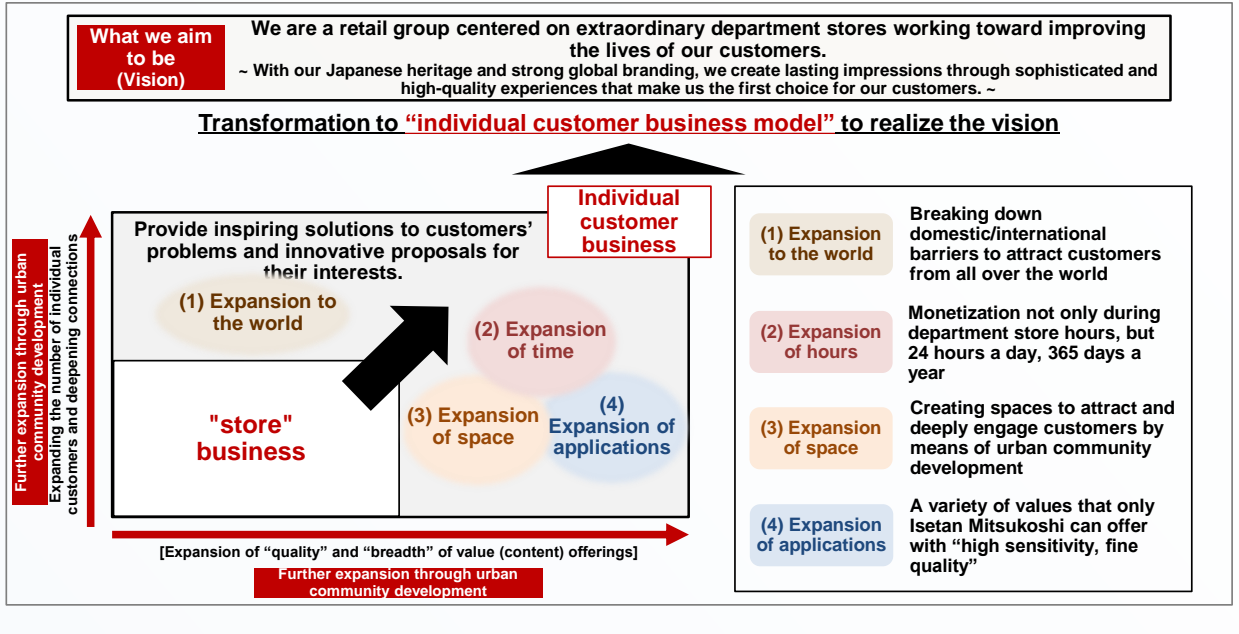
There are certainly many risks, but we see this as a great opportunity for our company.

The most significant topic is that Tokyo’s population is still growing, and also Asian population continues to grow. Then there is the fact that customers’ mindsets are changing and being affected by inflation after deflation. Also, the number of wealthy people will increase more and more, and their assets will grow. Inbound sales (foreign customer sales) are still increasing, and then the “way of buying” in department stores is changing.

In addition, each customer’s “discerning consumption” and the investment of money in it are strong. And if we look at “urban community development” in the future, we see an opportunity here as well, since our stores are closed during evening hours and therefore does not make a profit.

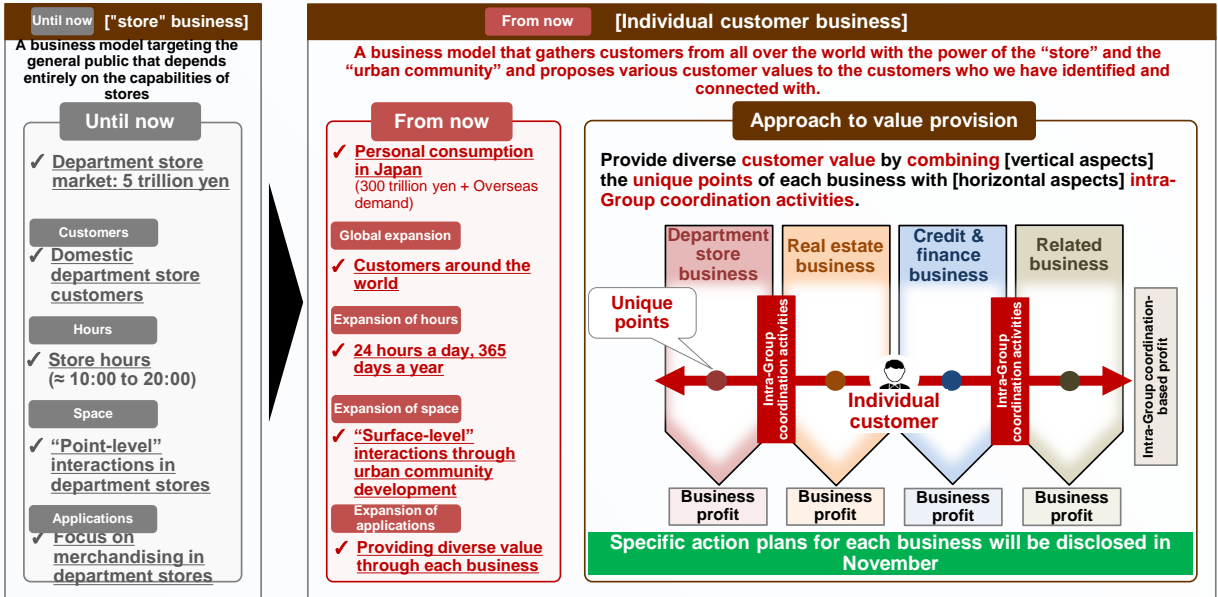
3. Toward the realization of our vision

- Transformation of the business model from the "store" business to **the individual customer business to realize our vision.**
 - ➔ Accelerate transformation by means of **urban community development to further evolve the individual customer business model**



4. What is the individual customer business?

- A business model that **gathers** customers from **around the world**, **identifies and connects** with them, and proposes **diverse customer value** to them.
- Through the **vertical axis** for each business and the **horizontal axis** for individual customers, **each business** will work together to provide **customer value** and expand **intra-Group coordination-based profits**.







The business model up to now, the "store" business model, has been to invite customers from outside through the power of offering a wide range of consumer goods of department stores. Customers buy goods at the department store that they went into by chance and they left. It was a mass to mass model, so we will change this and expand it to the world.

This is the kind of content that will allow us to evolve from a simple "store" business to a profitable business for the group as a whole, in addition to global expansion. The "individual customer business" is the way to proceed with this.

We want to create a new business model by attracting customers from all over the world, identifying them, getting into the mind of the connected customers, analyzing their buying patterns or mind, and proposing products necessary for our customers.

5. Concept of intra-Group coordination-based profit

- Expanding “**intra-Group coordination-based profits**” generated by the mutual existence of each business through BtoB and BtoC intra-Group coordination activities.
 - ➔ Aiming to further expand intra-Group coordination-based profits by means of **urban community development**

Intra-Group coordination-based profit	Patterns of generation of intra-Group coordination-based profits
<p><u>Profits generated through inter-business linkages</u></p>  <p>These profits exist at the boundary of each business</p>	<p>(1) <u>Business opportunities created by department store operations (= internal transactions)</u> </p> <p>(2) <u>Business opportunities created by connecting with individual customers (BtoC)</u> </p> <p>(3) <u>Business opportunities created through collaboration with partners in the urban community (BtoB)</u> </p>

This is the concept of stronger Intra-Group coordination profit.

When there is a department store, various businesses are closely related to it, and positive profits are generated through cooperation with this business.

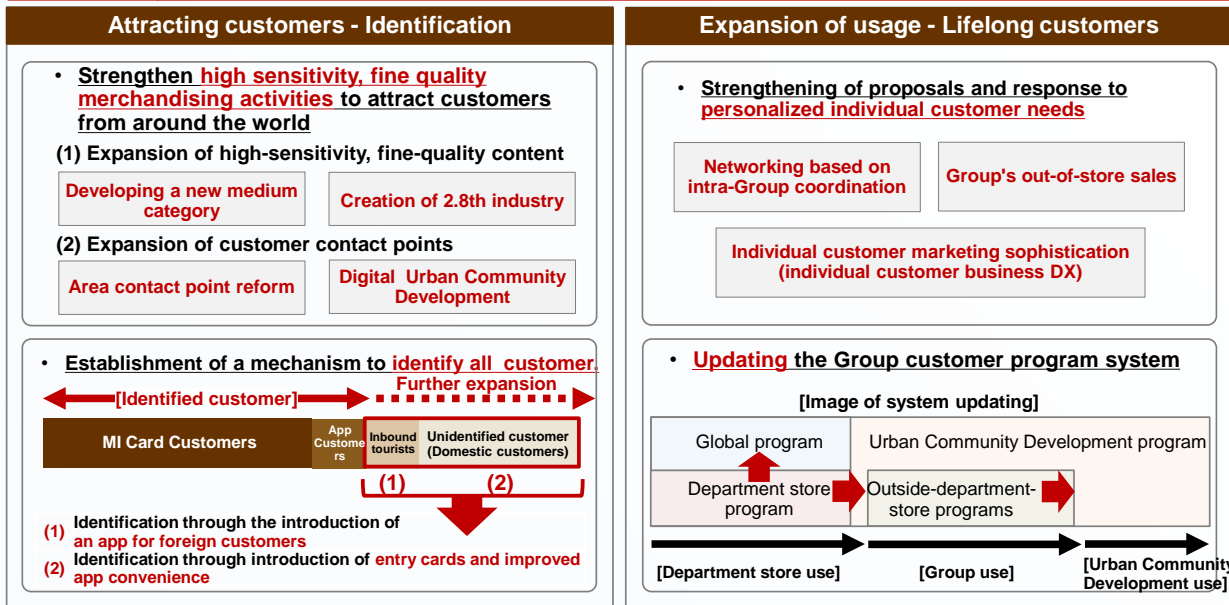
Until now, Isetan Mitsukoshi Group companies have been a shared company supporting department stores, but we will stop this shared company approach.

It would be a great waste if we simply end up sharing and supporting, so we will turn this into a positive.

6. Business strategy direction: Department Store Business

What we aim to become in the medium term

A “special” department store that attracts customers from all over the world with its overwhelming uniqueness as the core of “Urban Community Development”



We will explain the evolution of the department store business.

We will strive to become such a department store that has overwhelming uniqueness, is said to be “special” from all over the world, and attracts customers. So, we simply do not believe that merchandising should remain as it is now.

We are talking about creating a new middle-class category, and creating something unique to our company, something that can only be bought by our company in the world, which we call “2.8th industry”, and at the stage of creating it, we shall attract customers.

We want to identify all of our customers once they are attracted. We will make sure that the tools to identify them are well-tended. For foreign customers, we would like to send out a foreigner-compatible application at the end of this fiscal year and into next fiscal year.

I believe that entry cards(credit cards) could also be sent out for the coming year.

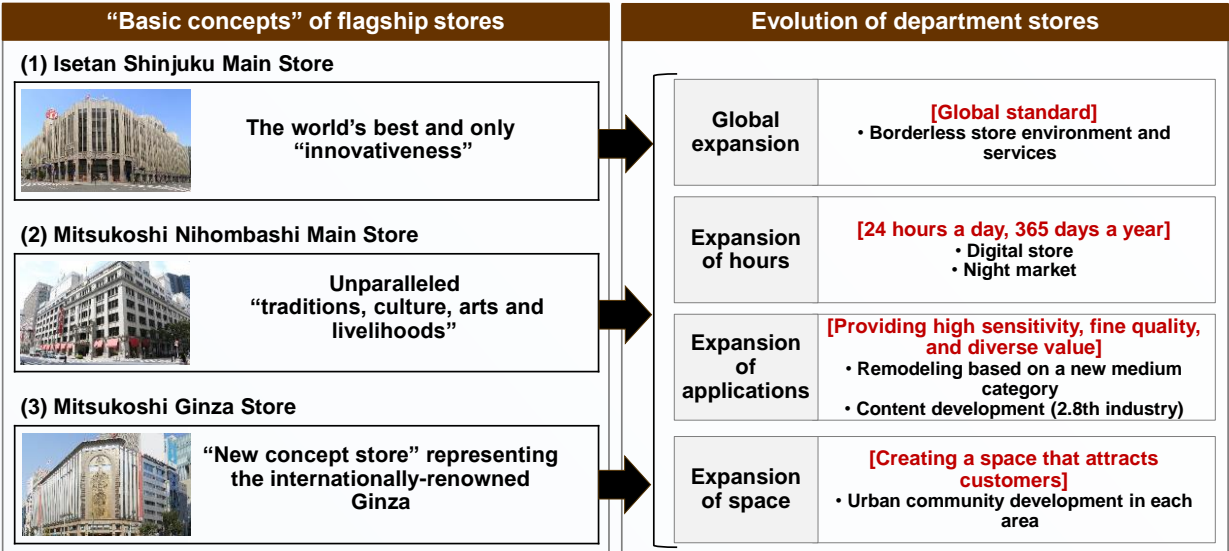
We are also considering the story of how to identify these customers, expand their use of our service, and turn them into our fans.

6. Business strategy direction: Department store Business “Isetan Mitsukoshi”

What we aim to become in the medium term

Our flagship stores will refine and evolve their **uniqueness** with their own concepts to become the choice of **customers around the world**.

Investment in remodeling of 3 flagship stores (6 years)
30 billion yen level



A main “high sensitivity, fine quality remodeling plan” for each store will be disclosed in November.

Within the department stores, it is extremely important to raise the level of the three core stores, which are the core of the Isetan Mitsukoshi Group, and we would like to focus on remodeling them.

We want the three stores to have an edge (let the concept of each store shine through) and create a business type where each store can compete on a global scale.

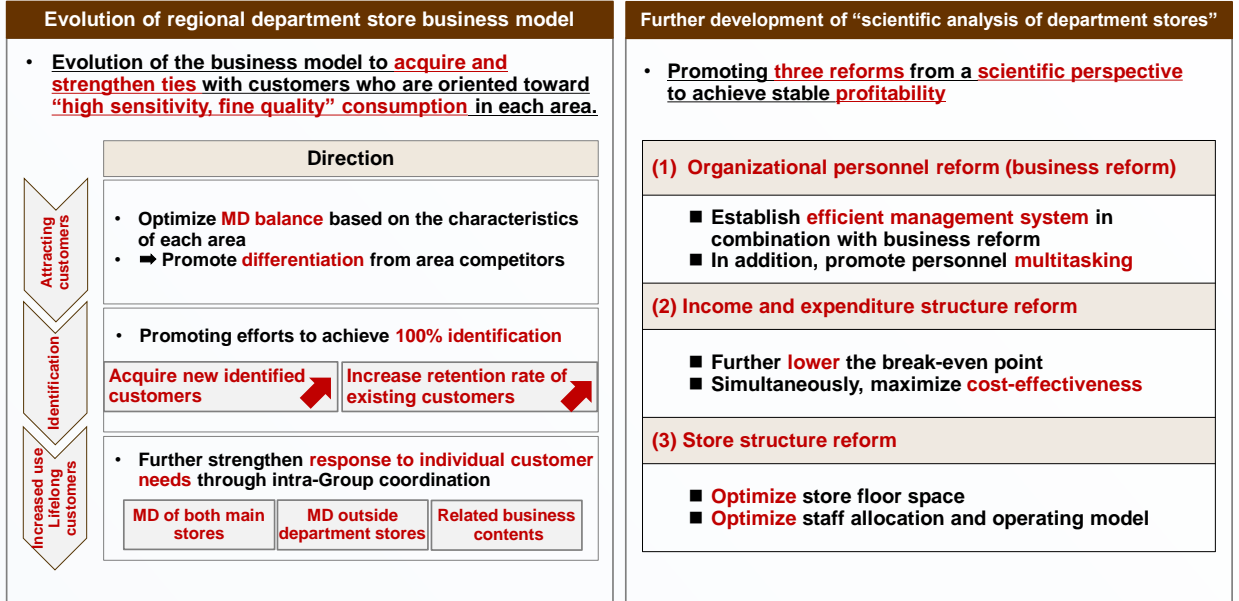
Isetan Shinjuku Main Store is the world’s number one and only that talks fashion with the “latest and most advanced”. The Mitsukoshi Nihombashi Main Store sells culture with “Tradition, Culture, Art, and Lifestyle”.

As for Mitsukoshi Ginza store, we will create a “new concept store” that is firmly on its own path so that the store will no longer be called the Ginza branch of Mitsukoshi. The keyword is “global”.

6. Business strategy direction: **Department store business** “Regional department stores”

What we aim to become in the medium term

The one and only company that can support the widest range of “**high sensitivity, fine quality consumption**” in regional cities and **contribute to the local community** by leveraging the Group’s strengths.



About regional department stores in department store business.

As for the regional department stores, we will thoroughly promote the scientific analysis of department stores to create a profitable model case. After creating a profitable foundation, we will balance merchandising as we did in stores in Tokyo.

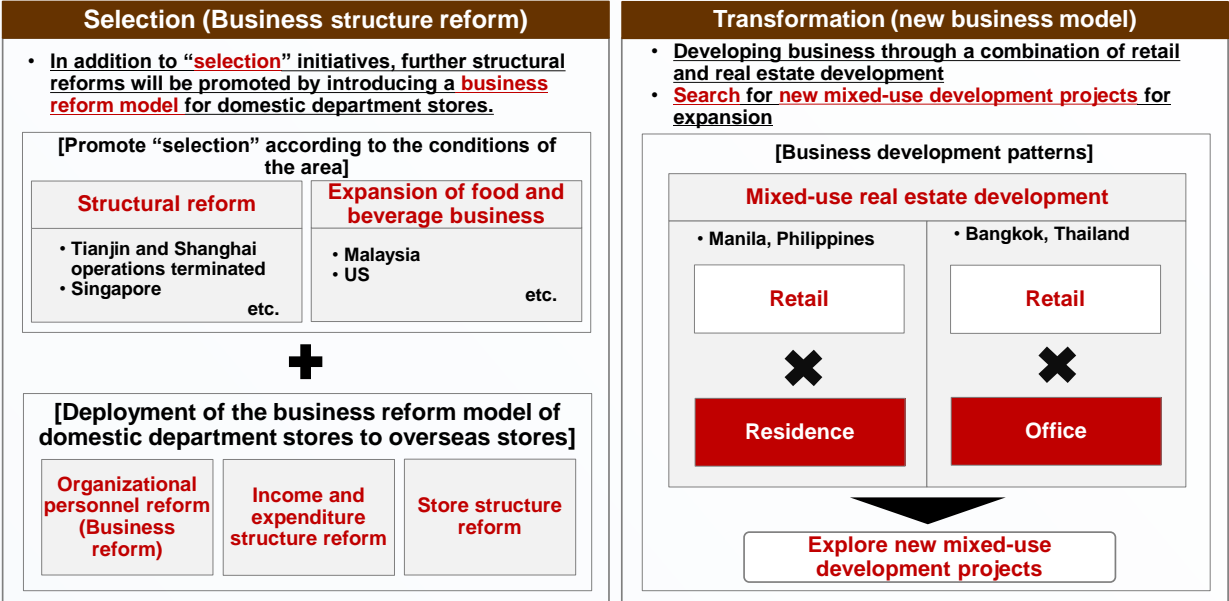
We will balance the merchandising appropriate to the area to attract customers, and the stores will always identify individual customers as well.

By attracting customers, we will promote initiatives to put the Isetan Shinjuku and Mitsukoshi Nihombashi Main Stores in a position to offer a solid selection of products or to provide services for the entire group.

6. Business strategy direction: Overseas business

What we aim to become in the medium term

Further accelerate **selection** and **transformation**, and develop and expand a new business model leveraging the goodwill value of “**retail**” and enhancing value through “**real estate development**”



About overseas business.

Now that we have begun to select and focus our overseas business, the next step is to promote “scientific analysis of department stores” in the same way as in the Tokyo metropolitan area in order to make the department store business model stronger and create a profitable state.

On the other hand, in addition to the combination of retail and residences in the Philippines, where we have already started, we will now develop a combined retail and office business in Thailand. We will continue this same kind of project that contributes to “urban community development” in the future.

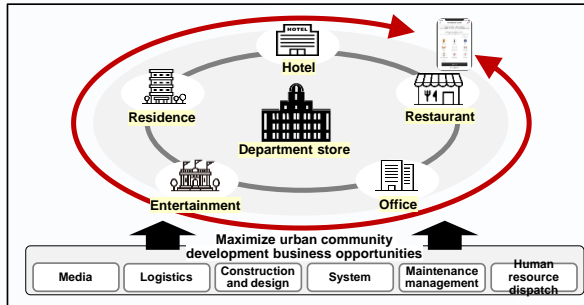
6. Business strategy direction: Real estate business

What we aim to become in the medium term

Gathering customers from all over the world and connecting their uses to execute “urban community development” that maximizes the value of the town.

Progress in preparation for urban community development

- **Full-scale development planning and customer value design for urban community development**



Details of urban community development efforts

(1)	Elaboration and progression of each development plan
(2)	Preparation for introduction of content for each application
(3)	Designing for a skillful combination and unique value
(4)	CRM design for urban community development
(5)	Maximize urban community development business opportunities
(6)	Area management design

Translating urban community development efforts into concrete steps

Explore **high sensitivity, fine quality content**



Maximize urban community development business opportunities



Developing human resources specialized in business development



The real estate business is about the preparation phase of “urban community development.”

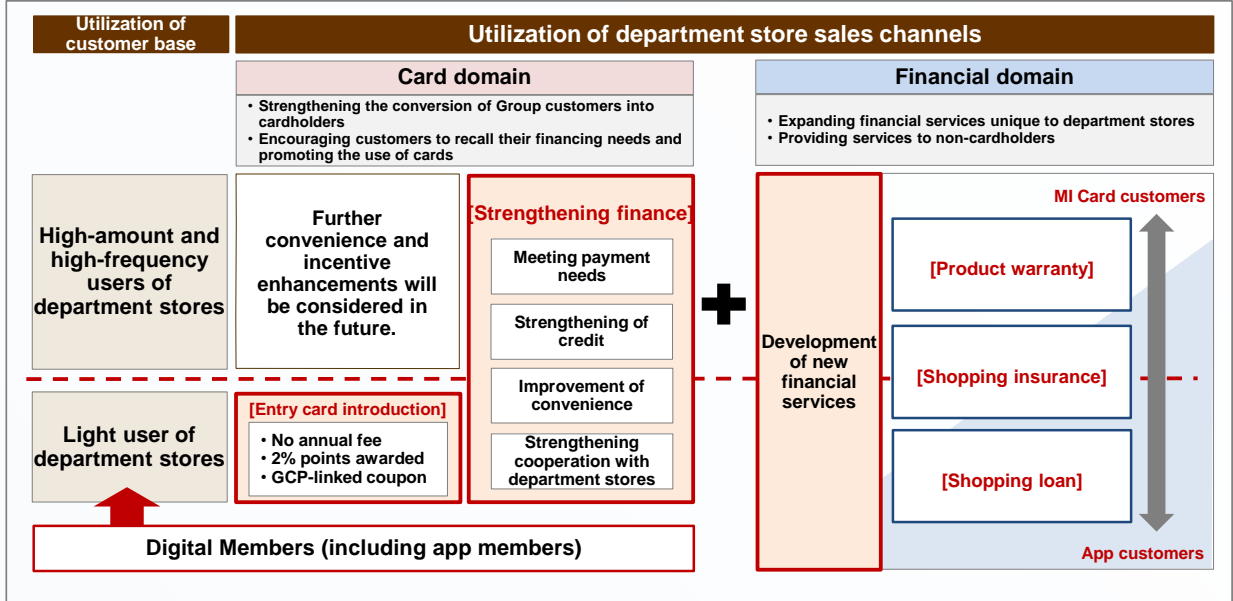
The focus is absolutely a department store. We will proceed by thoroughly searching for the essence or content surrounding the department store.

We will promote the infrastructure surrounding this firmly in our company. We hope to provide more details in November.

6. Business strategy direction: Credit & finance business

What we aim to become in the medium term

Establish a **financial services business** that provides “unique value” by leveraging the **value of goodwill and the Group’s customer base**



About financial business.

Until now, we have only considered high-value and high-frequency users of department stores as an area of credit card customers, but how can we expand this area to make more money?

There are various opportunities here.

The first thing we are trying to do is to approach “light users of department stores”.

Now, almost all of these customers buy through the app, and with 0.5% of the app’s points, we have already accumulated 5 million. We would like to introduce an entry card(credit card) to incorporate these customers as light users of the department store.

How can we create a card and application state that allows all department stores to provide department store content to the customers they attract? To this end, we will add new functions every year as a finance proposal in the area of credit cards, and we are currently working on a product guarantee to create a new financial area, which we will specifically expand, and also add new services such as shopping loans.

I believe this state can be created because we were able to change the relationship between department stores and finance sector, and change the mindset of the department store business to support the finance business.

6. Business strategy direction: Domestic related businesses

What we aim to become in the medium term

Expand earnings in each business and evolve business models through expansion of BtoB and BtoC businesses

Business model evolution

- Expand monetization through intra-Group coordination. In addition, further expand external revenues by evolving unique points.

(1) Further promotion of in-house production by the Group through the use of unique points



(2) Expand earnings by leveraging Group assets



(3) Further expand external revenues and participate in urban community development business opportunities

[TOPICS] STUDIO ALTA's initiatives

- Promote advance initiatives at STUDIO ALTA.

Expand retail media business through collaboration with department stores as the Group's core advertising and media company



Mitsukoshi Ginza Store:
Virtual GINZA mitsukoshi



The initiatives will spread to domestic affiliated companies

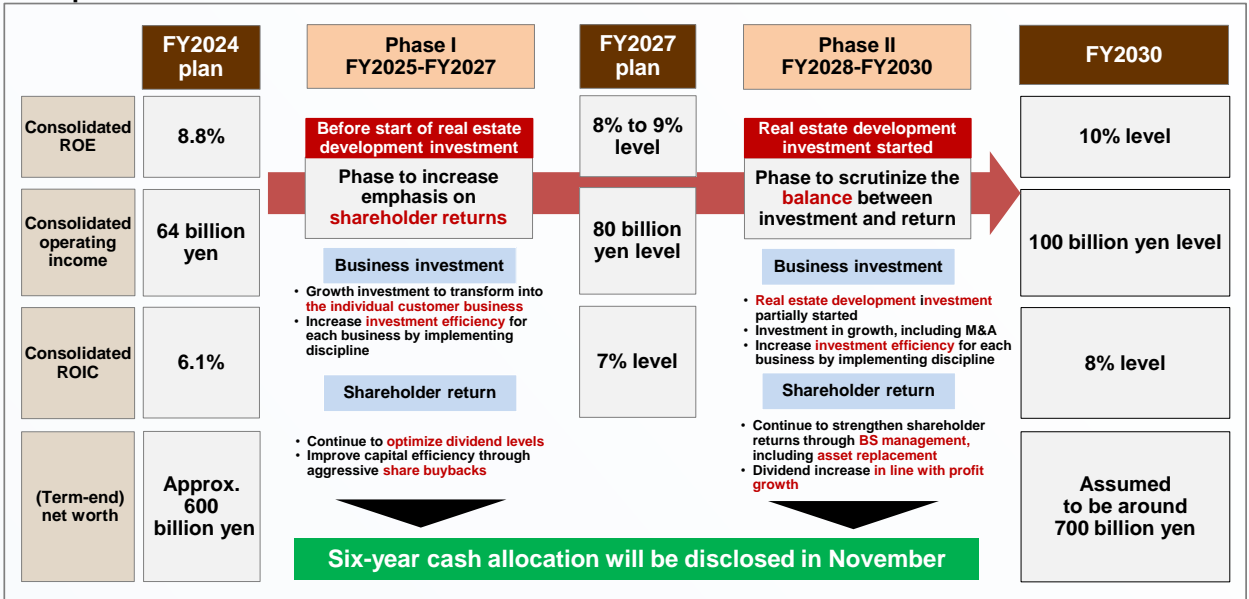
Similarly, if the department store business supports or is aligned with the department stores, here is one example of a domestic affiliate making a profit.

As a result of taking on all the work of department stores from the simple support of the department stores we used to provide, and selling what we took on to other companies while using the assets of other companies and groups, Studio Alta, which had always been a loss-making company, was able to achieve operating income of 300 million yen last fiscal year and is on track to achieve 1 billion yen in operating income this fiscal year as well.

I look forward to seeing more group companies like this in the future.

7. Direction of Group platform strategy: **Financial strategy** “Overall Framework”

- Plan ROE and ROIC levels with **cost of shareholder’s equity and WACC** in mind, and promote appropriate **balance sheet control**
- In Phase I, prior to the start of “real estate development investment,” we will increase our **focus on shareholder returns** and continue to **improve capital efficiency**.
 ➔ Specific **cash allocations** will be disclosed in **November**.



This is about financial strategies.

This is the very important point we will be discussing in the new 6-years medium-term plan.
 Using the FY2024 plan as a launching pad, we will achieve these numbers in FY2027.

With regard to shareholder returns in Phase I, this is where the money will be spent centrally.

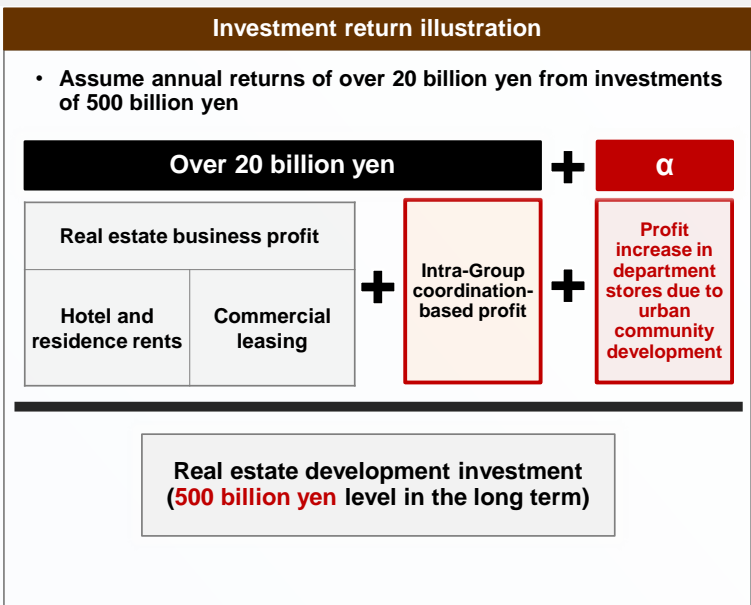
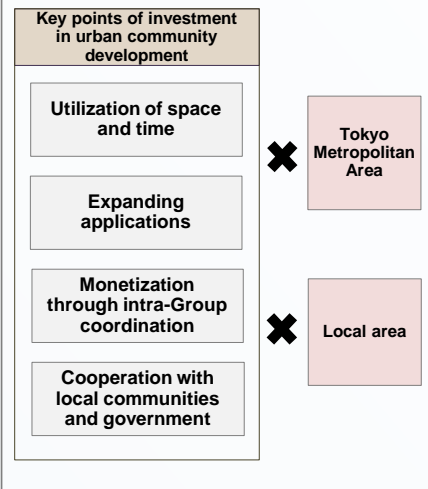
The reason for this is that the construction of urban community development will begin in the second half of the new 6-year period, so in order to make more strategic investments here, we will separate the first half and the second half of the year in terms of how we spend our money and our mindsets.

7. Direction of Group platform strategy: Financial strategy “Approach to real estate development investment for urban community development”

- For real estate development for urban community development, a long-term investment of **500 billion yen** is assumed to be made.
- The Company’s real estate development, which focuses on individual customer business, is characterized by generating **intra-Group coordination-based profits** among its various businesses, as well as rental income.
- Improve investment returns (including intra-Group coordination-based profits) through discipline for **each property and project**, leading to a **long-term increase in ROE**

Investment in “urban community development” that attracts visitors from all over the world.

- **Plan to invest in the order of 500 billion yen over the long term**



In terms of investment plan, construction will begin around this time in 2028-2030.

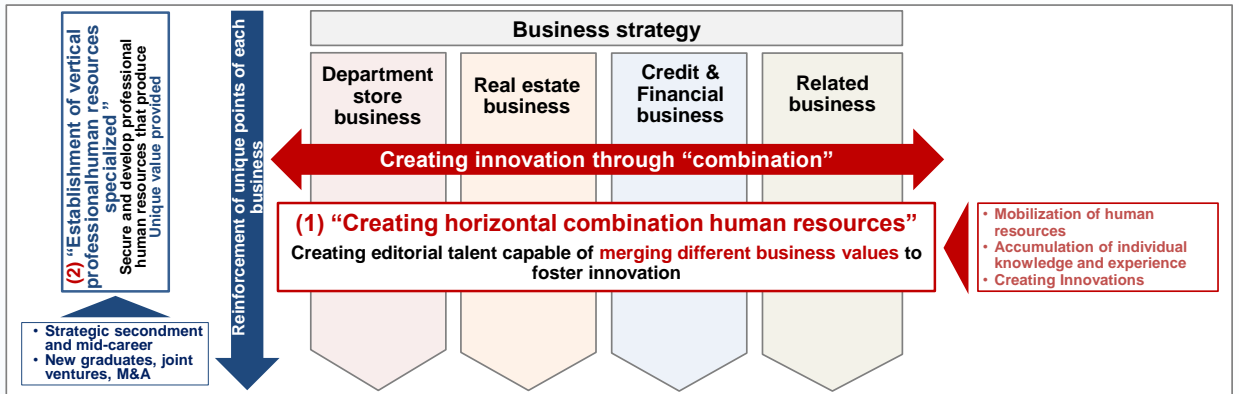
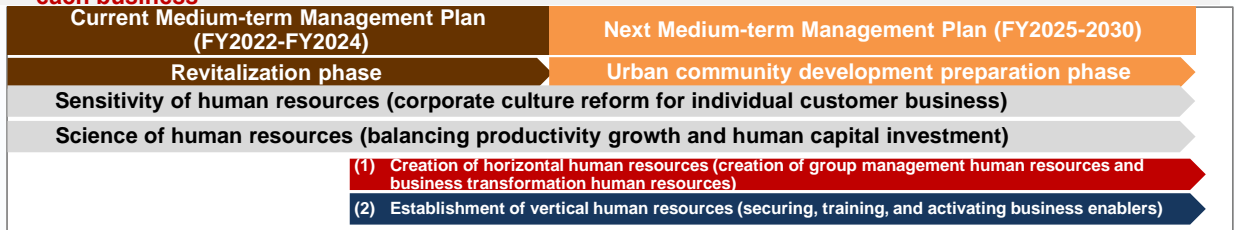
We hope to make a 500 billion scale investment over the next 10 to 15 years.

Normally, a real estate investment of 500 billion yen ends up as hotel/residence rents or commercial leasing rents, but the point of this urban community development is that we are not going to stop there.

We will capture the profits generated by the intra-group coordination. We hope to generate at least 100 billion yen in sales by having the customers attracted here shop at department stores or linking customers to department stores related business.

7. Direction of Group platform strategy: Human Resource strategy “Human Resource development”

- Cultivate “(1) ‘combination human resources’ (editorial talent),” who are responsible for business transformation, through experience in multiple fields by promoting talent mobility
- Secure and develop “(2) ‘human resources specialized in that business’ who can create unique value in each business”



This section describes the human resource strategy, especially human resource development.

The human resource strategies of department stores and human resource strategies centered on department stores up to now will not be able to compete in the future.

We have four strategies. First, we will change the department store-centered mindset, which we refer to as “personnel sensitivity,” to a sensitivity of making profits for the group as a whole, and eliminate vertical divisions. And we will reform the corporate culture to eliminate the sense of sharing and to make the entire group profitable.

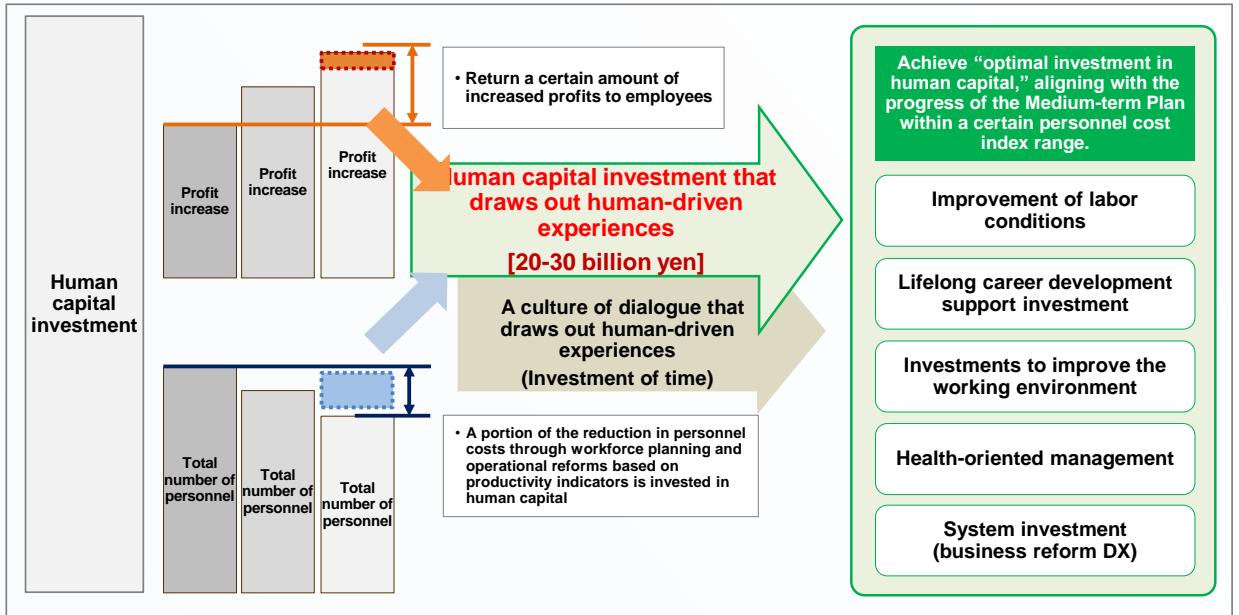
The next is what we call the “scientific analysis of human resources,” which will help department stores be more productive in terms of human resources. We will create such a situation where a small number of elite individuals can make a good profit.

And regarding the vertical/horizontal concept that will start this year. Regarding verticals, each business and department store is strong in its own area, but we still need more in other areas, so we need human resources with strengths, including mid-career hires.

Regarding horizontal collaboration, we would like to strengthen horizontal collaboration and create innovation by actively practicing things like engaging in different areas, such as those who understand department stores well going to study, so that innovation can be created.

7. Direction of Group platform strategy: **Human resource strategy** “Human capital investment”

- Achieve optimal human capital investment with a view to “**transformation into the individual customer business**”

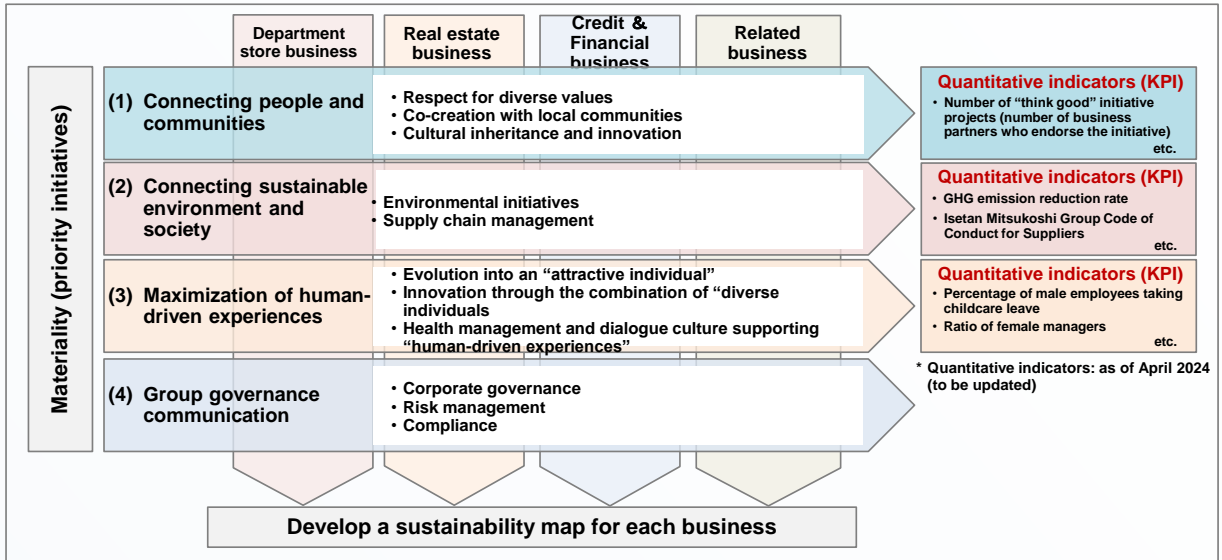


This is regarding human resource investment in human resource strategy.

Approximately 20 to 30 billion yen will be invested. Rather than simply as an expense, we plan to use the profits we make and the amount of time we spend on investments as we gradually downsize our workforce to become more efficient.

7. Direction of the Group’s platform strategy: Sustainability

- Promote strategies for each business while **linking** priority initiatives (materiality)



Details will be disclosed in the “Sustainability Report” to be published at the end of November.

About sustainability.

We recognize that sustainability is very important, and we talked about it earlier in the FY24 section.

We will change the materiality from three to four and create and operate KPIs while combining them with each business.

As for sustainability, we will issue a report in November, and I will explain the details at that time.



Some of the information in this material may contain forward-looking statements. These statements are forecasts based on reasonable judgments made in accordance with information available to the Company at the time of disclosure, and include various risks and uncertainties.

Therefore, actual performance figures and results may differ from forecasts due to factors such as future business operations and changes in economic conditions.