Isetan Mitsukoshi Holdings Ltd.

Summary of Q&A Session at WEB Briefing for the Fiscal Year Ending March 31, 2025

Date: Tuesday, May 13, 2025, 17:00-18:00

Q: Regarding the company's performance plan for FY2025, what are the assumptions of the plan and how likely is it to be achieved?

A: The landing of operating profit in FY2024 is a little upward, and we are almost on schedule with the roadmap to achieve 85 billion in operating profit in FY2027. Initially, in Phase I of the current medium term plan, we were aiming to achieve operating profit of 85 billion yen in FY2027, based on the assumption that the growth rate of domestic customer sales would be 101% year-on-year for each year and the growth rate of duty-free sales would be slightly less than 110% year-on-year for each year. However, due in part to the fact that we were able to reduce expenses in FY2024 more than expected, it is now expected that it will be possible to achieve 78 billion in operating profit in FY2025, even if the top line initially assumed is lowered. The outlook for duty-free sales is difficult to predict this fiscal year, but we plan to keep duty-free sales at around 80% year-on-year for a while, and from August, we plan to achieve 108% year-on-year. We expect to see the effects of overseas apps gradually emerge in the second half of the fiscal year, but it is difficult to read the situation, including external credit, so we will make sure to use Gas or Brake Method of our expenses.

Q: About the new stage of emphasizing "sensibility" from the previous "Scientific analysis of department stores" stage, can you give me some direction?

A: When I described it as sensitivity, I intended to say that it is the part that cannot be dared to be quantified. In promoting Scientific analysis of department stores to date, for indicators such as customer buying patterns, square footage efficiency, area efficiency, and profit per employee, the answers are in the numbers to some extent.

However, the next phase will be the stage where we aim to find ways to emotionally resolve customers' "dislikes" and make innovative proposals to address their concerns. Various ideas have already been generated among the employees, and several ideas have taken shape and are just beginning to be incorporated into plans for future store remodeling. First, we will proceed with the remodeling of the basement food floor of Isetan Shinjuku main store, starting with a new PB edit of confectionery PB in collaboration with creators from around the world. We want to create a state where our customers around the world are surprised and impressed. Of course, in the part of Scientific analysis of department stores, we will make proper calculations regarding return on investment, and in addition to that, we will consider how to create something that does not exist in the world.

Q: If sales fluctuate in the future, is there room to further control selling, general and administrative expenses?

A: In terms of income and expenditure structure reform for FY2025, we have included a solid number that is almost achievable.

If sales were to decline in the future, we would like to achieve our target stepwise profit by flexibly implementing cost reductions except for expenses due to sales linkage. Although the external environment may make it difficult to predict the year-on-year rate of duty-free sales of 108% in the second half of the fiscal year, we believe that even if sales are slightly lower, it will be possible to achieve operating profit through cost control.

Q: Around last November, I believe there was a statement that there may be more room for upside in the current mid-term business performance. On the other hand, as the external environment has changed since those days, how have the certainty and the sense of accomplishment of the mid-term plan changed compared to the past?

A: If the economic turmoil originating in the U.S. continues, it is possible that it will have an impact on the consumer confidence of the wealthy in Japan. If this confusion had not occurred, we believe that the hurdle to achieve 85 billion in operating profit in FY2027 would not have been so high. Even if the current situation were to continue, we believe that the 85 billion plan is still achievable because of the success of our unique strategy for identified customers.

Q: Could you give us a quantitative picture of MICARD BASIC's contribution to profits?

A: I believe that the portion of the effect of reducing external outflow costs by paying the card usage fee costs that were paid by department stores to other companies to MICARD Co.,Ltd. will become apparent relatively quickly. Also, from the perspective of MICARD Co.,Ltd.'s costs, this basic card allows for low-cost operations. Although it is still in the first month after the Basic Card launch, about 30% of Basic Card members are re-enrolling after having previously withdrawn from the card. In other words, we believe that the department stores will gradually benefit from the positive effect of increased net sales as customers who would have lost their connection with the department stores become cardholders again. In summary, I hope that MICARD will precede the profit contribution to MICARD Co.,Ltd. in the short term, and that the profit contribution to the entire group, including the department store side, will be gained in the medium term.

Q: As far as member acquisition costs, can they be kept a little lower with a basic card? What specific areas of low-cost operation can be achieved?

A: The basic card enrollment process is all done through the application, so the effect of reducing the administrative cost itself is significant. On the other hand, the ability to compare the three different

MICARDs has conversely helped convey the appeal of the Gold Card to customers, and stores in the Tokyo metropolitan area are seeing an increase in the number of Gold Card members. Although it may be indirect, we expect that synergistic effects will gradually emerge, such as reduced operating costs related to the Basic Card, which will lead to the acquisition of more members for other cards, which in turn will lead to increased use of the card within and outside the group and new financial services.

Q: With regard to the introduction of the app for overseas customers, how will it be linked to the acquisition of foreign out-of-store-sales customers to Japan?
I would like to know the response after the launch and what KPIs will be used to evaluate the results.

A: About 10,000 people download the app per week. For customers in China, due to personal information issues, we use WeChat to send out the same information.
The image of the KPI about the application internally is that the number of connections with overseas customers will increase at a rate of about 10,000 per week for 52 weeks. Although our overseas out-of-store-sales do not work in parallel with the app, we have approached customers with whom we have had contact through the app and Wechat and with whom we expect to have a deep connection in the future to register with our overseas out-of-store-sales. Although not connected by credit card as in Japan, we believe that the number of foreign out-of-store-sales customers to Japan will increase in the future. Since we have only just begun, we would like to consider KPIs for expanding the number of foreign out-of-store-sales customers to Japan through overseas app launches as we see how things go.

Q: You mentioned that there is room for further cost reduction, but you have already become much more efficient.I would like to know about specific areas where there is room for cost reduction.

A: In terms of flexibly narrowing down expenses while monitoring sales, I think the easiest way to understand this would be in terms of advertising expenses. In addition, the department store business has become much more muscular with the promotion of Scientific analysis of department stores, and while MICARD Co.,Ltd. has made some progress in cost structure reform, we believe that there is still much room for cost structure reform at group affiliates of other businesses, which we intend to closely monitor. In addition, since some aspects of the budget, such as utilities, have been set with a bit of leeway, we will continue to control expenses in accordance with the sales situation while keeping an eye on areas where we can take the initiative in reducing expenses.

Q: Regarding the economic turmoil originating in the U.S., is there any indication that the impact on consumer confidence among the wealthy in Japan is likely to be quite protracted?

A: If the economic turmoil continues for a prolonged period of time, there is a possibility that domestic consumer confidence will be affected, but we do not see any significant impact on domestic customers at this time, if any. Sales to domestic customers of Isetan Mitsukoshi Holdings Ltd. in April were 104% year-on-year, and sales to identified customers were 107% year-on-year, sales to out-of-store-sales customers at both head stores were also running at levels that almost exceed those of the previous year. In the current May, identified customer gross sales have risen even higher.

A2: We have been able to provide a variety of information for identified customers, and we are working to change the mindset of customers from our side.
However, we are currently unable to provide our overseas customers with much information, which directly affects our current duty-free sales. If we can provide information to interest identified customers, identified customers will have the mindset that they want to shop, so we will actively provide information from our side. This action has begun to work well for domestic customers in the last few years, and we do not believe it will have a significant impact on current identified customer sales.

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