Isetan Mitsukoshi Group Financial Results Explanation Meeting for the Nine Months Ended Dec 31, 2024

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February 4, 2025

Isetan Mitsukoshi Holdings Ltd.

I: FY2024 Q3 Results

II: FY2024 Full Year Plan

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

I will mainly explain the third-quarter results in line with the disclosed materials.

I: FY2024 Q3 Results

II: FY2024 Full Year Plan

1. FY2024 Q3 Summary of Results

- **Gross sales continued to increase significantly at domestic department stores with the promotion of the "Sophisticated and high-quality" strategy and the "CRM strategy connecting with individual customers."**
- **While selling, general and administrative expenses increased due to increased revenue, cost structure reform being undertaken across the Group made steady progress, and the total amount continues to be lower than the previous year.**

Both operating profit and ordinary profit for Q3 continued to rise substantially, once again setting record highs since the integration.

First, I will give you a summary of the results.

In terms of gross sales, our company's "Sophisticated and high-quality" strategy and "CRM strategy connecting with individual customers " were very effective and resulted in a significant increase in domestic department store sales.

In addition, despite various increases in expenses, the total amount of selling, general and administrative (SG & A) expenses continued to fall below the previous year's level, as a result of group-wide efforts to reform the cost structure.

As a result, operating profit and ordinary profit in the third quarter continued to achieve record-high levels since the merger.

2. FY2024 Q3 Consolidated Results

- Gross sales: Continued to increase due to strong sales to Japanese customers and inbound tourists as a result of promotion of strategies.
- Selling, general and administrative expenses: Continued to be lower than the previous year due to flexible cost control and reduction as a Group.
- As a result of the above, both operating profit and ordinary profit reached record highs since the integration. The operating margin improved 1.6% from the previous year to 6.1%.

(0.1 billions of yen)	H1	YoY difference	Q3	YoY difference	Q3 Cumulative Results	YoY	YoY difference
Gross sales	6,191	+576	3,595	+107	9,786	107.5%	+683
Net sales	2,640	+155	1,533	+1	4,174	103.9%	+156
Gross profit	1,617	+138	932	+26	2,549	106.9%	+164
Selling, general and administrative expenses	1,268	▲8	682	▲16	1,950	98.7%	▲25
Operating profit	348	+146	250	+43	599	146.4%	+189
Ordinary profit	387	+158	273	+52	660	146.8%	+210
Profit attributable to owners of parent	253	+105	210	+48	464	149.4%	+153

Gross sales for the cumulative third quarter were 978.6 billion yen, representing a 7.5% increase year on year. Since the growth rate was high in the third quarter of last year, if you look at the year-over-year difference or evaluate the performance on a year-over-year basis for the third quarter alone, it might seem that growth has slightly stalled compared to the first half. However, when comparing to the pre-COVID-19 level (FY2018), the growth rate remained firm.

Gross profit increased by 16.4 billion yen in the cumulative third quarter. Meanwhile, despite rising costs in various areas, SG & A expenses were reduced in the third quarter, continuing the trend from the second quarter, as a result of efforts to reform the income and expenditure structure. As a result of a 2.5 billion yen decrease in SG & A expenses in the cumulative third quarter, operating profit came to 59.9 billion yen.

Last fiscal year, we significantly surpassed our previous record for operating profit, and as of this third quarter, we have increased income by 18.9 billion yen. This is because the various initiatives we have undertaken over the past several years have significantly changed the Group's earnings structure.

In addition, operating profit for the third quarter alone was 25.0 billion yen. The only quarter in which our past operating profit exceeded 20.0 billion yen was the third quarter of last year, but we have been able to significantly surpass that amount.

As for non-operating profit and expenses, as a result of favorable equity method income and other factors, ordinary profit increased by more than 6.0 billion yen from operating profit, and the year-on-year difference increased by more than 20.0 billion yen in the cumulative third quarter.

We achieved record highs in both operating profit and ordinary profit since the merger. The ratio of operating profit to gross sales was 6.1%, a significant improvement over the previous year. As this is a quarterly settlement, corporation taxes are calculated using the simplified method, but profit also increased significantly.

3. Gross sales figures for major domestic department stores (by store and company)

- **Isetan Shinjuku Main Store sales exceeded 300 billion yen for the first nine months from April to December. Together with the Ginza store, continued to achieve at least double-digit growth in sales from the previous year**
- **Iwataya Mitsukoshi sales exceeded 100 billion yen for the first nine months from April to December. Large-scale stores Sapporo Marui Mitsukoshi and Nagoya Mitsukoshi also saw continued sales growth.**

(0.1 billions of yen)	Gross sales	YoY	YoY difference
Isetan Shinjuku Main Store	3,149	114.0%	+387
Mitsukoshi Nihombashi Main Store	1,226	106.4%	+74
Mitsukoshi Ginza Store	927	120.6%	+158
Isetan Tachikawa store	239	98.7%	-3
Isetan Urawa store	274	93.4%	-19
Isetan Mitsukoshi Total	5,817	111.5%	+597

(0.1 billions of yen)	Gross sales	YoY	YoY difference
Sapporo Marui Mitsukoshi	463	102.8%	+12
Sendai Mitsukoshi	197	95.6%	-9
Nagoya Mitsukoshi	475	103.2%	+14
Niigata Isetan Mitsukoshi	257	94.2%	-15
Iwataya Mitsukoshi	1,009	109.1%	+84
Total of 5 major regional companies	2,403	103.7%	+86

I will talk about the gross sales of our main department stores in Japan, which form the core of our business.

In particular, Isetan Shinjuku main store, Mitsukoshi Nihombashi main store, and Mitsukoshi Ginza Store (three core stores), as well as Sapporo Marui Mitsukoshi, Nagoya Mitsukoshi, and Iwataya Mitsukoshi, all of which are located in regional and metropolitan areas, recorded extremely strong gross sales.

At Isetan Shinjuku main store, gross sales have rarely exceeded 300.0 billion yen in the past, but in the current fiscal year, sales exceeded 300.0 billion yen in the third quarter, showing a solid 114% year-on-year increase. Additionally, cumulative gross sales for the 2024 calendar year (January-December) exceeded 400.0 billion yen for the first time in our history, even though this period differs from our accounting period. It can be said that Isetan Shinjuku main store has won the support of customers not only in Japan but also around the world.

Gross sales at Mitsukoshi Ginza Store exceeded 120% year on year as of the third quarter, reflecting strong inbound sales.

As for regional operating companies, gross sales at Iwataya Mitsukoshi exceeded 100.0 billion yen in the cumulative third quarter, up nearly 110% from the previous year. We believe that the strong performance of these department stores in Japan was a key driver of the sales increase during the period under review.

4. Changes in consolidated SG&A expenses

- Total selling, general and administrative expenses were reduced by 2.5 billion yen year-on-year due to company-wide promotion of cost structure reform and flexible control.
- Cost structure reform: Progressing steadily with a reduction of 6 billion yen in the first nine months of the year from April to December, against the full-year reduction plan of 7.0 billion yen announced in November.
- Impact from price changes: Utilities expenses only increased slightly in October - December compared to the previous year and were lower than in the first nine months of the year from April to December than in the previous year.

			Breakdown of YoY increase/decrease Current year increase/decrease				
(0.1 billions of yen)	Q3 Cumulative Results	YoY changes	Cost structure reform	Linked to sales	Strategic expenditures	Impact from price changes	Others
Personnel expenses	692	-5	-28		+6	+17	
Advertising expenses	67	-4	-5	+1			
Lease payments	237	-9	-14	+5			
Business consignment expenses	217	-2	-3		+1		
Depreciation and amortization	168	-2			+2		-4
Utilities expenses	72	-1	-1				
Others	493	+0	-8	+11		+2	-5
Total	1,950	-25	-60	+17	+9	+19	-10

Let's turn to the increase and decrease in consolidated SG & A expenses.

As we have discussed, sales are very strong. However, sales-linked expenses increased by only 1.7 billion yen year on year as of the third quarter. This amount is the same as the cumulative total for the second quarter.

Furthermore, we will allocate funds appropriately for necessary expenditures, including strategic expenses and improvements in employee compensation.

The cost structure reforms we have implemented over the past several years led to a 6.0 billion yen reduction in the third quarter, showing strong progress toward the full-year target of 7.0 billion yen. As a result, total SG & A expenses fell 2.5 billion yen from the previous year to 195.0 billion yen.

5. Segment income

- Department store business: Revenue and profits continued to increase significantly due to sales growth as a result of the success of various strategies and the promotion of cost structure reform.
- Credit & finance business: Profits increased due to further promotion of cost structure reform and steady card transaction volume.
- Real estate business: Profits increased due to strong performance in the construction and interior business and higher rental income from change of tenants.

(0.1 billions of yen)	Gross sales	YoY	Net sales	Operating profit	YoY difference
Department store business	9,099	107.5%	3,478	498	+156
Credit & finance business/ Customer organization management business	278	104.2%	256	55	+26
Real estate business	205	112.0%	205	26	+5
Other businesses*	201	108.4%	233	19	+1
Total	9,786	107.5%	4,174	599	+189

* Operating profit in the "other businesses" segment includes an adjustment (210 million yen)

Let's move on to the performance by segment.

The department store business has been the main reason for the increase in income over the past few years, and this trend will not change this fiscal year.

In the credit & finance business / customer organization management business, centering on the MICARD business, operating profit increased by 2.6 billion yen year on year in the third quarter of this fiscal year, demonstrating solid income generation. This is because our intra-group coordination efforts over the past several years, as well as structural reforms initiated at department stores, have been adopted by the Group.

In the real estate business, income increased this fiscal year partly due to an increase in rental income resulting from tenant replacement.

I: FY2024 Q3 Results

II: FY2024 Full Year Plan

1. FY2024 Summary of Full Year Plan

- **Promotion of strategies for final year of "revitalization of department stores" phase and flexible measures for selling, general and administrative expenses are progressing in line with the plan.**

  The full year plan is in line with the November plan as progress is currently also in line with expectations.

Our company formulated a medium-term management plan covering the period up to FY2024 as the "Revitalization of Department Stores" phase. This year, as the final year of the plan, we believe we have successfully managed SG&A expenses flexibly while maintaining a strong sense of strategic promotion.

Given that our recent business performance has been in line with our projections, we have maintained our full-year plan for the current fiscal year, as previously announced in November.

2. FY2024 Consolidated Plan

- Gross sales: In line with November plan due to steady recovery in sales to inbound tourists in addition to promotion of strategies.
- Selling, general and administrative expenses: In line with November plan with steady control while investing expenses in promoting strategies.
- Operating profit, ordinary profit, and profit are all unchanged from the November plan.

(0.1 billions of yen)	Full year	YoY	YoY difference	Difference with November Plan
Gross sales	13,200	107.8%	+953	-
Net sales	5,560	103.6%	+195	-
Gross profit	3,410	106.9%	+220	-
Selling, general and administrative expenses	2,690	101.7%	+44	-
Operating profit	720	132.4%	+176	-
Ordinary profit	770	128.6%	+171	-
Profit	580	104.4%	+24	-

We raised our gross sales target by approximately 40.0 billion yen on the closing date of the first quarter. Afterward, in early autumn this year, sales saw a slight slump due to a major earthquake in Kyushu region and weak winter clothing sales caused by high temperatures. However, sales have been very strong in the near term. The same goes for gross profit.

The SG&A expense plan remains unchanged, with more flexibility compared to the reductions made up to the third quarter. This is because, in the fourth quarter, we will launch a number of strategies that will shape our company's future, including the introduction of entry cards (no annual fee required), the provision of new financial service offerings, and the release of an app for international customers.

For operating profit and ordinary profit, we are confident that we will exceed the planned levels.

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These statements are based on reasonable judgments made in accordance with information available at the time of disclosure and are subject to various risks and uncertainties.
It involves 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.

That is all from me.