Summary of Settlement of Consolidated Accounts for the Second Quarter of the Fiscal Year Ending March 31, 2022

[Japanese Standards] (Consolidated)

November 10, 2021

Isetan Mitsukoshi Holdings Ltd.

Securities code: 3099 (Listed on the First Section of Tokyo Stock Exchange and Fukuoka Stock Exchange)
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Scheduled date of filing of the quarterly securities report (*Shihanki Houkokusho*): November 11, 2021
Scheduled date of dividend payments: December 6, 2021
Preparation of quarterly results supplementary materials: Yes
Convening of quarterly results explanation meeting: Yes (for securities analysts)

(Figures are rounded down to the nearest million yen.)

1. Consolidated Business Results for the Second Quarter of Fiscal 2021 (From April 1, 2021 to September 30, 2021)

(1) Results of consolidated operations (Percentage figures indicate changes from the second quarter of the previous year.)

	Net Sales		Operating Income		Recurring Income		Net Income attributable to Parent Company Shareholders	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2Q of FY2021	187,932	-	(7,758)	-	(7,114)	-	(8,136)	-
2Q of FY2020	335,701	(41.8)	(17,812)	-	(17,092)	-	(36,786)	-

(Note) Comprehensive income: 2Q of FY2021: ¥(500) million (-%), 2Q of FY2020: ¥(38,581) million (-%)

Since the “Accounting Standard for Revenue Recognition,” etc. was adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022, the percentage changes from the results of the second quarter of the previous fiscal year before the adoption of the accounting standard, etc. are not provided. If the accounting standard, etc. had not been adopted, net sales would be ¥398,997 million, an increase of 18.9% from the second quarter of the previous fiscal year.

	Net Income per Share (Basic)	Net Income per Share (Diluted)
	Yen	Yen
2Q of FY2021	(21.35)	-
2Q of FY2020	(96.74)	-

(Note) Net income per share (diluted) is not presented due to the posting of net loss per share (basic), although there are dilutive shares.

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders’ Equity Ratio
	Millions of yen	Millions of yen	%
2Q of FY2021	1,155,661	492,948	42.1
FY2020	1,198,303	508,275	41.9

(Reference) Shareholders’ equity: 2Q of FY2021: ¥487,040 million, FY2020: ¥501,936 million

Since the “Accounting Standard for Revenue Recognition,” etc. was adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022, the figures for the second quarter of the fiscal year under review ending March 31, 2022 reflect the adoption of the accounting standard.

2. Dividends

	Annual Dividends				
(Record date)	First Quarter	Second Quarter	Third Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	-	3.00	-	6.00	9.00
FY2021	-	5.00			
FY 2021 (Forecast)			-	5.00	10.00

(Note) Revision to recently announced dividend forecast: No

3. Forecast of Consolidated Results for Fiscal 2021 (From April 1, 2021 to March 31, 2022)

(Percentage figures indicate changes from the previous year.)

	Net sales		Operating Income		Recurring Income		Net Income attributable to Parent Company Shareholders		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	435,000	-	3,000	-	3,000	-	3,000	-	7.87

(Note) Revision to recently announced consolidated results forecast: Yes
The forecast is based on the "Accounting Standard for Revenue Recognition," etc., which was adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022. Therefore, the percentage changes from the results of the previous fiscal year before the adoption of the accounting standard, etc. are not provided. If the accounting standard, etc. had not been adopted, the net sales forecast would be ¥945,000 million, an increase of 15.8% from the previous fiscal year.

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): No
Newly consolidated companies: — Companies removed from consolidation: —

(2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements: Yes
Note: For details, please refer to "2. Consolidated Financial Statements and Primary Notes (4) Notes regarding Consolidated Financial Statements (Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements)" on page 12.

(3) Changes in accounting policy, changes in accounting estimates or restatement due to correction
1) Changes in accounting policy in line with revision to accounting standards: Yes
2) Other changes: No
3) Changes in accounting estimates: No
4) Restatement due to correction: No

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding at the end of the period (including treasury stock)	Second quarter of FY2021	396,648,554 shares	FY2020	396,459,054 shares
2) Number of shares of treasury stock at the end of the period	Second quarter of FY2021	15,196,180 shares	FY2020	15,403,484 shares
3) Average number of shares during the period	Second quarter of FY2021	381,177,847 shares	Second quarter of FY2020	380,258,149 shares

*** These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or auditing firms.**

*** Disclaimer regarding Forward-looking Statements**

This report contains forward-looking statements, which are based on the information currently available and certain assumptions the Company considers to be reasonable, and are not intended to be seen as targets that the Company assures it will achieve. Actual results, performance, achievements or financial position may be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. For assumptions on which forward-looking statements are based as well as for precautionary statements in the use of forward-looking statements, please refer to "1. Qualitative Information on the Quarterly Results (3) Explanation regarding Future Outlook Including the Forecast of Consolidated Results" on page 4.

Note:
This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

○Table of Contents of Accompanying Materials

1. Qualitative Information on the Quarterly Results

(1) Explanation regarding Business Results

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition"), etc. was adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022. Accordingly, year-on-year yen and percentage changes are not provided in the explanation of business results below, as the accounting treatment for revenue is different from the one used for the second quarter of the previous fiscal year. All forward-looking statements contained in this text are based on the judgement of the Group (the Company and its consolidated subsidiaries) as of the final day of the quarter under review.

During the second quarter of fiscal 2021 (April 1, 2021 to September 30, 2021), the Japanese economy temporarily showed indications of a recovery trend, with real GDP growth for the April-June quarter of 1.9% year-on-year, despite uncertainty over when the global COVID-19 pandemic would be contained. However, a state of emergency was declared in several prefectures in response to a renewed spread of infections from July onward, and the downturn in consumer sentiment continued.

Under these circumstances, in response to requests to reduce people's traffic under the state of emergency, the Group took actions as appropriate based on "safety and security," such as the partial suspension of business and entry restrictions for food floors and other areas, while considering prevention of the spread of infection to customers and employees.

Amid expectations of a full-scale revival in economic activity due to higher vaccination rates and the easing of restrictions, as well as new lifestyles and further changes in consumer behavior, the Group has established the long-term vision "to be a 'special' department store-centered retail group that enriches the lives of our customers," and aims to achieve its basic strategy of "expanding and dominating in high sensitivity, fine quality consumption, providing the ultimate customer experience." Based on the three pillars of its "high sensitivity, fine quality" strategy, "connections with customers" CRM strategy, and "stronger intra-Group coordination" strategy, the Group will aim to achieve these goals by implementing "digital reforms," "CRE and business model reforms," and "reforms to the income and expenditure structure," which will form the foundation of the Group, as well as establishing "system and data infrastructure," "human resources infrastructure" and "sustainability, governance and business systems" that will form the foundation for management.

As a result, in the second quarter of the fiscal year under review on a consolidated basis, the Company recorded net sales of ¥187,932 million compared to net sales of ¥335,701 million in the second quarter of the previous fiscal year, operating loss of ¥7,758 million compared to operating loss of ¥17,812 million in the second quarter of the previous fiscal year, recurring loss of ¥7,114 million compared to recurring loss of ¥17,092 million in the second quarter of the previous fiscal year, and net loss attributable to parent company shareholders of ¥8,136 million compared to net loss attributable to parent company shareholders of ¥36,786 million in the second quarter of the previous fiscal year.

Due to the adoption of the Accounting Standard for Revenue Recognition, etc., in the second quarter of the fiscal year under review, net sales decreased by ¥211,064 million, operating loss, recurring loss, and loss before incomes taxes increased by ¥295 million, ¥240 million, and ¥240 million, respectively.

Results by segment were as follows.

1) Department Store Business

In the department store business, despite temporary indications of a recovery trend, several stores were subject to a long-term state of emergency from July onward. Store visitor numbers and net sales were sluggish, partly due to the impact of measures such as the partial suspension of business and entry restrictions for food floors and other areas from mid-August.

Even in such a restricted environment, the Company stepped up its sales activities to connect with highly loyal customers, primarily through direct sales, utilizing digital infrastructure such as the "Isetan Mitsukoshi app" and "Mitsukoshi Isetan remote shopping." In particular, the exclusive events for app subscribers and direct sales customers held at both of our main stores enjoyed a large response, with customer traffic and net sales both exceeding targets. At branches, Group stores and satellite stores, we engaged in sales through limited sale events of luxury brands, order-in items and remote customer services, and sales among highly loyal customers were firm across the entire Group.

The Company has been implementing digital reforms aimed at providing seamless customer experience value combining physical stores and online sales. We implanted initiatives to enhance customer convenience, including the launch of a service enabling customers to "reserve online and pick up in store" and sales through "Mitsukoshi Isetan remote shopping."

From May, we began awarding points to customers even if they did not pay with an MICARD, aiming to expand the number of digital ID subscribers through enhanced convenience.

E-commerce sales grew substantially year-on-year, as we continued to strive to strengthen online initiatives, expanding limited-time events and product lineups, and enhancing the attractiveness of purchasing through e-commerce. The "ISETAN DOOR" regular food delivery service also performed strongly, capturing eat-at-home demand resulting from more time spent at home under a state of emergency.

We engaged in sustainability initiatives in the department store business under the slogan "think good," which represents our commitment to start with using imagination and thinking sincerely, and held campaigns at the two main stores and the Mitsukoshi Ginza Store. For example, we held an event themed on "upcycling" to promote climate change countermeasures together with our business partners and those involved in social activities. We also provided an environmentally-friendly product lineup and services.

The "i'm green" service, which purchases and collects unwanted items from customers, was launched in October 2020 under the direct control of the Mitsukoshi Nihombashi Main Store. The number of inquiries regarding collections increased during the year, and we opened another permanent counter at the Isetan Shinjuku Main Store this October.

Severe conditions continued in specialty stores, due to lower rent income from tenants, resulting from the impact of business suspension and reduced operating hours triggered by the state of emergency. Even under these conditions, in July we opened "FOOD & TIME ISETAN OFUNA" in the "GRAND SHIP" commercial facility beside Ofuna Station, the second location after Yokohama.

As a result, segment sales amounted to ¥166,473 million compared to ¥305,153 million in the second quarter of the previous fiscal year, and an operating loss of ¥12,636 million was recorded compared to an operating loss of ¥21,297 million in the second quarter of the previous fiscal year. Due to the adoption of the Accounting Standard for Revenue Recognition, etc., segment sales decreased by ¥208,070 million, and operating loss increased by ¥43 million.

2) Credit & Finance Business/Customer Organization Management Business

In the credit & finance business/customer organization management business, we are aiming for business expansion, building on the Group's system infrastructure and excellent customer base.

MICARD Co., Ltd. continued to face severe conditions, with a decrease in handling volume due to the partial suspension of business and reduced opening hours at the Group's department stores, as well as a decrease in the use of member stores outside the Group due to people refraining from going out. This was despite signs of a recovery trend from the second half of September, when the spread of COVID-19 began to slow. Under these conditions, in terms of selling, general and administrative expenses, we took measures to reduce outsourcing costs and achieve greater efficiency in sales program costs, which resulted in firm operating income.

It remains difficult to project the expansion of card handling volumes and cardholder numbers at the Group's department stores due to the COVID-19 pandemic. In this context, the Company introduced contact-free mobile payment services to enhance member convenience, and promoted the issuance of cards in collaboration with companies outside the Group to cultivate new customer segments.

As a result, segment sales amounted to ¥14,486 million compared to ¥15,055 million in the second quarter of the previous fiscal year, and operating income was ¥2,606 million compared to operating income of ¥1,285 million in the second quarter of the previous fiscal year. Due to the adoption of the Accounting Standard for Revenue Recognition, etc., segment sales decreased by ¥1,328 million, and operating income decreased by ¥251 million.

3) Real Estate Business

In the real estate business, we are continuing to proceed with initiatives to create highly profitable business opportunities that utilize the excellent real estate held by the Group.

Isetan Mitsukoshi Property Design Ltd. recorded a year-on-year decline in net sales due to the impact of construction work delays and other issues arising from the COVID-19 pandemic, despite substantial orders for large commercial facilities, hotels, resorts and other facilities in the construction and design business and construction management business. However, net sales in the home renovation business and interior design and furniture business rose significantly year on year due to changes in personal consumption behavior.

As a result, segment sales amounted to ¥7,396 million compared to ¥14,897 million in the second quarter of the previous fiscal year, and operating income was ¥2,494 million compared to operating income of ¥2,997 million in the second quarter of the previous fiscal year. In the real estate business, the impact of the adoption of the Accounting Standard for Revenue Recognition, etc. on segment sales and operating income is minimal.

4) Other Businesses

In the other businesses, we are aiming to generate a new value proposition and maximize earnings by capitalizing on cooperation among companies based on "stronger intra-Group coordination."

In the travel business, Mitsukoshi Isetan Nikko Travel, Ltd. continues to face a harsh business environment, with the declaration of a state of emergency from July to September severely impacting the domestic travel business, and net sales at half of the level they were before the declaration. Even under these circumstances, we achieved solid results in the newly launched tailored travels for high-income individuals, through sales efforts utilizing the direct sales base of department stores. There is also a feeling of expectancy concerning new approaches to travel in the era of coexistence with COVID-19, with orders up 40% year on year after the state of emergency was lifted in autumn.

Although the volume of digital-related cargo received through intra-Group transactions by our logistics subsidiary Isetan Mitsukoshi Business Support Ltd. increased year on year, the volume of store-related cargo handling, inner building delivery and related operations declined. In businesses for customers outside the Group, operating income remained strong owing to an overall improvement in gross profit through the acquisition of new customers and review of manufacturing costs.

As a result, segment sales amounted to ¥24,520 million compared to ¥29,145 million in the second quarter of the previous fiscal year, and an operating loss of ¥313 million was recorded compared to an operating loss of ¥723 million in the second quarter of the previous fiscal year. Due to the adoption of the Accounting Standard for Revenue Recognition, etc., segment sales decreased by ¥1,665 million, while there is minimal impact on operating loss.

(2) Explanation regarding Financial Position

Assets, Liabilities and Net Assets

Total assets at the end of the second quarter of the fiscal year under review amounted to ¥1,155,661 million, a decrease of ¥42,641 million from the end of the previous fiscal year. This was due mainly to a decrease in notes and accounts receivable-trade associated with decreased net sales resulting from COVID-19.

Total liabilities amounted to ¥662,713 million, a decrease of ¥27,314 million from the end of the previous fiscal year. This was mainly attributable to a decrease in notes and accounts payable associated with a decrease in purchases due to a decline in net sales.

Net assets amounted to ¥492,948 million, a decrease of ¥15,327 million from the end of the previous fiscal year. This was mainly attributable to the recording of a net loss attributable to parent company shareholders, and a decrease of ¥12,451 million in the balance of retained earnings at the beginning of the fiscal year due to the adoption of the Accounting Standard for Revenue Recognition, etc.

Cash Flows

Net cash provided by operating activities amounted to ¥4,881 million, an increase in inflows of ¥21,600 million from the first half of the previous fiscal year. This was mainly attributable to such factors as a reduction in loss before income taxes associated with an increase in net sales and a reduction in selling, general and administrative expenses resulting from initiatives to reform the income and expenditure structure.

Net cash used in investing activities amounted to ¥11,267 million, a decrease in outflows of ¥6,670 million from the first half of the previous fiscal year. This was mainly attributable to such factors as a decrease in payments for purchase of tangible fixed assets.

Net cash used in financing activities amounted to ¥4,567 million, compared to ¥6,714 million provided in the first half of the previous fiscal year. This was mainly attributable to such factors as the raising of funds through long-term debt in the first half of the previous fiscal year.

As a result, cash and cash equivalents at the end of the second quarter were ¥92,542 million, a decrease of ¥10,255 million from the end of the previous fiscal year.

(3) Explanation regarding Future Outlook Including the Forecast of Consolidated Results

In light of the business results for the first half of fiscal 2021 and the current trends in business performance, we have revised the consolidated results forecast for fiscal 2021 as follows. For details, please see “Announcement of Amendments to the Forecast of Full-year Consolidated Results” released today.

Forecast of Consolidated Results for Fiscal 2021 (From April 1, 2021 to March 31, 2022)

	Net Sales	Operating Income	Recurring Income	Net Income attributable to Parent Company Shareholders	Net Income per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	447,000	3,000	3,000	1,000	2.62
Revised forecast (B)	435,000	3,000	3,000	3,000	7.87
Change (B – A)	(12,000)	–	–	2,000	–
Change (%)	(2.7)	–	–	200.0	–
(Reference) Results for the previous fiscal year (fiscal 2020)	816,009	(20,976)	(17,171)	(41,078)	(107.96)

Note: The forecast is based on the “Accounting Standard for Revenue Recognition,” etc., which was adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022. If the accounting standard, etc. had not been adopted, the net sales forecast would be ¥945,000 million (a decrease of ¥20,000 million or 2.1% from the previous forecast of ¥965,000 million).

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2020 (As of March 31, 2021)	2Q of Fiscal 2021 (As of September 30, 2021)
ASSETS		
Current assets		
Cash and bank deposits	100,041	89,434
Notes and accounts receivable-trade	116,415	—
Notes and accounts receivable-trade, and contract assets	—	102,248
Marketable securities	1,683	974
Merchandise and finished goods	28,913	27,074
Work in process	320	556
Raw materials and supplies	549	430
Other current assets	38,730	23,807
Less: Allowance for doubtful accounts	(4,205)	(4,238)
Total current assets	282,448	240,288
Property and equipment		
Tangible fixed assets		
Buildings and structures, net	161,238	158,353
Land	521,541	521,609
Other tangible fixed assets, net	27,473	25,592
Total tangible fixed assets	710,252	705,555
Intangible fixed assets		
Software	15,410	16,608
Other intangible fixed assets	23,453	23,431
Total intangible fixed assets	38,863	40,039
Investments and other assets		
Investment securities	110,558	115,874
Other assets	56,247	53,982
Less: Allowance for doubtful accounts	(170)	(168)
Total investments and other assets	166,635	169,688
Total property and equipment	915,751	915,283
Deferred assets		
Bond issue costs	102	89
Total deferred assets	102	89
Total assets	1,198,303	1,155,661

(Millions of yen)

	Fiscal 2020 (As of March 31, 2021)	2Q of Fiscal 2021 (As of September 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable	83,140	67,038
Current portion of bonds payable	—	10,000
Short-term borrowings	31,084	33,688
Commercial paper	50,000	50,000
Income taxes payable	1,834	1,518
Reserve for loss from redemption of gift vouchers	36,154	17,688
Allowance	15,403	8,948
Other current liabilities	160,235	175,024
Total current liabilities	377,853	363,907
Long-term liabilities		
Bonds payable	40,000	30,000
Long-term debt	87,800	84,000
Deferred tax liabilities	128,522	129,833
Net defined benefit liability	34,570	34,447
Allowance	109	40
Liabilities from application of equity method	2,811	3,527
Other long-term liabilities	18,359	16,958
Total long-term liabilities	312,173	298,806
Total liabilities	690,027	662,713
NET ASSETS		
Shareholders’ equity		
Common stock	50,995	51,108
Capital surplus	323,755	323,759
Retained earnings	138,865	115,990
Less: Treasury stock	(18,654)	(18,361)
Total shareholders’ equity	494,962	472,497
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities	3,240	4,479
Deferred gains (losses) on hedges	46	44
Foreign currency translation adjustments	4,923	11,143
Remeasurements of defined benefit plans	(1,236)	(1,124)
Total accumulated other comprehensive income	6,973	14,542
Stock acquisition rights	1,447	1,222
Non-controlling interests	4,891	4,685
Total net assets	508,275	492,948
Total liabilities and net assets	1,198,303	1,155,661

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Second Quarter Period

(Millions of yen)

	2Q of Fiscal 2020 (From April 1, 2020 to September 30, 2020)	2Q of Fiscal 2021 (From April 1, 2021 to September 30, 2021)
Net sales	335,701	187,932
Cost of sales	239,628	79,938
Gross profit	96,072	107,993
Selling, general and administrative expenses	113,884	115,751
Operating loss	(17,812)	(7,758)
Non-operating income		
Interest income	265	178
Dividend income	389	265
Equity in earnings of affiliates	—	283
Gain on donated fixed assets	2,049	737
Other non-operating income	1,170	1,284
Total non-operating income	3,874	2,748
Non-operating expenses		
Interest expenses	447	434
Equity in losses of affiliates	19	—
Loss on retirement of property and equipment	998	556
Other non-operating expenses	1,689	1,113
Total non-operating expenses	3,154	2,105
Recurring loss	(17,092)	(7,114)
Extraordinary gain		
Gain on sales of shares of subsidiaries and associates	—	2,240
Subsidies for employment adjustment	4,894	745
Total extraordinary gain	4,894	2,986
Extraordinary loss		
Loss on disposal of property and equipment	697	211
Impairment losses	852	108
Loss on valuation of investment securities	1,227	—
Loss on closing of stores	879	216
Business structure improvement expenses	2,507	—
COVID-19-related loss	12,672	2,876
Other extraordinary loss	349	—
Total extraordinary loss	19,186	3,414
Loss before income taxes	(31,383)	(7,542)
Income taxes	5,667	753
Net loss	(37,050)	(8,295)
Net loss attributable to non-controlling interests	(264)	(159)
Net loss attributable to parent company shareholders	(36,786)	(8,136)

Consolidated Statements of Comprehensive Income (Loss)
Second Quarter Period

(Millions of yen)

	2Q of Fiscal 2020 (From April 1, 2020 to September 30, 2020)	2Q of Fiscal 2021 (From April 1, 2021 to September 30, 2021)
Net loss	(37,050)	(8,295)
Other comprehensive income		
Net unrealized gains (losses) on other securities	700	301
Deferred gains (losses) on hedges	(1)	(2)
Foreign currency translation adjustments	(940)	1,027
Gain (loss) on revision of retirement benefit plans	(125)	112
Amount corresponding to equity interest in equity method affiliates	(1,164)	6,356
Total other comprehensive income	(1,530)	7,794
Comprehensive income	(38,581)	(500)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	(38,075)	(567)
Comprehensive income attributable to non-controlling interests	(506)	67

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	2Q of Fiscal 2020 (From April 1, 2020 to September 30, 2020)	2Q of Fiscal 2021 (From April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Loss before income taxes	(31,383)	(7,542)
Depreciation and amortization	14,218	12,406
Impairment losses	1,057	108
Amortization of goodwill	3	—
Increase (decrease) in allowance for bonuses	(4,406)	(427)
Increase (decrease) in allowance for doubtful accounts	536	29
Increase (decrease) in net defined benefit liabilities	272	240
Interest and dividend income	(655)	(443)
Interest expenses	447	434
Equity in loss (earnings) of affiliated companies	19	(283)
Loss (gain) on valuation of investment securities	1,227	—
Subsidies for employment adjustment	(4,894)	(745)
Decrease (increase) in receivables	13,443	23,202
Decrease (increase) in inventories	4,033	1,344
Increase (decrease) in payables	(7,181)	(15,817)
Increase (decrease) in accrued expenses	(1,853)	(1,148)
Increase (decrease) in accrued liabilities	(7,997)	(2,264)
Other, net	(499)	(11,643)
Sub-total	(23,610)	(2,550)
Interest and dividend income received	3,111	3,143
Interest expense paid	(439)	(434)
Subsidies for employment adjustment received	4,830	745
Income taxes paid	(2,536)	(1,105)
Income taxes refund	1,925	5,083
Net cash provided by (used in) operating activities	(16,718)	4,881
Cash flows from investing activities		
Increase in fixed deposits	(20)	(10)
Decrease in fixed deposits	20	186
Payments for purchase of tangible fixed assets	(17,999)	(6,731)
Payments for purchase of intangible fixed assets	(2,168)	(3,927)
Proceeds from sales of tangible and intangible fixed assets	1,544	17
Proceeds from collection of lease and guarantee deposits	1,105	1,700
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(2,755)
Payments for purchase of marketable securities and investment securities	(1,597)	(226)
Proceeds from sales and redemption of marketable securities and investment securities	1,429	2,086
Other, net	(252)	(1,607)
Net cash used in investing activities	(17,937)	(11,267)

(Millions of yen)

	2Q of Fiscal 2020 (From April 1, 2020 to September 30, 2020)	2Q of Fiscal 2021 (From April 1, 2021 to September 30, 2021)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(14)	104
Proceeds from borrowings of long-term debt	10,040	−
Repayment of long-term debt	−	(1,300)
Dividends paid	(2,249)	(2,274)
Repayment of lease obligations	(1,061)	(816)
Payments for purchases of shares of subsidiaries that do not result in change in scope of consolidation	−	(280)
Other, net	(0)	(2)
Net cash provided by financing activities	6,714	(4,567)
Effect of exchange rate changes on cash and cash equivalents	(453)	698
Net increase (decrease) in cash and cash equivalents	(28,394)	(10,255)
Cash and cash equivalents at beginning of period	76,659	102,797
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	(106)	−
Cash and cash equivalents at end of period	48,157	92,542

(4) Notes regarding Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Adoption of accounting standard, etc. for revenue recognition standard)

The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Accounting Standard for Revenue Recognition"), etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022. Under the accounting standard, revenue is recognized when control over promised goods or services is transferred to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The main changes due to the adoption of the Accounting Standard for Revenue Recognition, etc. are as follows.

(1) Revenue recognition for agent transactions

Revenue related to consignment buying was previously recognized in the gross amount of consideration received from customers, but as a result of determining whether the Company was a principal or an agent in providing those goods or services to customers, the Company changed the method of revenue recognition to recognize revenue in the net amount, obtained by subtracting the amount paid to suppliers from the gross amount. Such revenue is recorded in net sales.

(2) Revenue recognition for the Company's point program

The Company offers a customer loyalty program through MICARD, which awards points to members according to their spending amounts and provides goods or services based on the number of points redeemed. Previously, to cover the redemption of points awarded, the amount equivalent to the number of points expected to be redeemed in the future was recorded as allowance for point cards, and allowance for point cards was recorded under selling, general and administrative expenses. However, the accounting method was changed to identify points awarded as performance obligations and allocate the transaction price based on the stand-alone selling price calculated in consideration of estimated future expiration and other factors.

In adopting the Accounting Standard for Revenue Recognition, etc. the Company followed the transitional treatment stipulated in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy to periods before the beginning of the first quarter of the fiscal year ending March 31, 2022 was added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year ending March 31, 2022, and the new accounting policy was applied with effect from the opening balance of retained earnings.

As a result, in the second quarter of the fiscal year under review, net sales, cost of sales, and selling, general and administrative expenses decreased by ¥211,064 million, ¥204,093 million, and ¥6,675 million, respectively, and operating loss, recurring loss, and loss before income taxes increased by ¥295 million, ¥240 million, and ¥240 million, respectively. In addition, the balance of retained earnings at the beginning of the fiscal year decreased by ¥12,451 million.

As a result of the adoption of the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable - trade" reported under "current assets" in the consolidated balance sheets for the previous fiscal year, is included in "notes and accounts receivable - trade, and contract assets" effective from the first quarter of the fiscal year ending March 31, 2022. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the line items for the previous fiscal year have not been reclassified using the new presentation method.

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter, "Accounting Standard for Fair Value Measurement"), etc. Under the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial

Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company decided to adopt the new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. for the future. There is no impact on the quarterly consolidated financial statements.

(Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements)

Calculation of tax expenses

The effective tax rate on income before income taxes for the current fiscal year after tax effect accounting is reasonably estimated, and such estimated tax rate is applied to income before income taxes for the quarterly period to calculate the estimated tax expenses.

(Additional information)

(Accounting estimates regarding the impact of COVID-19)

While it is difficult to accurately predict how COVID-19 will spread in the future or when it will be contained, accounting estimates have been made for the recoverability of deferred tax assets and impairment accounting of property and equipment for the second quarter under review based on the assumption that the impact will continue until fiscal 2023. There is no important change to the description provided in (Significant accounting estimates) on the securities report (*Yukashoken Houkokusho*) for the previous fiscal year.

As there is a high level of uncertainty surrounding the impact of COVID-19 on economic activities, if changes in the above assumption occur, the consolidated financial statements of the Group may be affected.

(Adoption of the consolidated taxation system)

The Company and its domestic consolidated subsidiaries adopted the consolidated taxation system from the first quarter of the fiscal year ending March 31, 2022.

(Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

For the transition to a group tax sharing system established under the Act to Partially Amend the Income Tax Act (Act No. 8 of 2020) and items in the non-consolidated taxation system revised pursuant to the transition to a group tax sharing system, the Company and its domestic consolidated subsidiaries have not applied the provisions in Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), in accordance with the treatment prescribed in Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before amendment.

(Segment information)

[Segment information]

I. Second quarter of the previous consolidated accounting period (April 1, 2020 to September 30, 2020)

1. Information concerning segment sales, income and losses

(Millions of yen)

	Reporting segments				Other businesses (Note 1)	Total	Adjusted amounts (Note 2)	Amount listed on quarterly Consolidated Statement of Income (Note 3)
	Department store business	Credit & finance business/ Customer organization management business	Real estate business	Subtotal				
Sales								
Sales to outside customers	303,530	10,357	13,519	327,407	8,293	335,701	―	335,701
Intersegment sales or transfer	1,623	4,697	1,377	7,698	20,851	28,550	(28,550)	―
Total	305,153	15,055	14,897	335,106	29,145	364,251	(28,550)	335,701
Segment income (loss)	(21,297)	1,285	2,997	(17,015)	(723)	(17,738)	(73)	(17,812)

Notes
1. The other businesses segment includes the services of manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service, travel business, and beauty business that are not included in other reporting segments.
2. The segment income (loss) adjustment of negative ¥(73) million is intersegment eliminations, etc.
3. Segment income (loss) is adjusted to operating loss.

2. Information concerning impairment losses on property and equipment or goodwill by segment

(Significant impairment losses related to property and equipment)

(Millions of yen)

	Reporting segments				Other businesses	Total
	Department store business	Credit & finance business/ Customer organization management business	Real estate business	Subtotal		
Impairment losses	114	72	―	186	871	1,057

Note
Impairment losses include ¥132 million of loss on closing of stores and ¥72 million of other extraordinary loss.

II. Second quarter of the current consolidated accounting period (April 1, 2021 to September 30, 2021)

1. Information concerning segment sales, income and losses

(Millions of yen)

	Reporting segments				Other businesses (Note 1)	Total	Adjusted amounts (Note 2)	Amount listed on quarterly Consolidated Statement of Income (Note 3)
	Department store business	Credit & finance business/ Customer organization management business	Real estate business	Subtotal				
Sales								
Sales to outside customers	165,345	8,876	6,693	180,915	7,017	187,932	−	187,932
Intersegment sales or transfer	1,128	5,609	702	7,441	17,503	24,944	(24,944)	−
Total	166,473	14,486	7,396	188,356	24,520	212,877	(24,944)	187,932
Segment income (loss)	(12,636)	2,606	2,494	(7,536)	(313)	(7,849)	91	(7,758)

Notes
1. The other businesses segment includes the services of manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service, travel business, and beauty business that are not included in other reporting segments.
2. The segment income (loss) adjustment of ¥91 million is intersegment eliminations, unrealized income, etc.
3. Segment income (loss) is adjusted to operating loss.

2. Information concerning impairment losses on property and equipment or goodwill by segment

Disclosure is omitted due to immateriality.

3. Changes in reporting segments

(Adoption of Accounting Standard for Revenue Recognition, etc.)

As stated in the section for changes in accounting policies, the Company adopted the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the fiscal year ending March 31, 2022, and changed the accounting method to recognize revenue. Accordingly, the method of calculating segment profit or loss was changed in the same manner.

As a result of this change, sales and segment profit or loss have changed in the second quarter of the fiscal year under review compared to the previous method as follows: in the department store business, sales decreased by ¥208,070 million, and segment loss increased by ¥43 million; in the credit & finance business/customer organization management business, sales decreased by ¥1,328 million, and segment income decreased by ¥251 million; the impact on the real estate business is minimal; and in the other businesses, sales decreased by ¥1,665 million, and the impact on segment loss is minimal.

(Business spin-off)

During the first quarter of the fiscal year ending March 31, 2022, a consolidated subsidiary Isetan Mitsukoshi Property Design Ltd. divested its commercial facilities business to a consolidated subsidiary Isetan Mitsukoshi Ltd.

As a result, the commercial facilities business was classified in the department store business in the second quarter of the fiscal year under review. It was classified in the real estate business during the second quarter of the previous fiscal year.