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

[Japanese Standards] (Consolidated)

July 29, 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*): July 30, 2021
Scheduled date of dividend payments: -
Preparation of quarterly results supplementary materials: No
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 First Quarter of Fiscal 2021 (From April 1, 2021 to June 30, 2021)

(1) Results of consolidated operations (Percentage figures indicate changes from the first 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	%
1Q of FY2021	88,566	-	(6,027)	-	(5,742)	-	(8,673)	-
1Q of FY2020	131,698	(53.3)	(8,989)	-	(9,859)	-	(30,584)	-

(Note) Comprehensive income: 1Q of FY2021: ¥(3,238) million (-%), 1Q of FY2020: ¥(33,842) million (-%)
Since the "Accounting Standard for Revenue Recognition," etc. was adopted from the beginning of the first quarter of the fiscal year under review, the percentage changes from the results of the first 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 ¥196,316 million, an increase of 49.1% from the first quarter of the previous fiscal year.

	Net Income per Share (Basic)	Net Income per Share (Diluted)
	Yen	Yen
1Q of FY2021	(22.76)	-
1Q of FY2020	(80.44)	-

(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	%
1Q of FY2021	1,173,572	490,017	41.2
FY2020	1,198,303	508,275	41.9

(Reference) Shareholders' equity: 1Q of FY2021: ¥483,878 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 under review, the figures for the first 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	-				
FY 2021 (Forecast)		5.00	-	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	447,000	-	3,000	-	3,000	-	1,000	-	2.62

(Note) Revision to recently announced consolidated results forecast: No
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 under review. 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 ¥965,000 million, an increase of 18.3% 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 (3) Notes regarding Consolidated Financial Statements (Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements)" on page 10.

(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)	First quarter of FY2021	396,493,454 shares	FY2020	396,459,054 shares
2) Number of shares of treasury stock at the end of the period	First quarter of FY2021	15,432,565 shares	FY2020	15,403,484 shares
3) Average number of shares during the period	First quarter of FY2021	381,066,396 shares	First quarter of FY2020	380,205,254 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.

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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 under review. 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 first quarter of the previous fiscal year.

During the first quarter of fiscal 2021 (April 1, 2021 to June 30, 2021), the Japanese economy was severely affected as it remained uncertain when the global COVID-19 pandemic that has been continuing since last year would be contained. Real GDP growth for the January-March period of 2021 became negative for the first time in three quarters, and the third state of emergency was issued at the end of April. Domestic personal consumption continued to be weak due to the deterioration of the consumption environment and consumer sentiment caused by increased requests for stay-at-home. The improvement of personal consumption and the domestic economy as a result of vaccine rollout is awaited, but the fourth state of emergency was decided already in July amid repeated local increases in infection rates, and the outlook is still difficult to predict. It is likely to take time for restrictions on economic activities to be removed.

Under these circumstances, in response to requests to reduce people's traffic under the state of emergency, the Group took actions as appropriate, such as self-imposed business suspension in floor spaces other than those for daily necessities and shortening business hours, while considering prevention of transmission to customers and employees and taking infection preventive measures.

As new lifestyles and further changes in consumer behavior continue to be expected, the Group is currently formulating a new three-year plan to speed up the transformation of the business model from the conventional department store model, structural reforms, and infrastructure development. With three pillars of the "high sensitivity, fine quality" strategy, "connections with customers" strategy, and "stronger intra-Group coordination," the Group is planning to develop its shared infrastructure needed to achieve those strategies, such as system and data infrastructure, logistics infrastructure, and personnel infrastructure. In addition, initiatives to reform the income and expenditure structure will be implemented, to change the quality of income by diversifying monetization methods and to reduce and reallocate costs.

Through the implementation of the above measures, the Group will aim to realize the long-term basic strategy of "expanding and dominating in high sensitivity, fine quality consumption, providing the ultimate customer experience" and "to be a 'special' department store-centered retail group that enriches the lives of our customers."

As a result, in the first quarter of the fiscal year under review on a consolidated basis, the Company recorded net sales of ¥88,566 million compared to net sales of ¥131,698 million in the first quarter of the previous fiscal year, operating loss of ¥6,027 million compared to operating loss of ¥8,989 million in the first quarter of the previous fiscal year, recurring loss of ¥5,742 million compared to recurring loss of ¥9,859 million in the first quarter of the previous fiscal year, and net loss attributable to parent company shareholders of ¥8,673 million compared to net loss attributable to parent company shareholders of ¥30,584 million in the first quarter of the previous fiscal year.

Due to the adoption of the Accounting Standard for Revenue Recognition, etc., in the first quarter of the fiscal year under review, net sales decreased by ¥107,750 million, operating loss, recurring loss, and loss before incomes taxes increased by ¥2,950 million, ¥2,922 million, and ¥2,922 million, respectively.

Results by segment were as follows.

1) Department Store Business

In the department store business, sales were steady and on a recovery path until before the declaration of a state of emergency at the end of April. However, after the state of emergency was issued, the number of store visitors began to decline again, and sales became sluggish, as a result of partial operations, reduced opening hours, and self-imposed business suspension in the domain of high-ticket items, which has been relatively strong even during the COVID-19 pandemic. After the resumption of normal business activities, there are signs of recovery, particularly at the Isetan Shinjuku Main Store and Mitsukoshi Nihombashi Main Store, but the outlook remains uncertain.

Under such a restricted environment, the Company stepped up its sales activities to connect with highly loyal customers regardless of location, by making the best use of direct sales, the Isetan Mitsukoshi app that the Company has developed since last year, and infrastructure for remote customer services. With incentive measures through the app, limited sale events of luxury brands and jewelry in collaboration with the direct sales department, and visiting sales at regional stores, sales among highly loyal customers were firm, especially at both of the main stores.

In terms of initiatives to promote online sales, faced with restrictions on operations at physical stores, the Company has been implementing measures for seamless services that take advantage of having physical stores. For example, at the Mitsukoshi Nihombashi Main Store, we connected with customers through online live streaming, using a closed event floor to sell the works of a famous illustrator only on the e-commerce platform. The event was well-received. Online demand also accelerated for gift occasions and mid-year gifts from May to June, significantly boosting e-commerce sales.

We also keep bolstering our e-commerce business. Sales of the "ISETAN DOOR" food delivery service, which has continued to grow since last year, exceeded its target again this year.

From April, Isetan Mitsukoshi Ltd. has started to engage in sustainability activities under the slogan "think good," which represents its commitment to start with using imagination and thinking sincerely. Focusing on the three areas of products, services, and communication, we will continue to expand our efforts on "sustainable product lineup" for support of regional production areas and environmental protection, "promotion of 4Rs" for resource circulation, and "spreading of culture, technology, and sensibility" for the succession of cultures, through physical stores and online stores.

In the commercial facilities business, we are carrying out cost reduction in response to severe conditions such as a decrease in rental income due to lower tenants' sales and vacant lots stemming from some tenants closing their shops, with the impact of business suspension triggered by the state of emergency.

As a result, segment sales amounted to ¥77,603 million compared to ¥116,394 million in the first quarter of the previous fiscal year, and an operating loss of ¥8,239 million was recorded compared to an operating loss of ¥11,185 million in the first quarter of the previous fiscal year. Due to the adoption of the Accounting Standard for Revenue Recognition, etc., segment sales decreased by ¥105,747 million, and operating loss increased by ¥2,283 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. continues to face severe conditions such as a decrease in the handling volume due to partial operation and reduced opening hours at the Group's department stores in the wake of a state of emergency, as well as a decrease in the use of external member stores due to people refraining from going out. In terms of selling and administrative expenses, we took measures such as reduction of outsourcing costs through partial operation and reduced opening hours and optimization of sales program costs, which resulted in firm operating income.

In addition, as the COVID-19 pandemic situation continues, making it still difficult to project further acquisition of new cardholders at the Group's department stores, the Company engaged in initiatives to expand sales, such as the introduction of Apple Pay and Google Pay to enhance member convenience and promote use outside the Group, and the issuance of cards in collaboration with companies outside the Group to cultivate new customer segments.

As a result, segment sales amounted to ¥7,273 million compared to ¥7,412 million in the first quarter of the previous fiscal year, and operating income was ¥1,632 million compared to operating income of ¥1,426 million in the first quarter of the previous fiscal year. Due to the adoption of the Accounting Standard for Revenue Recognition, etc., segment sales decreased by ¥1,191 million, and operating income decreased by ¥666 million.

3) Real Estate Business

In the real estate business, we are proceeding with plans to create profitable business opportunities that utilize the excellent real estate held by the Group in Japan and overseas.

Isetan Mitsukoshi Property Design Ltd. recorded a decline in net sales in the construction business and environmental services business due to lower orders for large properties and lower orders for construction management as well as planning and development projects.

As a result, segment sales amounted to ¥4,114 million compared to ¥7,281 million in the first quarter of the previous fiscal year, and operating income was ¥1,319 million compared to operating income of ¥1,394 million in the first 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 offer new value to meet customers' needs by capitalizing on cooperation among Group companies.

In the travel business, the business environment remains harsh, as mainstay overseas tours have not been able to run since last year, and sales of domestic tours have declined significantly after the state of emergency was issued. On the other hand, concerning newly launched tailored travels for high-income individuals, sales efforts utilizing the customer base of direct sales have been successful, and we have started to see some achievements.

Although Isetan Mitsukoshi Business Support Ltd., our logistics subsidiary, continues to face difficult conditions due to a decrease in cargo handling operations and inner building delivery operations from the Group's department stores as a result of partial operation and reduced opening hours at the stores, its operating income remained strong, owing to improvement in gross profit through the acquisition of new customers and review of manufacturing costs in businesses for customers outside the Group.

After evaluating changes in the environment surrounding the beauty business and future business direction, as part of the implementation of business model transformation, the Company transferred all shares of consolidated subsidiaries SWP Holdings Inc. and SOCIE WORLD CO., LTD. on July 1.

As a result, segment sales amounted to ¥12,232 million compared to ¥12,150 million in the first quarter of the previous fiscal year, and an operating loss of ¥779 million was recorded compared to an operating loss of ¥513 million in the first quarter of the previous fiscal year. Due to the adoption of the Accounting Standard for Revenue Recognition, etc., segment sales decreased by ¥811 million, while there is minimal impact on operating loss.

(2) Explanation regarding Financial Position

Total assets at the end of the first quarter of the fiscal year under review amounted to ¥1,173,572 million, a decrease of ¥24,730 million from the end of the previous fiscal year. This was due mainly to a decrease in cash and bank deposits.

Total liabilities amounted to ¥683,554 million, a decrease of ¥6,473 million from the end of the previous fiscal year. This was mainly attributable to a decrease in notes and accounts payable.

Net assets amounted to ¥490,017 million, a decrease of ¥18,257 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. Due to the adoption of the Accounting Standard for Revenue Recognition, etc., the balance of retained earnings at the beginning of the fiscal year decreased by ¥12,451 million.

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

The forecast of consolidated results for fiscal 2021 has not changed from what was announced on May 12, 2021.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2020 (As of March 31, 2021)	1Q of Fiscal 2021 (As of June 30, 2021)
ASSETS		
Current assets		
Cash and bank deposits	100,041	74,234
Notes and accounts receivable-trade	116,415	―
Notes and accounts receivable-trade, and contract assets	―	113,611
Marketable securities	1,683	1,774
Merchandise and finished goods	28,913	27,504
Work in process	320	300
Raw materials and supplies	549	561
Other current assets	38,730	39,473
Less: Allowance for doubtful accounts	(4,205)	(4,189)
Total current assets	282,448	253,269
Property and equipment		
Tangible fixed assets		
Buildings and structures, net	161,238	159,288
Land	521,541	521,611
Other tangible fixed assets, net	27,473	27,353
Total tangible fixed assets	710,252	708,253
Intangible fixed assets		
Software	15,410	15,573
Other intangible fixed assets	23,453	23,437
Total intangible fixed assets	38,863	39,011
Investments and other assets		
Investment securities	110,558	116,369
Other assets	56,247	56,751
Less: Allowance for doubtful accounts	(170)	(179)
Total investments and other assets	166,635	172,941
Total property and equipment	915,751	920,206
Deferred assets		
Bond issue costs	102	96
Total deferred assets	102	96
Total assets	1,198,303	1,173,572

(Millions of yen)

	Fiscal 2020 (As of March 31, 2021)	1Q of Fiscal 2021 (As of June 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable	83,140	70,053
Short-term borrowings	31,084	30,359
Commercial paper	50,000	50,000
Income taxes payable	1,834	888
Reserve for loss from redemption of gift vouchers	36,154	17,696
Allowance	15,403	6,581
Other current liabilities	160,235	193,795
Total current liabilities	377,853	369,376
Long-term liabilities		
Bonds payable	40,000	40,000
Long-term debt	87,800	87,800
Deferred tax liabilities	128,522	129,891
Net defined benefit liability	34,570	34,678
Allowance	109	69
Liabilities from application of equity method	2,811	3,237
Other long-term liabilities	18,359	18,501
Total long-term liabilities	312,173	314,178
Total liabilities	690,027	683,554
NET ASSETS		
Shareholders' equity		
Common stock	50,995	51,017
Capital surplus	323,755	323,770
Retained earnings	138,865	115,454
Less: Treasury stock	(18,654)	(18,655)
Total shareholders' equity	494,962	471,586
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities	3,240	3,817
Deferred gains (losses) on hedges	46	44
Foreign currency translation adjustments	4,923	9,609
Remeasurements of defined benefit plans	(1,236)	(1,180)
Total accumulated other comprehensive income	6,973	12,291
Stock acquisition rights	1,447	1,404
Non-controlling interests	4,891	4,735
Total net assets	508,275	490,017
Total liabilities and net assets	1,198,303	1,173,572

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

Consolidated Statements of Income

First Quarter Period

(Millions of yen)

	1Q of Fiscal 2020 (From April 1, 2020 to June 30, 2020)	1Q of Fiscal 2021 (From April 1, 2021 to June 30, 2021)
Net sales	131,698	88,566
Cost of sales	92,431	38,454
Gross profit	39,267	50,111
Selling, general and administrative expenses	48,257	56,138
Operating income (loss)	(8,989)	(6,027)
Non-operating income		
Interest income	152	91
Dividend income	378	247
Equity in earnings of affiliates	―	257
Gain on donated fixed assets	679	374
Gain on conversion of investment securities	―	380
Other non-operating income	132	187
Total non-operating income	1,343	1,538
Non-operating expenses		
Interest expenses	226	218
Equity in losses of affiliates	667	―
Loss on retirement of property and equipment	544	368
Other non-operating expenses	774	666
Total non-operating expenses	2,213	1,253
Recurring income (loss)	(9,859)	(5,742)
Extraordinary loss		
Loss on disposal of property and equipment	356	55
Impairment losses	―	108
Loss on valuation of investment securities	1,067	―
Business structure improvement expenses	948	―
COVID-19-related loss	12,295	2,580
Other extraordinary loss	194	―
Total extraordinary loss	14,863	2,744
Income (loss) before income taxes	(24,723)	(8,486)
Income taxes	5,976	309
Net income (loss)	(30,699)	(8,795)
Net income (loss) attributable to non-controlling interests	(115)	(122)
Net income (loss) attributable to parent company shareholders	(30,584)	(8,673)

Consolidated Statements of Comprehensive Income (Loss)

First Quarter Period

(Millions of yen)

	1Q of Fiscal 2020 (From April 1, 2020 to June 30, 2020)	1Q of Fiscal 2021 (From April 1, 2021 to June 30, 2021)
Net income (loss)	(30,699)	(8,795)
Other comprehensive income		
Net unrealized gains (losses) on other securities	1,291	151
Deferred gains (losses) on hedges	0	(2)
Foreign currency translation adjustments	(1,005)	1,032
Gain (loss) on revision of retirement benefit plans	(217)	57
Amount corresponding to equity interest in equity method affiliates	(3,212)	4,318
Total other comprehensive income	(3,143)	5,556
Comprehensive income	(33,842)	(3,238)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	(33,406)	(3,355)
Comprehensive income attributable to non-controlling interests	(436)	116

(3) 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 under review. 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 under review was added to or deducted from retained earnings at the beginning of the first quarter of the fiscal year under review, and the new accounting policy was applied with effect from the opening balance of retained earnings.

As a result, in the first quarter of the fiscal year under review, net sales, cost of sales, and selling, general and administrative expenses decreased by ¥107,750 million, ¥101,512 million, and ¥3,288 million, respectively, and operating loss, recurring loss, and loss before income taxes increased by ¥2,950 million, ¥2,922 million, and ¥2,922 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 under review. 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 under review, 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 first 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 some of its domestic consolidated subsidiaries adopted the consolidated taxation system from the first quarter of the fiscal year under review.

(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 some of 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. First quarter of the previous consolidated accounting period (April 1, 2020 to June 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	115,974	5,678	6,933	128,587	3,111	131,698	—	131,698
Intersegment sales or transfer	419	1,733	348	2,501	9,039	11,540	(11,540)	—
Total	116,394	7,412	7,281	131,088	12,150	143,239	(11,540)	131,698
Segment income (loss)	(11,185)	1,426	1,394	(8,364)	(513)	(8,878)	(111)	(8,989)

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 ¥111 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

Disclosure is omitted due to immateriality.

II. First quarter of the current consolidated accounting period (April 1, 2021 to June 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	77,266	4,515	3,791	85,573	2,992	88,566	—	88,566
Intersegment sales or transfer	337	2,757	322	3,417	9,239	12,657	(12,657)	—
Total	77,603	7,273	4,114	88,991	12,232	101,223	(12,657)	88,566
Segment income (loss)	(8,239)	1,632	1,319	(5,287)	(779)	(6,066)	39	(6,027)

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 ¥39 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 under review, 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 first quarter of the fiscal year under review compared to the previous method as follows: in the department store business, sales decreased by ¥105,747 million, and segment loss increased by ¥2,283 million; in the credit & finance business/customer organization management business, sales decreased by ¥1,191 million, and segment income decreased by ¥666 million; the impact on the real estate business is minimal; and in the other businesses, sales decreased by ¥811 million, and the impact on segment loss is minimal.

(Business spin-off)

During the first quarter of the fiscal year under review, 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 from the first quarter of the fiscal year under review. It was classified in the real estate business during the first quarter of the previous fiscal year.

(Significant subsequent events)

(Transfer of shares of subsidiaries)

The Company resolved at the meeting of the Board of Executives held on May 12, 2021 to transfer all shares (100.0% of shares issued and outstanding) of the consolidated subsidiaries listed below to TBC GROUP CO., LTD. (hereinafter, "TBC"). A transfer agreement was signed on the same day, and the transfer was completed on July 1, 2021.

(1) Reason for the transfer

SWP Holdings Inc. has been engaged in the aesthetic, hair and eye beauty services business at its stores, primarily in department stores, through its subsidiary SOCIE WORLD CO., LTD.

As a result of consideration of changes in the business' environment and the future direction of the business, the Company has judged it appropriate to transfer all shares of the consolidated subsidiaries listed below to TBC.

(2) Name of counterparty of share transfer

TBC GROUP CO., LTD.

(3) Timing of share transfer

1) Contract date: May 12, 2021
2) Share transfer execution date: July 1, 2021

(4) Names and business lineups of the subsidiaries and transactional relationships with the Company

1) SWP Holdings Inc.

- Business lineup: Holding shares of companies engaged in the hairdressing and beauty businesses, and the import, manufacture, sale, etc. of cosmetics
  Control and management of the business activities of such companies
- Transactional relationship with the Company: The Company has transactional relationships with SWP Holdings Inc., such as lending of funds.

2) SOCIE WORLD CO., LTD.

- Business lineup: The hairdressing and beauty businesses, and the import, manufacture, sale, etc. of cosmetics
- Transactional relationship with the Company: The Company has transactional relationships with SOCIE WORLD CO., LTD., such as business consignment.

(5) Number of shares transferred, transfer price, and number of shares held after the transfer

1) SWP Holdings Inc.

- Number of shares transferred: 61,401 shares
  (Ownership ratio of voting rights: 100.0%)
- Transfer price: This information is not disclosed in view of the confidentiality obligation set forth in the transfer agreement with the transferee. The price was decided through negotiations with the transferee, and we deem the price to be appropriate.
- Number of shares held after the transfer: 0 shares (Ownership ratio of voting rights: 0%)

2) SOCIE WORLD CO., LTD.

- Number of shares transferred: 1 share
  (Ownership ratio of voting rights based on the combined number of shares held by the Company and SWP Holdings Inc.: 100.0%)
- Transfer price: This information is not disclosed in view of the confidentiality obligation set forth in the transfer agreement with the transferee. The price was decided through negotiations with the transferee, and we deem the price to be appropriate.
- Number of shares held after the transfer: 0 shares (Ownership ratio of voting rights: 0%)

(6) Gain or loss on transfer

The Company expects to record approximately ¥2.1 billion of gain on sales of shares of subsidiaries and associates under extraordinary gain in the second quarter of the fiscal year ending March 31, 2022.

3. Supplementary Information

(1) Outline of Consolidated Business Results

(Millions of yen)

Item	1Q of Fiscal 2021 (From April 1, 2021 to June 30, 2021)	1Q of Fiscal 2020 (From April 1, 2020 to June 30, 2020)	Amount of Change	Percentage Change
Gross sales (Consolidated)	196,316	131,698	64,617	149.1%
Net sales (Consolidated)	88,566	131,698	(43,132)	67.2%
Gross profit (Consolidated)	50,111	39,267	10,843	127.6%
Selling, general and administrative expenses (Consolidated)	56,138	48,257	7,881	116.3%
Advertising expenses	1,703	1,426	276	119.4%
Point related expenses	805	2,585	(1,780)	31.1%
Personnel expenses	21,758	17,816	3,942	122.1%
Depreciation and amortization	5,354	4,603	751	116.3%
Lease payments	7,269	4,961	2,308	146.5%
Business consignment expenses	6,811	5,995	815	113.6%
Others	12,434	10,867	1,566	114.4%
Operating income (Consolidated)	(6,027)	(8,989)	2,962	―
Recurring income (Consolidated)	(5,742)	(9,859)	4,117	―
Net income attributable to parent company shareholders	(8,673)	(30,584)	21,911	―

*1 Gross sales (consolidated) are calculated based on the standard previously used before the adoption of the Accounting Standard for Revenue Recognition, etc. For example, consignment buying transactions are calculated in the gross amount.

*2 As the Accounting Standard for Revenue Recognition, etc. was adopted from the beginning of the first quarter of the fiscal year under review, results after the adoption are shown for the first quarter of the fiscal year under review, and results before the adoption are shown for the first quarter of the previous fiscal year. The amounts of changes and percentage changes are calculated based on these results.

(2) Outline of Business Results of Isetan Mitsukoshi Ltd.

(Millions of yen)

Item	1Q of Fiscal 2021 (From April 1, 2021 to June 30, 2021)	1Q of Fiscal 2020 (From April 1, 2020 to June 30, 2020)	Amount of Change	Percentage Change
Gross sales	100,400	56,379	44,021	178.1%
Net sales	42,258	56,379	(14,120)	75.0%
Gross profit	24,004	15,450	8,553	155.4%
Other operating income and expenses	3,938	3,089	849	127.5%
Operating gross profit	27,942	18,540	9,402	150.7%
Selling, general and administrative expenses	31,416	24,196	7,220	129.8%
Advertising expenses	638	491	146	129.9%
Point related expenses	0	1,023	(1,022)	0.1%
Personnel expenses	11,481	7,930	3,550	144.8%
Depreciation and amortization	2,460	1,367	1,092	179.9%
Lease payments	2,322	1,007	1,315	230.5%
Business consignment expenses	3,969	3,859	109	102.8%
Others	10,543	8,515	2,027	123.8%
Operating income	(3,474)	(5,656)	2,181	—
Recurring income	(2,930)	(5,613)	2,683	—
Net income	(4,966)	(20,016)	15,050	—

*1 Gross sales are calculated based on the standard previously used before the adoption of the Accounting Standard for Revenue Recognition, etc. For example, consignment buying transactions are calculated in the gross amount.

*2 As the Accounting Standard for Revenue Recognition, etc. was adopted from the beginning of the first quarter of the fiscal year under review, results after the adoption are shown for the first quarter of the fiscal year under review, and results before the adoption are shown for the first quarter of the previous fiscal year. The amounts of changes and percentage changes are calculated based on these results.

(3) Gross Sales of Domestic Group Department Stores

1) Gross Sales by Isetan Mitsukoshi Store (Millions of yen)

Name of Store	1Q of Fiscal 2021 (From April 1, 2021 to June 30, 2021)	1Q of Fiscal 2020 (From April 1, 2020 to June 30, 2020)	Amount of Change	Percentage Change
Isetan Shinjuku Main Store	51,872	29,814	22,057	174.0%
Mitsukoshi Nihombashi Main Store	23,681	14,078	9,603	168.2%
Mitsukoshi Ginza Store	10,747	4,856	5,891	221.3%
Isetan Tachikawa Store	5,824	3,631	2,193	160.4%
Isetan Urawa Store	8,274	3,998	4,275	206.9%
Total	100,400	56,379	44,021	178.1%

2) Gross Sales of Regional Department Stores (Millions of yen)

Name of Company	1Q of Fiscal 2021 (From April 1, 2021 to June 30, 2021)	1Q of Fiscal 2020 (From April 1, 2020 to June 30, 2020)	Amount of Change	Percentage Change
Sapporo Marui Mitsukoshi Ltd.	9,370	6,113	3,256	153.3%
Hakodate Marui Imai Ltd.	1,312	1,087	225	120.7%
Sendai Mitsukoshi Ltd.	5,738	4,208	1,529	136.4%
Nagoya Mitsukoshi Ltd.	12,779	9,415	3,363	135.7%
Shizuoka Isetan Co., Ltd.	3,699	2,460	1,238	150.3%
Niigata Isetan Mitsukoshi Ltd.	7,812	5,228	2,584	149.4%
Hiroshima Mitsukoshi Ltd.	2,515	1,910	604	131.7%
Takamatsu Mitsukoshi Ltd.	4,369	2,796	1,572	156.2%
Matsuyama Mitsukoshi Ltd.	942	1,345	(403)	70.0%
Iwataya Mitsukoshi Ltd.	20,404	13,022	7,381	156.7%

(4) Sales of Duty-Free Merchandise

(Millions of yen)

Name of Company	1Q of Fiscal 2021 (From April 1, 2021 to June 30, 2021)	1Q of Fiscal 2020 (From April 1, 2020 to June 30, 2020)	Amount of Change	Percentage Change
Isetan Shinjuku Main Store	1,635	411	1,223	397.1%
Mitsukoshi Nihombashi Main Store	137	23	114	595.3%
Mitsukoshi Ginza Store	156	44	111	349.2%
Others	27	8	19	346.6%
Isetan Mitsukoshi total	1,957	487	1,469	401.3%
Sapporo Marui Mitsukoshi Ltd.	9	6	2	145.5%
Nagoya Mitsukoshi Ltd.	78	31	47	250.3%
Iwataya Mitsukoshi Ltd.	29	37	(7)	78.9%
Others	17	16	1	108.1%
Total domestic regional department stores	134	90	43	147.8%
Total domestic department stores	2,091	578	1,513	361.5%