



Summary of Settlement of Consolidated Accounts for the Fiscal Year Ended March 31, 2020

[Japanese Standards] (Consolidated)

May 11, 2020

Isetan Mitsukoshi Holdings Ltd.

Securities code: 3099 (Listed on the First Section of Tokyo Stock Exchange and Fukuoka Stock Exchange)

(URL: <https://www.imhds.co.jp>)

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Scheduled date of the general meeting of shareholders: June 15, 2020

Scheduled date of filing of the securities report (*Yukashoken Houkokusho*): June 15, 2020

Scheduled date of dividend payments: June 16, 2020

Preparation of fiscal year results supplementary materials: Yes

Convening of fiscal year results explanation meeting: Yes (for securities analysts)

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

1. Consolidated Business Results for Fiscal 2019 (From April 1, 2019 to March 31, 2020)

(1) Results of consolidated operations

(Percentage figures indicate changes from 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	%
FY2019	1,119,191	(6.5)	15,679	(46.4)	19,771	(38.2)	(11,187)	-
FY2018	1,196,803	(4.7)	29,229	19.7	31,995	17.1	13,480	-

(Note) Comprehensive income: FY2019: ¥17,794 million (-%), FY2018: ¥2,520 million (-71.0%)

	Net Income per Share (Basic)	Net Income per Share (Diluted)	Return on Equity	Recurring Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
FY2019	(28.90)	-	(2.0)	1.6	1.4
FY2018	34.58	34.41	2.3	2.5	2.4

(Reference) Equity in earnings of affiliates: FY2019: ¥2,228 million, FY2018: ¥3,058 million

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2019	1,223,800	550,161	44.3	1,426.61
FY2018	1,247,427	585,715	46.1	1,475.74

(Reference) Shareholders' equity: FY2019: ¥542,345 million, FY2018: ¥575,531 million

(Note) From the fiscal year ending March 31, 2020, overseas consolidated subsidiaries whose financial statements comply with the International Financial Reporting Standards (IFRS) have applied IFRS 16 "Leases." For the impact of the application, please refer to "3. Consolidated Financial Statements and Primary Notes (5) Notes regarding Consolidated Financial Statements (Changes in accounting policies)" on page 15.

(3) Consolidated cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2019	16,281	(9,965)	20,259	76,659
FY2018	28,286	(22,450)	(9,063)	50,147

2. Dividends

(Record date)	Annual Dividends					Total Cash Dividends (Full Year)	Payout Ratio (Consolidated)	Cash Dividends to Net Assets (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2018	-	6.00	-	6.00	12.00	4,679	34.7	0.8
FY2019	-	6.00	-	6.00	12.00	4,622	-	0.8
FY 2020 (Forecast)	-	-	-	-	-	-	-	-

(Note) The dividend forecast for FY2020 is undetermined.

3. Forecast of Consolidated Results for Fiscal 2020 (From April 1, 2020 to March 31, 2021)

The forecast of consolidated results for fiscal 2020 is undetermined as it is difficult to reasonably estimate the impact of COVID-19 at this time. The forecast of results will be disclosed as soon as disclosure becomes possible.

* 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) 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

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

- 1) Number of shares issued and outstanding at the end of the period (including treasury stock)
- 2) Number of shares of treasury stock at the end of the period
- 3) Average number of shares during the period

FY2019	396,100,954 shares	FY2018	395,694,754 shares
FY2019	15,938,328 shares	FY2018	5,698,790 shares
FY2019	387,162,481 shares	FY2018	389,875,850 shares

(Note) Based on the resolution at the Board of Directors' meeting held on November 7, 2019, the Company repurchased its own shares as follows.

1. Class of shares repurchased: Common stock
2. Total number of shares repurchased: 10,234,400 shares
3. Total amount of repurchase: 9,999,982,400 yen
4. Repurchase period: from November 8, 2019 to January 27, 2020
5. Method of repurchase: Purchase through the Tokyo Stock Exchange

As a result of the share repurchase above, the number of shares of treasury stock as of March 31, 2020 is 15,938,328.

(Reference) Summary of Non-consolidated Business Results

Non-consolidated Business Results for Fiscal 2019 (April 1, 2019 to March 31, 2020)

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

	Net Sales		Operating Income		Recurring Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2019	18,624	28.1	10,846	108.8	8,894	95.1	5,723	-
FY2018	14,542	(6.6)	5,195	(37.8)	4,559	(35.4)	(8,697)	-

	Net Income per Share (Basic)	Net Income per Share (Diluted)
	Yen	Yen
FY2019	14.78	14.72
FY2018	(22.31)	-

(2) Non-consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY2019	742,872	443,836	59.5	1,162.61
FY2018	718,654	452,583	62.7	1,155.16

(Reference) Shareholders' equity: FY2019: ¥ 441,979 million, FY2018: ¥ 450,506 million

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

* Disclaimer regarding Forward-looking Statements

The forecast of consolidated results for fiscal 2020 is undetermined as it is difficult to reasonably estimate the impact of COVID-19 at this time. For details including the reasons, please refer to "1. Overview of Business Results, etc. (4) Future Outlook" on page 4 of the Accompanying Materials.

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. Overview of Business Results, etc.

(1) Overview of Business Results for the Fiscal Year Under Review

During fiscal 2019 (April 1, 2019 to March 31, 2020), the Japanese economy trended amid the risk of slowdowns in the U.S. and Chinese economies spreading to a slowdown in the global economy, owing to the conflict between the two countries arising from partial increases in tariffs. The domestic economy was under a harsh environment despite the surge in individual consumption demand prior to the consumption tax hike in October 2019, as the subsequent rebound decrease in demand continued. In addition, the retail industry saw the negative impact of inclement weather and natural disasters, as long spells of rain and low temperatures continued owing to the long rainy season in the summer, while hitting record high temperatures in the winter. Even though employment and income conditions were on a relatively stable trend, the number of visitors from overseas sharply declined from late January owing to the worldwide spread of COVID-19. In addition, there was increased motivation to refrain from consumption activities to prevent the spread of COVID-19 domestically in Japan, and uncertainties rose as both domestic and overseas demand declined rapidly.

Under these circumstances, the Group strove to transform its business model during fiscal 2019, in order to achieve the vision of “online and offline matching platformer” envisioned in the Isetan Mitsukoshi Group Three-Year Plan, which the Group announced in November 2018. As we strive to become the Isetan Mitsukoshi Group that “connects people and bridges times,” which is the origin of the Group, we will create new value by drawing on our strengths to connect customers with goods, events, and information, both offline (brick-and-mortar stores) and online (digital).

Furthermore, during fiscal 2019, we closed large stores with profitability issues, including Isetan Sagamiyama store, Isetan Fuchu store, and Niigata Mitsukoshi, and decided to close Mitsukoshi Ebisu store. As a result, a certain level of progress on major structural reforms is within reach. The Group will focus on creating the business foundations for a transformation of the business model, as well as drastic cost structure reforms.

Consolidated net sales for the fiscal year amounted to ¥1,119,191 million, a decrease of 6.5% from the previous fiscal year; operating income amounted to ¥15,679 million, a decrease of 46.4%; recurring income was ¥19,771 million, a decrease of 38.2%; and net loss attributable to parent company shareholders was ¥11,187 million, compared to a net income of ¥13,480 million for the previous fiscal year.

Results by segment were as follows.

1) Department Store Business

In the department store business, sales of premium goods such as jewelry trended strongly, thanks to the surge in demand prior to the consumption tax hike and remodeling of flagship stores. In addition, cost structure reforms were begun in earnest, reducing selling and administrative expenses. However, net sales fell significantly short of the results of the previous year on a comparable-store basis, owing significantly to the impact of temporary closures and shortening of business hours at stores implemented as measures against typhoons and for prevention of COVID-19, as well as more decline than expected from the pullback following the consumption tax hike.

In these circumstances, amid major changes in customers' values and the market environment, the Group is aiming to leverage digital technologies for providing the highest level of service to customers. During fiscal 2019, the Group began the following specific initiatives at flagship stores by drastically revising its store business model, including workflows and sales methods.

At the Isetan Shinjuku store, we conducted a remodeling to create new values, differentiate, and nurture heartfelt richness. With regard to the cosmetics floors, a floor centered around skincare was completed on the second floor of the main building in September 2019, and a makeup and fragrance floor was completed on the first floor of the main building in November, to enhance the experiential value of real locations. On the women's shoes floor, we introduced a new service utilizing digital technologies, in addition to enhancing products and events. We also worked on the enhancement of experiential values for jewelries and watches.

At the Mitsukoshi Nihombashi Main Store, we have refined our environment, services, and products through remodeling since fiscal 2018. Following the first phase of remodeling completed in October 2018, the Nihombashi Garden opened on the rooftop of the main building in May 2019, as well as the men's floor and Watch Gallery in August, the Jewelry Gallery in November, and the Mitsukoshi Contemporary Gallery in March 2020. The second phase of remodeling was completed after the remodeling of the Special Selection Boutique. In the new building, BicCamera Nihombashi Mitsukoshi as well as a hair salon and a photo studio opened in February. In addition, Mitsukoshi Archives Nihombashi, an exhibition space for cultural properties and historical documents owned by Mitsukoshi, opened in March.

We are also focusing on new online businesses as we aim to expand into products that cannot be offered at our stores and diversify purchase methods. In October 2019, we launched “Hi TAILOR,” an online customized ordering service for dress shirts, “MOO:D MARK by ISETAN,” an online gift boutique through which gifts can be sent via social media and emails, and “Isetan Mitsukoshi Furusato Nozei,” in which a selection of quality Isetan Mitsukoshi products are offered. In addition, we launched “DROBE,” a service in which a stylist conducts counseling over online chat and periodically delivers garments, in March 2020.

Furthermore, in order to redistribute limited management resources to new growth sectors, we closed stores with profitability issues, namely, Isetan Sagamihara store, Isetan Fuchu store, and Niigata Mitsukoshi, and decided to close the Mitsukoshi Ebisu store. We apologize for any inconveniences caused by the store closures and sincerely thank customers for their patronage.

As a result, segment sales amounted to ¥1,035,589 million, a decrease of 6.8% from the previous fiscal year, and operating income was ¥2,203 million, a decrease of 85.6% from the previous fiscal year.

2) *Credit & Finance Business/Customer Organization Management Business*

In the credit & finance business/customer organization management business, MICARD Co. Ltd. focused on acquiring new memberships for department store credit cards and credit cards in collaboration with companies outside the Group, as well as expanding the handling volume through promotion of credit card usage.

As a result, the total shopping handling volume amounted to ¥1,068.1 billion (97.5% of the previous year). The aforementioned results were due to a significant growth in handling volume from usage promotion measures in the mail order domain as well as at convenience stores and supermarkets, offset by a decrease in handling volume within the Group department stores from closing of Group department stores (Isetan Sagamihara store and Isetan Fuchu store) during the fiscal year, a decline in sales after the consumption tax hike, and a decline in sales due to the impact of COVID-19 from February onward.

In addition, the Group is focusing on issuing credit cards in collaboration with companies outside the Group, as part of its efforts to expand sales. During fiscal 2019, we issued cards in collaboration with 14 new companies, which will lead to future expansion in handling volume and revenue.

As a result, segment sales amounted to ¥38,595 million, a decrease of 1.3% from the previous fiscal year, while operating income was ¥5,669 million, a decrease of 11.7% from the previous fiscal year.

3) *Real Estate Business*

In the real estate business, we have strived to further enhance the business so that it can play a part in the Group's growth.

Because Isetan Mitsukoshi Real Estate Co., Ltd. achieved results in sales of apartments during the previous fiscal year, both net sales and operating income in the fiscal year under review fell short of the previous fiscal year's results primarily due to a pullback from the above.

In the residences business, we have secured stable revenue by continuing to maintain high occupancy mainly at the 12 properties we hold.

In addition, the business results for the construction and design business trended strongly owing to an increase in the number of orders received.

Overseas, we are preparing for the opening of the commercial facility building scheduled for 2021, in addition to selling residences, for the multipurpose property development project in the Philippines, an ongoing joint project with Nomura Real Estate Development Co., Ltd. and Federal Land Incorporated, a major Filipino real estate company.

As a result, segment sales amounted to ¥35,399 million, a decrease of 26.7% from the previous fiscal year, and operating income was ¥5,970 million, a decrease of 23.3% from the previous fiscal year.

4) *Other Businesses*

In the other businesses, operating income significantly improved primarily due to the effects of reducing outsourcing expenses, etc. through internalization of work at Isetan Mitsukoshi System Solutions Ltd., revision of business structures at IMGS CO., LTD., and improvements in revenue at STUDIO ALTA CO., LTD.

With regard to other individual businesses, at Mitsukoshi Isetan Nikko Travel, Ltd. (NIKKO TRAVEL CO., Ltd. and Isetan Mitsukoshi Travel Co., Ltd. were integrated in April 2019) in the travel business, mainstay cruise ship tours trended strongly in the overseas business in the first half, partly due to the extra demand during long holidays. However, owing to the global impact of COVID-19 toward the end of the fiscal year, revenues, mainly in overseas travel, decreased significantly.

At SOCIE WORLD CO., LTD. in the beauty business, net sales fell short of the results for the previous fiscal year due to the impact of COVID-19, in addition to an intensifying competitive environment in the mainstay esthetics business and sluggishness in acquisition of new customers. We will work on closing unprofitable stores and further reducing costs with the aim of recovering business results in the future.

We will continue aiming to provide new value with a view to achieving our goal of "helping our customers' lives in a variety of scenes."

As a result, segment sales amounted to ¥82,418 million, a decrease of 7.4% from the previous fiscal year, and operating income was ¥1,618 million, compared to an operating loss of ¥302 million for the previous fiscal year.

(2) Overview of Financial Position for the Fiscal Year Under Review

Total assets at the end of the fiscal year amounted to ¥1,223,800 million, a decrease of ¥23,626 million from the end of the previous fiscal year. This was due mainly to a decrease in notes and accounts receivable – trade owing to a significant decrease in sales during March and a decrease in market value of investment securities held owing to a drop in stock prices of the overall stock market, offset by an increase in cash and deposits from securing sufficient cash-on-hand to respond to the future impact of COVID-19 on business results.

Total liabilities amounted to ¥673,639 million, an increase of ¥11,927 million from the end of the previous fiscal year. This was mainly attributable to an increase in interest-bearing debt owing to an additional issuance of commercial paper for the aforementioned securing of cash-on-hand, offset by a decrease in notes and accounts payable following the significant decrease in sales during March, similarly to accounts receivable.

Net assets amounted to ¥550,161 million, a decrease of ¥35,553 million from the end of the previous fiscal year. This was mainly attributable to a decrease in retained earnings due to recording of net loss attributable to parent company shareholders, and carrying out acquisition of treasury stock amounting to approximately ¥10 billion for the purpose of improving capital efficiency over the medium- to long-term period.

(3) Overview of Cash Flows for the Fiscal Year Under Review

Cash and cash equivalents at the end of the fiscal year were ¥76,659 million, an increase of ¥26,511 million from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥16,281 million, a decrease in inflows of ¥12,005 million from the previous fiscal year. This was mainly attributable to such factors as a decrease in income with loss before income taxes and an increase in income taxes paid.

Net cash used in investing activities amounted to ¥9,965 million, a decrease in outflows of ¥12,484 million from the previous fiscal year. This was mainly attributable to such factors as a decrease in payments for purchase of tangible fixed assets, as acquisition of real estate for the head office, etc. was carried out during the previous fiscal year.

Net cash provided by financing activities amounted to ¥20,259 million, an increase in inflows of ¥29,323 million from the previous fiscal year. This was mainly attributable to such factors as an increase in proceeds from the aforementioned issuance of commercial paper.

(4) Future Outlook

With regard to the future, harsh economic conditions are expected to continue due to a serious blow to the domestic economy from the impact of COVID-19, which is spreading worldwide. The department store industry has been trending negatively on a significant scale in fiscal 2020 as the number of foreign visitors significantly decreases and motivations to refrain from consumer activities increase to prevent the spread of COVID-19 in Japan. Overseas department stores are continuing on a negative trend due to the spread of the infection on a global scale, similarly to Japan. As such, the environment surrounding the Group is becoming increasingly harsh.

In response to the stay at home requests under the declaration of emergency, the Group has implemented temporary closures (opening food sections only and shortened opening hours at some stores) since April to prioritize the health and safety of customers and employees. Accordingly, the Group has suffered an impact including a significant decline in sales, and it is impossible to have a clear outlook for the future.

With regard to the forecast of consolidated results for fiscal 2020, it is difficult to make a reasonable prediction due to many uncertain factors including the lack of clarity on the timing of containment of COVID-19 and trends in economic recovery afterwards. Therefore, the forecast is undetermined at this time and will be announced as soon as disclosure becomes possible.

In anticipation of the containment of COVID-19, the Group will promote various measures to ensure the health and safety of its customers and employees for the reopening of stores and thorough cost reductions, in addition to expanding seamlessness and e-commerce that are not dependent only on stores through digitalization.

(5) Basic Policy on Profit Distribution and Dividends for Fiscal 2019 and Fiscal 2020

The Company returns profits to shareholders, while continually raising long-term corporate value.

Regarding dividends, our basic stance is to maintain a stable level of dividends upon making comprehensive considerations of the management environment, business results and the soundness of our financial condition, and we will aim for stable increases in dividends over the medium- to long-term, in line with profit growths.

Based on this policy, the Company will pay an annual cash dividend ¥12.00 for the fiscal year under review, the total of an interim dividend of ¥6.00 and a year-end dividend of ¥6.00.

The dividend forecast for fiscal 2020 is to be determined at this time, similarly to the forecast of business results for fiscal 2020.

2. Basic Policy on the Selection of Accounting Standards

The Company currently applies Japanese accounting standards. Concerning the future application of International Financial Reporting Standards (IFRS), the Company holds a policy to take appropriate action based on trends within and outside of Japan.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2018 (As of March 31, 2019)	Fiscal 2019 (As of March 31, 2020)
ASSETS		
Current assets		
Cash and bank deposits	47,345	74,301
Notes and accounts receivable-trade	137,239	119,441
Marketable securities	405	1,718
Merchandise	45,487	38,128
Finished goods	112	24
Work in process	619	2,797
Raw materials and supplies	615	629
Other current assets	38,542	39,007
Less: Allowance for doubtful accounts	(2,116)	(3,736)
Total current assets	268,251	272,313
Property and equipment		
Tangible fixed assets		
Buildings and structures	494,190	478,164
Less: Accumulated depreciation	(320,858)	(307,257)
Buildings and structures, net	173,332	170,907
Land	539,852	533,433
Construction in progress	6,426	5,525
Right-of-use assets	—	6,621
Less: Accumulated depreciation	—	(1,707)
Right-of-use assets, net	—	4,914
Other tangible fixed assets	76,757	72,663
Less: Accumulated depreciation	(56,615)	(52,471)
Other tangible fixed assets, net	20,142	20,191
Total tangible fixed assets	739,754	734,972
Intangible fixed assets		
Software	19,867	18,044
Goodwill	23	15
Other intangible fixed assets	23,334	22,702
Total intangible fixed assets	43,225	40,762
Investments and other assets		
Investment securities	122,849	108,743
Long-term loans receivable	278	229
Guarantee deposits	53,997	47,968
Net defined benefit assets	3,503	3,539
Deferred tax assets	9,975	10,110
Other assets	5,591	5,201
Less: Allowance for doubtful accounts	(162)	(173)
Total investments and other assets	196,034	175,618
Total property and equipment	979,014	951,353
Deferred assets		
Bond issue costs	161	133
Total deferred assets	161	133
Total assets	1,247,427	1,223,800

(Millions of yen)

	Fiscal 2018 (As of March 31, 2019)	Fiscal 2019 (As of March 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable	106,486	79,742
Short-term borrowings	22,446	21,401
Commercial paper	4,000	50,000
Income taxes payable	4,848	2,897
Gift vouchers	79,814	77,374
Reserve for bonuses	12,253	10,447
Allowance for point cards	9,690	9,870
Reserve for loss from redemption of gift vouchers	31,014	32,799
Other current liabilities	102,150	96,779
Total current liabilities	372,704	381,313
Long-term liabilities		
Bonds payable	40,000	40,000
Long-term debt	70,300	64,146
Deferred tax liabilities	123,970	128,011
Net defined benefit liability	37,729	36,150
Provision for loss on business of subsidiaries and affiliates	103	100
Liabilities from application of equity method	1,402	1,651
Other long-term liabilities	15,501	22,266
Total long-term liabilities	289,007	292,325
Total liabilities	661,711	673,639
NET ASSETS		
Shareholders' equity		
Common stock	50,573	50,790
Capital surplus	322,770	322,985
Retained earnings	202,040	183,644
Less: Treasury stock	(9,300)	(19,304)
Total shareholders' equity	566,084	538,115
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities	6,448	1,523
Deferred gains (losses) on hedges	42	43
Foreign currency translation adjustments	4,964	4,625
Remeasurements of defined benefit plans	(2,008)	(1,962)
Total accumulated other comprehensive income	9,446	4,229
Stock acquisition rights	2,077	1,857
Non-controlling interests	8,106	5,958
Total net assets	585,715	550,161
Total liabilities and net assets	1,247,427	1,223,800

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

(Millions of yen)

	Fiscal 2018 (From April 1, 2018 to March 31, 2019)	Fiscal 2019 (From April 1, 2019 to March 31, 2020)
Net sales	1,196,803	1,119,191
Cost of sales	848,521	796,489
Gross profit	348,282	322,702
Selling, general and administrative expenses		
Advertising expenses	19,114	18,702
Allowance for point cards	84	227
Salaries, payroll costs and bonuses	88,482	83,676
Pension expenses	4,138	4,190
Provision of allowance for doubtful accounts	103	812
Depreciation and amortization	25,734	27,021
Lease payments	36,198	31,858
Business consignment expenses	33,961	33,426
Other expenses	111,234	107,106
Total selling, general and administrative expenses	319,052	307,023
Operating income	29,229	15,679
Non-operating income		
Interest income	715	729
Dividend income	702	791
Equity in earnings of affiliates	3,058	2,228
Income from unredeemed gift vouchers	5,747	5,928
Gain on donated fixed assets	2,645	5,231
Other non-operating income	977	1,499
Total non-operating income	13,846	16,409
Non-operating expenses		
Interest expenses	770	942
Loss on retirement of property and equipment	1,342	1,233
Provision of reserve for loss from redemption of gift vouchers	5,744	5,873
Other non-operating expenses	3,223	4,267
Total non-operating expenses	11,080	12,316
Recurring income	31,995	19,771
Extraordinary gain		
Gain on sales of property and equipment	29,961	6,637
Gain on sales of investment securities	—	2,450
Gain on transfer of business	—	649
Other extraordinary gain	54	14
Total extraordinary gain	30,015	9,751

(Millions of yen)

	Fiscal 2018 (From April 1, 2018 to March 31, 2019)	Fiscal 2019 (From April 1, 2019 to March 31, 2020)
Extraordinary loss		
Loss on disposal of property and equipment	2,580	4,293
Impairment losses	32,447	10,844
Loss on valuation of investment securities	251	771
Loss on closing of stores	4,166	6,988
Business structure improvement expenses	5,828	8,928
Other extraordinary loss	1,491	—
Total extraordinary loss	46,766	31,826
Income (loss) before income taxes	15,244	(2,303)
Income taxes - current	5,878	4,544
Income taxes - deferred	(3,213)	5,767
Total income taxes	2,664	10,312
Net income (loss)	12,579	(12,615)
Net loss attributable to non-controlling interests	(900)	(1,428)
Net income (loss) attributable to parent company shareholders	13,480	(11,187)

Consolidated Statements of Comprehensive Income (Loss)

(Millions of yen)

	Fiscal 2018 (From April 1, 2018 to March 31, 2019)	Fiscal 2019 (From April 1, 2019 to March 31, 2020)
Net income (loss)	12,579	(12,615)
Other comprehensive income		
Net unrealized gains (losses) on other securities	(2,380)	(6,260)
Deferred gains (losses) on hedges	3	1
Foreign currency translation adjustments	(1,400)	(222)
Gain (loss) on revision of retirement benefit plans	(1,186)	45
Amount corresponding to equity interest in equity method affiliates	(5,094)	1,257
Total other comprehensive income	(10,058)	(5,179)
Comprehensive income	2,520	(17,794)
(Breakdown)		
Comprehensive income attributable to parent company shareholders	3,745	(16,404)
Comprehensive income attributable to non-controlling interests	(1,224)	(1,390)

(3) Consolidated Statements of Changes in Net Assets
Fiscal 2018 (From April, 1 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	50,461	322,807	193,239	(9,294)	557,214
Cumulative effects of changes in accounting policies					—
Restated balance	50,461	322,807	193,239	(9,294)	557,214
Changes during the year					
Issuance of new shares	112	112			224
Dividends from surplus			(4,677)		(4,677)
Net income (loss) attributable to parent company shareholders			13,480		13,480
Acquisition of the Company's own shares				(7)	(7)
Disposal of treasury stock		(0)		0	0
Changes in scope of consolidation and application of the equity method			(1)		(1)
Changes in equity interest of parent company after transactions with non-controlling interests		(149)			(149)
Changes in items other than shareholders' equity during the year (net)					
Total changes during the year	112	(37)	8,801	(6)	8,869
Balance at end of year	50,573	322,770	202,040	(9,300)	566,084

(Millions of yen)

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains (losses) on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	10,094	39	9,858	(810)	19,182	2,028	9,666	588,091
Cumulative effects of changes in accounting policies								—
Restated balance	10,094	39	9,858	(810)	19,182	2,028	9,666	588,091
Changes during the year								
Issuance of new shares								224
Dividends from surplus								(4,677)
Net income (loss) attributable to parent company shareholders								13,480
Acquisition of the Company's own shares								(7)
Disposal of treasury stock								0
Changes in scope of consolidation and application of the equity method								(1)
Changes in equity interest of parent company after transactions with non-controlling interests								(149)
Changes in items other than shareholders' equity during the year (net)	(3,646)	3	(4,893)	(1,198)	(9,735)	49	(1,559)	(11,246)
Total changes during the year	(3,646)	3	(4,893)	(1,198)	(9,735)	49	(1,559)	(2,376)
Balance at end of year	6,448	42	4,964	(2,008)	9,446	2,077	8,106	585,715

Fiscal 2019 (From April, 1 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	50,573	322,770	202,040	(9,300)	566,084
Cumulative effects of changes in accounting policies			(2,513)		(2,513)
Restated balance	50,573	322,770	199,527	(9,300)	563,571
Changes during the year					
Issuance of new shares	217	217			434
Dividends from surplus			(4,681)		(4,681)
Net income (loss) attributable to parent company shareholders			(11,187)		(11,187)
Acquisition of the Company's own shares				(10,004)	(10,004)
Disposal of treasury stock		(0)		0	0
Changes in scope of consolidation and application of the equity method			(14)		(14)
Changes in equity interest of parent company after transactions with non-controlling interests		(2)			(2)
Changes in items other than shareholders' equity during the year (net)					
Total changes during the year	217	214	(15,883)	(10,004)	(25,455)
Balance at end of year	50,790	322,985	183,644	(19,304)	538,115

(Millions of yen)

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains (losses) on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	6,448	42	4,964	(2,008)	9,446	2,077	8,106	585,715
Cumulative effects of changes in accounting policies								(2,513)
Restated balance	6,448	42	4,964	(2,008)	9,446	2,077	8,106	583,202
Changes during the year								
Issuance of new shares								434
Dividends from surplus								(4,681)
Net income (loss) attributable to parent company shareholders								(11,187)
Acquisition of the Company's own shares								(10,004)
Disposal of treasury stock								0
Changes in scope of consolidation and application of the equity method								(14)
Changes in equity interest of parent company after transactions with non-controlling interests								(2)
Changes in items other than shareholders' equity during the year (net)	(4,924)	0	(338)	45	(5,217)	(219)	(2,148)	(7,585)
Total changes during the year	(4,924)	0	(338)	45	(5,217)	(219)	(2,148)	(33,040)
Balance at end of year	1,523	43	4,625	(1,962)	4,229	1,857	5,958	550,161

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2018 (From April 1, 2018 to March 31, 2019)	Fiscal 2019 (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Income (loss) before income taxes	15,244	(2,303)
Depreciation and amortization	27,893	29,635
Impairment losses	36,067	14,870
Amortization of goodwill	777	7
Increase (decrease) in allowance for doubtful accounts	(1,162)	419
Increase (decrease) in net defined benefit liabilities	(614)	(1,522)
Interest and dividend income	(1,417)	(1,520)
Interest expenses	770	942
Equity in loss (earnings) of affiliated companies	(3,058)	(2,228)
Gain on donation of non-current assets	(2,645)	(5,231)
Loss (gain) on sales of property and equipment	(29,961)	(6,637)
Loss (gain) on disposal of property and equipment	4,498	5,527
Loss (gain) on sales of investment securities	(6)	(2,420)
Loss (gain) on valuation of investment securities	251	1,011
Loss (gain) on transfer of business	—	(649)
Decrease (increase) in receivables	(16,630)	15,977
Decrease (increase) in inventories	3,445	5,283
Increase (decrease) in payables	(3,511)	(25,622)
Increase (decrease) in accrued expenses	(87)	(3,306)
Increase (decrease) in accrued liabilities	(364)	(1,288)
Other, net	1,135	379
Sub-total	30,623	21,323
Interest and dividend income received	4,185	3,702
Interest expense paid	(769)	(961)
Income taxes paid	(5,753)	(7,782)
Net cash provided by operating activities	28,286	16,281
Cash flows from investing activities		
Increase in fixed deposits	(396)	(20)
Decrease in fixed deposits	1,213	387
Net decrease (increase) in short-term loans receivable	698	120
Payments for purchase of tangible fixed assets	(52,077)	(28,128)
Proceeds from sales of tangible and intangible fixed assets	33,968	15,873
Payments for purchase of intangible fixed assets	(5,964)	(6,882)
Payments for purchase of marketable securities and investment securities	(4,450)	(5,357)
Proceeds from sales and redemption of marketable securities and investment securities	475	8,985
Proceeds from collection of lease and guarantee deposits	3,701	3,989
Expenditure for lease and guarantee deposits	(176)	(287)
Proceeds from transfer of business	—	898
Proceeds from liquidation of subsidiaries and associates	—	952
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,315	—
Other, net	(758)	(498)
Net cash used in investing activities	(22,450)	(9,965)

(Millions of yen)

	Fiscal 2018 (From April 1, 2018 to March 31, 2019)	Fiscal 2019 (From April 1, 2019 to March 31, 2020)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(7,260)	(3,231)
Proceeds from borrowings of long-term debt	12,000	5,846
Repayment of long-term debt	(12,000)	(11,000)
Proceeds from issuance of bonds	9,943	—
Redemption of bonds	(10,000)	—
Increase (decrease) in commercial paper	4,000	46,000
Dividends paid	(4,684)	(4,704)
Proceeds from sales of treasury stock	0	0
Payment for purchase of own shares	(7)	(10,004)
Dividends paid to non-controlling interests	(104)	(99)
Payments for purchases of shares of subsidiaries that do not result in change in scope of consolidation	(379)	(661)
Other, net	(570)	(1,884)
Net cash provided by (used in) financing activities	(9,063)	20,259
Effect of exchange rate changes on cash and cash equivalents	(595)	(141)
Net increase (decrease) in cash and cash equivalents	(3,822)	26,433
Cash and cash equivalents at beginning of year	53,969	50,147
Increase (decrease) in cash and cash equivalents due to changes in scope of consolidation	—	(0)
Increase in cash and cash equivalents from merger with non- consolidated subsidiaries	—	79
Cash and cash equivalents at end of year	50,147	76,659

(5) Notes regarding Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Adoption of the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements and other standards)

The “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements” (Practical Issues Task Force (PITF) No. 18, September 14, 2018) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (PITF No. 24, September 14, 2018) (hereinafter, collectively referred to as “PITF No. 18, etc.”) have been applied from the beginning of the fiscal year ended March 31, 2020. As a result of this application, in case that overseas subsidiaries that adopt International Financial Reporting Standards (IFRS) 9 “Financial Instruments” have elected to present subsequent changes in fair value of equity instruments in other comprehensive income, the amounts of gain or loss on sale or impairment losses of such equity instruments will be adjusted as gain or loss for the period for consolidated accounting.

The application of PITF No. 18, etc., is in accordance with the transitional treatment and thereby cumulative effects of changes in accounting policies were recorded as retained earnings as of the beginning of the fiscal year ended March 31, 2020.

As a result, the application of PITF No. 18, etc., has minimal impact on the balance of retained earnings as of the beginning of the period, gain or loss for the fiscal year ended March 31, 2020, and per share information.

(Adoption of the International Financial Reporting Standard 16 “Leases” at overseas consolidated subsidiaries, etc.)

Overseas consolidated subsidiaries, etc. that adopt the International Financial Reporting Standards have applied IFRS 16 “Leases” (hereinafter, referred to as “IFRS 16”) from the fiscal year ended March 31, 2020. Due to this application, a lessee of leases in principle is required to record all leases as assets and liabilities in the balance sheets. The application of IFRS 16 is in accordance with the transitional treatment, and thereby cumulative effects of changes in accounting policies were recorded as retained earnings as of the beginning of the fiscal year ended March 31, 2020.

As a result, at the end of the fiscal year ended March 31, 2020, “right-of-use assets, net” under tangible fixed assets increased by ¥4,914 million and “investment securities” decreased by ¥2,991 million, while “other current liabilities” under current liabilities and “other long-term liabilities” under long-term liabilities increased by ¥1,643 million and ¥5,653 million, respectively. The application of IFRS 16 has minimal impact on gain or loss for the current fiscal year and per share information.

Due to reflecting the cumulative effects in net assets as of the beginning of the fiscal year ended March 31, 2020, the balance of retained earnings as of the beginning of the period in the consolidated statements of changes in net assets decreased by ¥2,488 million.

In the consolidated statements of cash flows, net cash used in operating activities decreased by ¥1,641 million, and net cash used in financing activities increased by ¥1,641 million.

(Segment information)

[Segment information]

1. Overview of Reportable Segments

The Company’s reportable segments are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess their performance.

The Group is composed of business segments centering on the department stores segment. The Group reports its segments as the department store business, credit & finance business/customer organization management business, and real estate business based on the considerations of their services and economic characteristics.

The department store business sells apparel, accessories, household and sundry goods, and foods. The credit & finance business/customer organization management business is involved in credit cards, cash loans, brokerage of non-life insurance and businesses concerning solicitation for life insurance and the operation of the customer organization management business. The real estate business engages in real estate leasing, tenant management and building interior decorating.

2. Method for Calculating Segment Sales, Income and Losses, Assets and Other Items

The accounting treatment method for the business segments reported is the same as the accounting treatment method adopted for the preparation of the consolidated financial statements. Segment income (loss) is calculated as operating income (loss). Intersegment sales or transfer are based on actual market prices.

3. Information Concerning Segment Sales, Income and Losses, Assets, and Other Items

The previous consolidated accounting period (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reporting segments				Other businesses (Note 1)	Total	Adjusted amounts (Note 2)	Amount listed on 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	1,108,536	22,458	31,258	1,162,253	34,550	1,196,803	—	1,196,803
Intersegment sales or transfer	2,665	16,658	17,044	36,368	54,420	90,788	(90,788)	—
Total	1,111,202	39,116	48,303	1,198,621	88,970	1,287,592	(90,788)	1,196,803
Segment income (loss)	15,313	6,422	7,786	29,522	(302)	29,220	9	29,229
Segment assets	1,028,103	227,796	153,361	1,409,261	51,250	1,460,511	(213,084)	1,247,427
Other items								
Depreciation	17,062	3,073	998	21,134	6,980	28,114	(221)	27,893
Impairment losses (Note 4)	23,097	—	181	23,279	12,788	36,067	—	36,067
Amount of investment in equity-method affiliates	79,845	—	—	79,845	—	79,845	—	79,845
Increase in tangible and intangible fixed assets	44,575	1,259	5,774	51,608	5,317	56,926	(400)	56,526

Notes

- The other businesses segment includes the services of other retail & specialty store business, manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service and travel business that are not included in other reporting segments.
- Adjustments are as follows:
 - The segment income adjustment of ¥9 million is intersegment eliminations, etc.
 - The segment assets adjustment of negative ¥213,084 million is the intersegment elimination of receivables and payables, etc.
 - The adjustment of depreciation of negative ¥221 million is intersegment unrealized income.
 - The increase in intangible and intangible fixed assets adjustment of negative ¥400 million is intersegment elimination and intersegment unrealized income, etc.
- Segment income (loss) is adjusted to operating income.
- Of the above impairment losses, ¥3,620 million is included in “loss on closing of stores” in the consolidated statements of income.

The current consolidated accounting period (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reporting segments				Other businesses (Note 1)	Total	Adjusted amounts (Note 2)	Amount listed on 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	1,032,785	23,015	32,237	1,088,038	31,153	1,119,191	—	1,119,191
Intersegment sales or transfer	2,803	15,579	3,161	21,545	51,264	72,809	(72,809)	—
Total	1,035,589	38,595	35,399	1,109,583	82,418	1,192,001	(72,809)	1,119,191
Segment income	2,203	5,669	5,970	13,843	1,618	15,462	217	15,679
Segment assets	996,345	208,068	150,310	1,354,725	45,137	1,399,862	(176,062)	1,223,800
Other items								
Depreciation	19,581	2,935	990	23,507	6,339	29,846	(211)	29,635
Impairment losses (Note 4)	11,015	—	894	11,910	2,960	14,870	—	14,870
Amount of investment in equity-method affiliates	77,618	—	—	77,618	—	77,618	—	77,618
Increase in tangible and intangible fixed assets	31,006	1,251	532	32,791	5,524	38,315	(260)	38,055

Notes

- The other businesses segment includes the services of other retail & specialty store business, manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service and travel business that are not included in other reporting segments.
- Adjustments are as follows:
 - The segment income adjustment of ¥217 million is intersegment eliminations, etc.
 - The segment assets adjustment of negative ¥176,062 million is the intersegment elimination of receivables and payables, etc.
 - The adjustment of depreciation of negative ¥211 million is intersegment unrealized income.
 - The increase in intangible and intangible fixed assets adjustment of negative ¥260 million is intersegment elimination and intersegment unrealized income, etc.
- Segment income is adjusted to operating income.
- Of the above impairment losses, ¥4,026 million is included in “loss on closing of stores in the consolidated statements of income.

[Related information]

The previous consolidated accounting period (April 1, 2018 to March 31, 2019)

1. Information by product and service

Omitted, as the same information is provided in segment information.

2. Information by region

(1) Net sales

Omitted, as net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statements of income.

(2) Tangible fixed assets

Omitted, as tangible fixed assets located in Japan exceeded 90% of tangible fixed assets in the consolidated balance sheets.

3. Information by major customer

Not applicable, as no outside customer accounted for 10% or more of net sales in the consolidated statements of income.

The current consolidated accounting period (April 1, 2019 to March 31, 2020)

1. Information by product and service

Omitted, as the same information is provided in segment information.

2. Information by region

(1) Net sales

Omitted, as net sales to outside customers in Japan exceeded 90% of net sales in the consolidated statements of income.

(2) Tangible fixed assets

Omitted, as tangible fixed assets located in Japan exceeded 90% of tangible fixed assets in the consolidated balance sheets.

3. Information by major customer

Not applicable, as no outside customer accounted for 10% or more of net sales in the consolidated statements of income.

[Information concerning impairment losses on property and equipment by segment]

The previous consolidated accounting period (April 1, 2018 to March 31, 2019)

Omitted, as the same information is provided in segment information.

The current consolidated accounting period (April 1, 2019 to March 31, 2020)

Omitted, as the same information is provided in segment information.

[Information concerning amortized and unamortized amounts of goodwill by segment]

The previous consolidated accounting period (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reporting segments				Other businesses	Corporate and eliminations	Total
	Department store business	Credit & finance business/Customer organization management business	Real estate business	Subtotal			
Amount amortized during FY2018	—	—	—	—	777	—	777
Balance as of March 31, 2019	—	—	—	—	23	—	23

The current consolidated accounting period (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reporting segments				Other businesses	Corporate and eliminations	Total
	Department store business	Credit & finance business/Customer organization management business	Real estate business	Subtotal			
Amount amortized during FY2019	—	—	—	—	7	—	7
Balance as of March 31, 2020	—	—	—	—	15	—	15

[Information concerning gain on negative goodwill by segment]

The previous consolidated accounting period (April 1, 2018 to March 31, 2019)

Not applicable.

The current consolidated accounting period (April 1, 2019 to March 31, 2020)

Not applicable.

(Per share information)

	Fiscal 2018 (From April 1, 2018 to March 31, 2019)	Fiscal 2019 (From April 1, 2019 to March 31, 2020)
Net assets per share	1,475.74 yen	1,426.61 yen
Net income (loss) per share (basic)	34.58 yen	(28.90) yen
Net income per share (diluted)	34.41 yen	— yen

Notes: 1. Net income per share (diluted) for fiscal 2019 is not presented due to the posting of net loss per share (basic), although there are dilutive shares.

2. The basis for calculation of net income per share (basic) and net income per share (diluted) is as follows.

	Fiscal 2018 (From April 1, 2018 to March 31, 2019)	Fiscal 2019 (From April 1, 2019 to March 31, 2020)
Net income (loss) per share (basic)		
Net income (loss) attributable to parent company shareholders (Millions of yen)	13,480	(11,187)
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income (loss) attributable to parent company shareholders relating to common stock (Millions of yen)	13,480	(11,187)
Average number of shares of common stock during the period (Thousands of shares)	389,875	387,162
Net income per share (diluted)		
Increase in the number of shares of common stock (Thousands of shares)	1,844	—
(Of which, stock acquisition rights) (Thousands of shares)	(1,844)	—
Overview of dilutive shares that were not included in the calculation of net income per share (diluted) due to lacking dilutive effects	—	—

(Significant subsequent events)

Not applicable.