# Summary of Settlement of Consolidated Accounts for the Third Quarter of the Fiscal Year Ending March 31, 2021

[Japanese Standards] (Consolidated)

January 27, 2021


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)
Representative: Toshihiko Sugie, Representative Executive Officer
Contact: Masaru Kamiyama, General Manager, Public Relations/Investor Relations Department, Group Corporate Strategy Office
TEL: (03) 6730-5003

Scheduled date of filing of the quarterly securities report (*Shihanki Houkokusho*): January 28, 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 Third Quarter of Fiscal 2020 (From April 1, 2020 to December 31, 2020)

(1) Results of consolidated operations (Percentage figures indicate changes from the third 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 | % |
| 3Q of FY2020 | 602,435 | (31.2) | (14,870) | - | (13,444) | - | (34,759) | - |
| 3Q of FY2019 | 875,260 | (2.9) | 21,098 | (17.1) | 23,099 | (14.1) | 7,862 | (31.3) |

(Note) Comprehensive income: 3Q of FY2020: ¥(36,737) million (-%), 3Q of FY2019: ¥4,461 million (-26.9%)

| | Net Income per Share (Basic) | Net Income per Share (Diluted) |
|---|---|---|
| | Yen | Yen |
| 3Q of FY2020 | (91.39) | - |
| 3Q of FY2019 | 20.20 | 20.10 |

(2) Consolidated financial position

| | Total Assets | Net Assets | Shareholders' Equity Ratio |
|---|---|---|---|
| | Millions of yen | Millions of yen | % |
| 3Q of FY2020 | 1,232,194 | 511,067 | 40.9 |
| FY2019 | 1,223,800 | 550,161 | 44.3 |

(Reference) Shareholders' equity: 3Q of FY2020: ¥503,905 million, FY2019: ¥542,345 million

## 2. Dividends

| | Annual Dividends | | | | |
|---|---|---|---|---|---|
| (Record date) | First Quarter | Second Quarter | Third Quarter | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2019 | - | 6.00 | - | 6.00 | 12.00 |
| FY2020 | - | 3.00 | - | | |
| FY2020 (Forecast) | | | | 6.00 | 9.00 |

(Note) Revision to recently announced dividend forecast: No

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

(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 | 800,000 | (28.5) | (33,000) | - | (34,000) | - | (45,000) | - | (118.31) |

(Note) Revision to recently announced consolidated results forecast: Yes

*** 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 9.

(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: No
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)
2) Number of shares of treasury stock at the end of the period
3) Average number of shares during the period

| | | | |
|---|---|---|---|
| Third quarter of FY2020 | 396,366,754 shares | FY2019 | 396,100,954 shares |
| Third quarter of FY2020 | 15,401,686 shares | FY2019 | 15,938,328 shares |
| Third quarter of FY2020 | 380,355,650 shares | Third quarter of FY2019 | 389,277,741 shares |

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

*** Disclaimer regarding Forward-looking Statements**

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

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

○Table of Contents of Accompanying Materials

1. Qualitative Information on the Quarterly Results..... 2
(1) Explanation regarding Business Results..... 2
(2) Explanation regarding Financial Position..... 4
(3) Explanation regarding Future Outlook Including the Forecast of Consolidated Results..... 4
2. Consolidated Financial Statements and Primary Notes..... 5
(1) Consolidated Balance Sheets..... 5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income..... 7
Consolidated Statements of Income..... 7
Consolidated Statements of Comprehensive Income (Loss)..... 8
(3) Notes regarding Consolidated Financial Statements..... 9
(Notes on going concern assumption)..... 9
(Notes on significant changes in shareholders' equity)..... 9
(Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements).. 9
(Additional information)..... 9
(Segment information)..... 10
(Significant subsequent events)..... 12
3. Supplementary Information..... 13

# 1. Qualitative Information on the Quarterly Results

(1) Explanation regarding Business Results

During the third quarter of fiscal 2020 (April 1, 2020 to December 31, 2020), the business environment saw a significant deterioration in domestic and foreign economic conditions due to the worldwide spread of COVID-19. After the state of emergency was lifted in June, as economic activities resumed, owing to positive effects of governmental measures such as the special cash payments and the "Go To" campaign, individual consumption recovered gradually. However, due to a resurgence of COVID-19 cases and the emergence of new COVID-19 variants in Europe and the U.S., as well as a resurgence of cases in Japan and the second declaration of a state of emergency, there are concerns over a slowdown in the recovery due to reinforced stay at home requests and a worsening consumer sentiment. In addition, as employment was weak due to factors such as an increase in the number of unemployed persons, and salaries fell due to a reduction in working hours and a decrease in the amount of bonuses, personal consumption may continue to be sluggish. While the global economy is expected to improve as vaccines are disseminated, since the increase in cases is a trend that repeats locally, the future outlook is unclear, and we predict that a fair amount of time will be required before restrictions on economic activities can be lifted.

Under these uncertain circumstances, in response to the stay at home requests under the declaration of emergency, in order to prevent the spread of COVID-19 among customers or employees, the Group once again shortened its opening hours, by closing its stores earlier from January onward.

Amidst the new ways of life and changes in consumption activities, including "a focus on health and safety," "workstyle reforms" and "digitalization," based on the Company's root of "Our Philosophy," we shall thoroughly implement measures to ensure health and safety, as well as reexamine how to provide value that responds to customers' needs and new ways of communication.

As a result, consolidated net sales for the third quarter amounted to ¥602,435 million, a decrease of 31.2% from the third quarter of the previous fiscal year; an operating loss of ¥14,870 million was recorded, compared to an operating income of ¥21,098 million for the third quarter of the previous fiscal year; a recurring loss of ¥13,444 million was recorded, compared to a recurring income of ¥23,099 million in the third quarter of the previous fiscal year; and a net loss attributable to parent company shareholders of ¥34,759 million was recorded, compared to net income attributable to parent company shareholders of ¥7,862 million for the third quarter of the previous fiscal year.

Results by segment were as follows.

*1) Department Store Business*

In the department store business, during the first state of emergency, the Group implemented temporary closures or shortened opening hours, resulting in a significant reduction in net sales. After we resumed operation, we implemented thorough measures at all stores, including the introduction of thermography, body temperature checks, the wearing of face masks, and disinfection on a regular basis. Due to entry restrictions on foreign visitors, sales to inbound visitors were virtually lost, and net sales fell below the previous year's level. On the contrary, regarding the consumption activities of Japanese people, both the number of store visitors and sales were on a recovery track. However, due to impact of the resurgence in COVID-19 cases toward the end of the year, the number of store visitors began to decrease again, and harsh conditions persisted.

In such an environment, in line with new ways of life and consumption activities, we strengthened efforts to leverage digital technology and promoted various initiatives so that customers can, without visiting stores, enjoy shopping and receive services equivalent to that at stores. For the year-end and New Year holidays, by strengthening our online proposals in response to at-home demand, we increased the online reservations and sales of products including Christmas cakes, New Year dishes, and grab bags.

In November, we launched a new app "Mitsukoshi Isetan remote shopping," so that even online, through a two-way communication between customers and our sales staff, we can provide one-to-one service and product recommendations, an experience uniquely offered by department stores, as well as respond to the customer's requests, just as if the customer is visiting the store in person. A customer is served through the conversation in the chat, and the customer can buy almost any product from the Isetan Shinjuku Main Store from the comfort of their homes, and complete the purchase through the app. Going forward, we plan to expand this service to all the stores. Beginning from this initiative, based on the past purchase behaviors of customers and the information acquired through serving them, we strive to construct a mechanism that allows us to conduct optimal recommendations at the optimal time to each and every customer.

Also, we continued striving to enhance our e-commerce business where shopping can be completed online. Our "ISETAN DOOR" food delivery service and "meeco" online cosmetics store performed well, smoothly exceeding the target.

As a result, segment sales amounted to ¥553,902 million, a decrease of 31.8% from the third quarter of the previous fiscal year, and an operating loss of ¥21,903 million was recorded, compared to an operating income of ¥9,775 million for the third quarter of the previous fiscal year.

*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 Company's system infrastructure and excellent customer base.

As for MICARD Co., Ltd., regarding the acquisition of new card members at department stores, the number of membership withdrawals exceeded the number of new members, due to temporary closures or shortened opening hours of the Group's department stores in response to the state of emergency, as well as the impact of the subsequent self-restraint on outings. On the other hand, card handling volume, although lower than the previous year, was better than the target, as usage outside of department stores, in the e-commerce, mail order, and home electronics fields, was favorable. Furthermore, selling and administrative expenses were below both previous year's results and targets, as we took measures such as controlling operating expenses and sales promotion expenses, increasing the efficiency of staff at store counters, and cutting personnel expenses.

As a result, segment sales amounted to ¥24,426 million, a decrease of 18.3% from the third quarter of the previous fiscal year, and operating income was ¥3,191 million, a decrease of 32.6% from the third quarter of the previous fiscal year.

*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. reduced and exempted tenants' rent payment in its commercial facilities business due to the impact of COVID-19, and continued to struggle due to the effects of a lower commission fee income, resulting from a reduction in the sales levels of tenants. In the construction business, net sales exceeded the target, owing to the recording of sales of large-scale buildings, etc.

In November 2020, the Company decided to transfer all shares (issued and outstanding) of Isetan Mitsukoshi Real Estate Co., Ltd., which operates the rental housing management business. The Company has listed "strengthening of the real estate business" through "making effective use of the real estate held" as one of its priority strategies. Going forward, we shall push forward with initiatives aimed at "multiple use of real estate primarily for commercial purpose," centering on the real estate we hold.

As a result, segment sales amounted to ¥22,080 million, a decrease of 13.7% from the third quarter of the previous fiscal year, and operating income was ¥4,400 million, a decrease of 4.2% from the third quarter of the previous fiscal year.

*4) Other Businesses*

In the other businesses, we are aiming to offer new value to meet customers' needs, but the business faced a harsh operating environment due to the impact of COVID-19.

In the travel business, after the first state of emergency was lifted, domestic tours were resumed in June by reducing their scale, and all management resources were focused on the domestic business. Benefitting from the "Go To" travel campaign, sales significantly exceeded targets in October and November. However, as the number of COVID-19 cases increased again toward the end of the year, the number of cancellations increased. Therefore, half of the year-end and New Year tours were cancelled, and the severe conditions of reduced revenue and income continued.

In the beauty business, net sales fell significantly below the target and the previous year's results, despite a gradual recovery in the number of customers after we resumed operation in steps from late May, due to a resurgence of COVID-19 cases toward the end of year, which affected major sectors such as esthetic and hair salons. Although we strove to reduce personnel expenses and control advertising expenses, these efforts could not offset the decrease in sales, which led to an unfavorable result. Abroad (Taiwan), the impact of COVID-19 is relatively smaller than that in Japan, and sales are on a recovery track. Also, continuing from the previous fiscal year, we are promoting the consolidation and closure of unprofitable stores and structural reforms.

At Isetan Mitsukoshi Business Support Ltd., our logistics subsidiary, net sales decreased, due to a reduction in cargo handling operations from the Group's department stores, resulting from closures or self-imposed business suspensions of the Group's department stores. Nonetheless, operating income exceeded the previous year's results, owing to an increase in orders related to e-commerce, a greater number of contracts from other clients, and the acquisition of new customers.

As a result, segment sales amounted to ¥48,380 million, a decrease of 24.8% from the third quarter of the previous fiscal year, and an operating loss of ¥522 million was recorded, compared to operating income of ¥1,805 million for the third quarter of the previous fiscal year.

(2) Explanation regarding Financial Position

Total assets at the end of the third quarter of the fiscal year amounted to ¥1,232,194 million, an increase of ¥8,394 million from the end of the previous fiscal year. This was due mainly to an increase in notes and accounts receivable-trade owing to seasonal factors.

Total liabilities amounted to ¥721,127 million, an increase of ¥47,488 million from the end of the previous fiscal year. This was mainly attributable to an increase in notes and accounts payable owing to seasonal factors, and an increase in interest-bearing debt.

Net assets amounted to ¥511,067 million, a decrease of ¥39,093 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.

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

In line with the resurgence of COVID-19 cases, the second state of emergency was declared. Accordingly, the recovery of personal consumption slowed due to reinforced stay at home requests and a worsening consumer sentiment. Furthermore, from January, we shortened the opening hours of some of the domestic Group department stores. In consideration of the above factors, we have revised net sales in the consolidated results forecast announced on November 11, 2020, as follows.

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

| | Net Sales | Operating Income | Recurring Income | Net Income attributable to Parent Company Shareholders | Net Income per Share* |
|---|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Yen |
| Previous forecast (A) | 815,000 | (33,000) | (34,000) | (45,000) | (118.34) |
| Revised forecast (B) | 800,000 | (33,000) | (34,000) | (45,000) | (118.31) |
| Change (B – A) | (15,000) | — | — | — | 0.03 |
| Change (%) | (1.8) | — | — | — | — |
| (Reference) Results for the previous fiscal year (fiscal 2019) | 1,119,191 | 15,679 | 19,771 | (11,187) | (28.90) |

*Regarding net income per share, the previous forecast was calculated using the average number of shares during the period of the six months ended September 30, 2020, and the revised forecast was calculated using the average number of shares during the period of the nine months ended December 31, 2020.

## 2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

| | Fiscal 2019 (As of March 31, 2020) | 3Q of Fiscal 2020 (As of December 31, 2020) |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and bank deposits | 74,301 | 83,728 |
| Notes and accounts receivable-trade | 119,441 | 133,801 |
| Marketable securities | 1,718 | 867 |
| Merchandise and finished goods | 38,153 | 33,799 |
| Work in process | 2,797 | 787 |
| Raw materials and supplies | 629 | 607 |
| Other current assets | 39,007 | 43,698 |
| Less: Allowance for doubtful accounts | (3,736) | (4,252) |
| Total current assets | 272,313 | 293,037 |
| Property and equipment | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 170,907 | 167,667 |
| Land | 533,433 | 534,603 |
| Other tangible fixed assets, net | 30,631 | 28,986 |
| Total tangible fixed assets | 734,972 | 731,257 |
| Intangible fixed assets | | |
| Software | 18,044 | 15,673 |
| Goodwill | 15 | 9 |
| Other intangible fixed assets | 22,702 | 22,668 |
| Total intangible fixed assets | 40,762 | 38,351 |
| Investments and other assets | | |
| Investment securities | 108,743 | 105,187 |
| Other assets | 67,048 | 64,429 |
| Less: Allowance for doubtful accounts | (173) | (178) |
| Total investments and other assets | 175,618 | 169,438 |
| Total property and equipment | 951,353 | 939,047 |
| Deferred assets | | |
| Bond issue costs | 133 | 109 |
| Total deferred assets | 133 | 109 |
| Total assets | 1,223,800 | 1,232,194 |

(Millions of yen)

| | Fiscal 2019 (As of March 31, 2020) | 3Q of Fiscal 2020 (As of December 31, 2020) |
|---|---|---|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable | 79,742 | 112,339 |
| Short-term borrowings | 21,401 | 26,214 |
| Commercial paper | 50,000 | 50,000 |
| Income taxes payable | 2,897 | 739 |
| Reserve for loss from redemption of gift vouchers | 32,799 | 31,814 |
| Allowance | 20,864 | 13,844 |
| Other current liabilities | 173,607 | 167,701 |
| Total current liabilities | 381,313 | 402,652 |
| Long-term liabilities | | |
| Bonds payable | 40,000 | 40,000 |
| Long-term debt | 64,146 | 87,800 |
| Deferred tax liabilities | 128,011 | 132,404 |
| Net defined benefit liability | 36,150 | 35,918 |
| Allowance | 242 | 119 |
| Liabilities from application of equity method | 1,651 | 2,539 |
| Other long-term liabilities | 22,123 | 19,692 |
| Total long-term liabilities | 292,325 | 318,474 |
| Total liabilities | 673,639 | 721,127 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 50,790 | 50,944 |
| Capital surplus | 322,985 | 323,704 |
| Retained earnings | 183,644 | 145,184 |
| Less: Treasury stock | (19,304) | (18,653) |
| Total shareholders' equity | 538,115 | 501,179 |
| Accumulated other comprehensive income | | |
| Net unrealized gains (losses) on other securities | 1,523 | 476 |
| Deferred gains (losses) on hedges | 43 | 44 |
| Foreign currency translation adjustments | 4,625 | 4,152 |
| Remeasurements of defined benefit plans | (1,962) | (1,947) |
| Total accumulated other comprehensive income | 4,229 | 2,725 |
| Stock acquisition rights | 1,857 | 1,551 |
| Non-controlling interests | 5,958 | 5,610 |
| Total net assets | 550,161 | 511,067 |
| Total liabilities and net assets | 1,223,800 | 1,232,194 |

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

### Consolidated Statements of Income

Third Quarter Period

(Millions of yen)

| | 3Q of Fiscal 2019 (From April 1, 2019 to December 31, 2019) | 3Q of Fiscal 2020 (From April 1, 2020 to December 31, 2020) |
|---|---|---|
| Net sales | 875,260 | 602,435 |
| Cost of sales | 621,828 | 432,929 |
| Gross profit | 253,431 | 169,506 |
| Selling, general and administrative expenses | 232,333 | 184,376 |
| Operating income (loss) | 21,098 | (14,870) |
| Non-operating income | | |
| Interest income | 531 | 376 |
| Dividend income | 724 | 572 |
| Equity in earnings of affiliates | 1,027 | 487 |
| Gain on donated fixed assets | 3,188 | 2,502 |
| Other non-operating income | 738 | 1,606 |
| Total non-operating income | 6,210 | 5,545 |
| Non-operating expenses | | |
| Interest expenses | 684 | 670 |
| Loss on retirement of property and equipment | 849 | 1,208 |
| Other non-operating expenses | 2,675 | 2,240 |
| Total non-operating expenses | 4,209 | 4,119 |
| Recurring income (loss) | 23,099 | (13,444) |
| Extraordinary gain | | |
| Subsidies for employment adjustment | — | 5,890 |
| Gain on sales of property and equipment | 3,171 | — |
| Gain on sales of investment securities | 735 | — |
| Gain on transfer of business | 649 | — |
| Other extraordinary gain | 14 | — |
| Total extraordinary gain | 4,571 | 5,890 |
| Extraordinary loss | | |
| Loss on disposal of property and equipment | 2,684 | 1,004 |
| Impairment losses | 400 | 852 |
| Loss on valuation of investment securities | — | 1,837 |
| Loss on valuation of shares of subsidiaries and associates | — | 599 |
| Loss on closing of stores | 1,485 | 1,276 |
| Business structure improvement expenses | 8,763 | 2,592 |
| COVID-19-related loss | — | 12,579 |
| Other extraordinary loss | — | 349 |
| Total extraordinary loss | 13,334 | 21,091 |
| Income (loss) before income taxes | 14,336 | (28,645) |
| Income taxes | 6,362 | 6,346 |
| Net income (loss) | 7,973 | (34,991) |
| Net income (loss) attributable to non-controlling interests | 111 | (232) |
| Net income (loss) attributable to parent company shareholders | 7,862 | (34,759) |

## Consolidated Statements of Comprehensive Income (Loss)

### Third Quarter Period

(Millions of yen)

| | 3Q of Fiscal 2019 (From April 1, 2019 to December 31, 2019) | 3Q of Fiscal 2020 (From April 1, 2020 to December 31, 2020) |
|---|---|---|
| Net income (loss) | 7,973 | (34,991) |
| Other comprehensive income | | |
| Net unrealized gains (losses) on other securities | (383) | 933 |
| Deferred gains (losses) on hedges | 4 | 1 |
| Foreign currency translation adjustments | (1,120) | (865) |
| Gain (loss) on revision of retirement benefit plans | 204 | 14 |
| Amount corresponding to equity interest in equity method affiliates | (2,217) | (1,830) |
| Total other comprehensive income | (3,512) | (1,746) |
| Comprehensive income | 4,461 | (36,737) |
| (Breakdown) | | |
| Comprehensive income attributable to parent company shareholders | 4,555 | (36,263) |
| Comprehensive income attributable to non-controlling interests | (94) | (474) |

## (3) Notes regarding Consolidated Financial Statements

(Notes on going concern assumption)
Not applicable.

(Notes on significant changes in shareholders' equity)
Not applicable.

(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 associated with the impact of COVID-19)
The Group has shortened the opening hours of some of its domestic department stores, in light of the state of emergency declared by the Japanese government in January 2021.

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 third quarter under review based on the assumption that the impact will continue roughly until the end of March 2021. There is no important change to the description provided in (Additional information), (Accounting estimates associated with the impact of COVID-19) on the quarterly securities report for the first quarter ended June 30, 2020.

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.

(Segment information)

[Segment information]

I. Third quarter of the previous consolidated accounting period (April 1, 2019 to December 31, 2019)

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 | 809,581 | 17,860 | 23,133 | 850,574 | 24,685 | 875,260 | — | 875,260 |
| Intersegment sales or transfer | 2,396 | 12,052 | 2,463 | 16,912 | 39,650 | 56,562 | (56,562) | — |
| Total | 811,977 | 29,912 | 25,596 | 867,487 | 64,335 | 931,823 | (56,562) | 875,260 |
| Segment income | 9,775 | 4,732 | 4,594 | 19,103 | 1,805 | 20,908 | 189 | 21,098 |

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 adjustment of ¥189 million is intersegment eliminations, etc.
3. Segment income is adjusted to operating income.

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

(Significant impairment losses related to property and equipment)

(Millions of yen)

| | Reporting segments | | | | Other businesses | Total |
|---|---|---|---|---|---|---|
| | Department store business | Credit & finance business/ Customer organization management business | Real estate business | Subtotal | | |
| Impairment losses | 542 | — | — | 542 | 77 | 619 |

Note
Impairment losses include ¥219 million of loss on closing of stores.

## II. Third quarter of the current consolidated accounting period (April 1, 2020 to December 31, 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 | 551,766 | 15,805 | 20,592 | 588,164 | 14,271 | 602,435 | — | 602,435 |
| Intersegment sales or transfer | 2,136 | 8,621 | 1,488 | 12,245 | 34,109 | 46,355 | (46,355) | — |
| Total | 553,902 | 24,426 | 22,080 | 600,410 | 48,380 | 648,790 | (46,355) | 602,435 |
| Segment income (loss) | (21,903) | 3,191 | 4,400 | (14,312) | (522) | (14,835) | (35) | (14,870) |

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 ¥35 million is intersegment eliminations, etc.
3. Segment income (loss) is adjusted to operating loss.

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

(Significant impairment losses related to property and equipment)

(Millions of yen)

| | Reporting segments | | | | Other businesses | Total |
|---|---|---|---|---|---|---|
| | Department store business | Credit & finance business/ Customer organization management business | Real estate business | Subtotal | | |
| Impairment losses | 282 | 72 | — | 355 | 880 | 1,235 |

Note
Impairment losses include ¥310 million of loss on closing of stores and ¥72 million of other extraordinary loss.

(Significant subsequent events)
(Transfer of shares of a subsidiary)
The Company resolved at the Executive Officers' Meeting held on November 11, 2020 to transfer all of the shares (100.0% of shares issued and outstanding) of Isetan Mitsukoshi Real Estate Co., Ltd. (hereinafter, "IMRE"), a consolidated subsidiary, that are held by Isetan Mitsukoshi Ltd. (hereinafter, "IM"), a wholly-owned subsidiary of the Company, to Echigo LLC (hereinafter, "Echigo"), which is a corporation established by a specified fund at which The Blackstone Group Inc. (NYSE: BX) and its affiliates (hereinafter, collectively, "Blackstone") serve as management or investment advisors. On the same day, a share transfer agreement was concluded. The transfer of shares was completed on January 4, 2021.

(1) Reason for share transfer
While developing businesses centering on leasing of properties owned by the company and sales of condominiums, IMRE has also engaged in the subleasing business and leasing management business of properties held by real estate owners, and the management association business.
The Company has set "strengthening of the real estate business" as one of its priority initiatives in the Group's three-year plan, and has been examining businesses toward expanding revenue over the medium- to long-term by making effective use of the real estate held by the Group.
Specifically, its policy is to promote initiatives toward multiple use of the real estate held by the Group primarily for commercial purpose, and to preferentially allocate its management resources in the said area.
Under such Group policy, we decided to transfer all of shares in IMRE held by IM to Echigo, for the sake of further development of IMRE, in recognition of the management expertise and achievements possessed by Blackstone in the Japanese real estate industry.

(2) Name of counterparty of share transfer
Echigo LLC

(3) Timing of share transfer

| | |
|---|---|
| 1) Contract date: | November 11, 2020 |
| 2) Share transfer execution date: | January 4, 2021 |

(4) Name and business lineup of the subsidiary and transactional relationship with the Company

| | |
|---|---|
| 1) Name: | Isetan Mitsukoshi Real Estate Co., Ltd. |
| 2) Business lineup: | Real estate leasing, real estate leasing management |
| 3) Transactional relationship with the Company: | Transactional relationships including business consignment with the Company and its consolidated subsidiaries. |

(5) Number of shares to be transferred, transfer price, gain or loss on transfer and number of shares to be held after the transfer

| | |
|---|---|
| 1) Number of shares to be transferred: | 192,542 shares (Ownership ratio of voting rights: 100.0%) |
| 2) 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. |
| 3) Gain or loss on transfer: | Approximately ¥7.1 billion will be recorded as gain on sales of shares of subsidiaries and associates under extraordinary gain in the fourth quarter of the fiscal year ending March 31, 2021. |
| 4) Number of shares to be held after the transfer: | 0 shares (Ownership ratio of voting rights: 0%) |

## 3. Supplementary Information

### (1) Outline of Consolidated Business Results

(Millions of yen)

| Item | 3Q of Fiscal 2020 (From April 1, 2020 to December 31, 2020) | 3Q of Fiscal 2019 (From April 1, 2019 to December 31, 2019) | Amount of Change | Percentage Change |
|---|---|---|---|---|
| Net sales (Consolidated) | 602,435 | 875,260 | (272,824) | 68.8% |
| Gross profit (Consolidated) | 169,506 | 253,431 | (83,924) | 66.9% |
| Selling, general and administrative expenses (Consolidated) | 184,376 | 232,333 | (47,956) | 79.4% |
| Advertising expenses | 6,987 | 13,712 | (6,725) | 51.0% |
| Point related expenses | 11,385 | 16,069 | (4,684) | 70.8% |
| Personnel expenses | 64,565 | 77,384 | (12,819) | 83.4% |
| Depreciation and amortization | 17,270 | 20,179 | (2,908) | 85.6% |
| Lease payments | 18,581 | 23,892 | (5,310) | 77.8% |
| Business consignment expenses | 21,357 | 24,691 | (3,334) | 86.5% |
| Others | 44,229 | 56,403 | (12,173) | 78.4% |
| Operating income (Consolidated) | (14,870) | 21,098 | (35,968) | — |
| Recurring income (Consolidated) | (13,444) | 23,099 | (36,543) | — |
| Net income attributable to parent company shareholders | (34,759) | 7,862 | (42,621) | — |

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

1. Outline of Business Results

(Millions of yen)

| Item | 3Q of Fiscal 2020 (From April 1, 2020 to December 31, 2020) | 3Q of Fiscal 2019 (From April 1, 2019 to December 31, 2019) | Amount of Change | Percentage Change |
|---|---|---|---|---|
| Net sales | 298,327 | 464,716 | (166,388) | 64.2% |
| Gross profit | 81,405 | 131,269 | (49,863) | 62.0% |
| Other operating income and expenses | 9,191 | 9,415 | (224) | 97.6% |
| Operating gross profit | 90,597 | 140,685 | (50,087) | 64.4% |
| Selling, general and administrative expenses | 102,813 | 129,819 | (27,005) | 79.2% |
| Advertising expenses | 3,185 | 6,307 | (3,121) | 50.5% |
| Point related expenses | 5,130 | 7,507 | (2,376) | 68.3% |
| Personnel expenses | 32,754 | 40,958 | (8,204) | 80.0% |
| Depreciation and amortization | 7,198 | 8,244 | (1,045) | 87.3% |
| Lease payments | 5,478 | 7,468 | (1,990) | 73.4% |
| Business consignment expenses | 13,922 | 16,642 | (2,719) | 83.7% |
| Others | 35,143 | 42,691 | (7,547) | 82.3% |
| Operating income | (12,216) | 10,865 | (23,082) | — |
| Recurring income | 538 | 14,312 | (13,774) | 3.8% |
| Net income | (12,966) | 4,404 | (17,371) | — |

2. Net Sales by Store

(Millions of yen)

| Name of Store | 3Q of Fiscal 2020 (From April 1, 2020 to December 31, 2020) | 3Q of Fiscal 2019 (From April 1, 2019 to December 31, 2019) | Amount of Change | Percentage Change |
|---|---|---|---|---|
| Isetan Shinjuku Main Store | 149,040 | 214,278 | (65,238) | 69.6% |
| Mitsukoshi Nihombashi Main Store | 75,850 | 106,347 | (30,497) | 71.3% |
| Mitsukoshi Ginza Store | 32,200 | 67,452 | (35,252) | 47.7% |
| Isetan Tachikawa Store | 19,338 | 26,897 | (7,559) | 71.9% |
| Isetan Urawa Store | 21,898 | 29,634 | (7,736) | 73.9% |
| Isetan Sagamihara Store* | — | 11,555 | (11,555) | — |
| Isetan Fuchu Store* | — | 8,549 | (8,549) | — |
| Total | 298,327 | 464,716 | (166,388) | 64.2% |
| Comparable-store total (excl. the Sagamihara and Fuchu stores) | 298,327 | 444,611 | (146,283) | 67.1% |

* The Isetan Sagamihara Store and Isetan Fuchu Store were closed in September 2019.

## (3) Sales of Domestic Group Department Stores

(Millions of yen)

| Name of Company | 3Q of Fiscal 2020 (From April 1, 2020 to December 31, 2020) | 3Q of Fiscal 2019 (From April 1, 2019 to December 31, 2019) | Amount of Change | Percentage Change |
|---|---|---|---|---|
| Sapporo Marui Mitsukoshi Ltd. | 31,976 | 48,294 | (16,318) | 66.2% |
| Hakodate Marui Imai Ltd. | 4,477 | 5,860 | (1,382) | 76.4% |
| Sendai Mitsukoshi Ltd. | 18,378 | 23,295 | (4,916) | 78.9% |
| Nagoya Mitsukoshi Ltd. | 38,632 | 49,646 | (11,013) | 77.8% |
| Shizuoka Isetan Co., Ltd. | 10,645 | 13,420 | (2,775) | 79.3% |
| Niigata Isetan Mitsukoshi Ltd. | 23,313 | 31,815 | (8,501) | 73.3% |
| Hiroshima Mitsukoshi Ltd. | 8,950 | 10,768 | (1,817) | 83.1% |
| Takamatsu Mitsukoshi Ltd. | 13,434 | 16,789 | (3,355) | 80.0% |
| Matsuyama Mitsukoshi Ltd. | 5,214 | 9,330 | (4,116) | 55.9% |
| Iwataya Mitsukoshi Ltd. | 63,068 | 84,306 | (21,238) | 74.8% |

## (4) Sales of Duty-Free Merchandise

(Millions of yen)

| Name of Company | 3Q of Fiscal 2020 (From April 1, 2020 to December 31, 2020) | 3Q of Fiscal 2019 (From April 1, 2019 to December 31, 2019) | Amount of Change | Percentage Change |
|---|---|---|---|---|
| Isetan Shinjuku Main Store | 2,317 | 20,578 | (18,261) | 11.3% |
| Mitsukoshi Nihombashi Main Store | 190 | 2,485 | (2,294) | 7.7% |
| Mitsukoshi Ginza Store | 265 | 19,830 | (19,564) | 1.3% |
| Others | 30 | 289 | (258) | 10.7% |
| Isetan Mitsukoshi total | 2,803 | 43,183 | (40,379) | 6.5% |
| Sapporo Marui Mitsukoshi Ltd. | 14 | 2,863 | (2,849) | 0.5% |
| Nagoya Mitsukoshi Ltd. | 153 | 2,172 | (2,018) | 7.1% |
| Iwataya Mitsukoshi Ltd. | 144 | 4,057 | (3,912) | 3.6% |
| Others | 33 | 775 | (741) | 4.4% |
| Total domestic regional department stores | 346 | 9,868 | (9,521) | 3.5% |
| Total domestic department stores | 3,150 | 53,051 | (49,900) | 5.9% |