



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

[Japanese Standards] (Consolidated)

February 1, 2022

## 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 filing of the quarterly securities report (*Shihanki Houkokusho*): February 2, 2022

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 2021 (From April 1, 2021 to December 31, 2021)

#### (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 FY2021	314,650	-	3,007	-	3,885	-	923	-
3Q of FY2020	602,435	(31.2)	(14,870)	-	(13,444)	-	(34,759)	-

(Note) Comprehensive income: 3Q of FY2021: ¥8,110 million (-%), 3Q of FY2020: ¥(36,737) million (-%)

Since the "Accounting Standard for Revenue Recognition," etc. was adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022, the percentage changes from the results of the third 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 ¥681,460 million, an increase of 13.1% from the third quarter of the previous fiscal year.

	Net Income per Share (Basic)	Net Income per Share (Diluted)
	Yen	Yen
3Q of FY2021	2.42	2.41
3Q of FY2020	(91.39)	-

#### (2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
3Q of FY2021	1,200,826	499,649	41.1
FY2020	1,198,303	508,275	41.9

(Reference) Shareholders' equity: 3Q of FY2021: ¥493,819 million, FY2020: ¥501,936 million

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

### 2. Dividends

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

(Note) Revision to recently announced dividend forecast: No

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

(Percentage figures indicate changes from the previous year.)

	Net sales		Operating Income		Recurring Income		Net Income attributable to Parent Company Shareholders		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	425,000	-	3,000	-	4,000	-	7,000	-	18.36

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

The forecast is based on the “Accounting Standard for Revenue Recognition,” etc., which was adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022. Therefore, the percentage changes from the results of the previous fiscal year before the adoption of the accounting standard, etc. are not provided. If the accounting standard, etc. had not been adopted, the net sales forecast would be ¥923,000 million, an increase of 13.1% 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

Notes on changes in accounting policy

#### (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 FY2021	396,671,554 shares	FY2020	396,459,054 shares
Third quarter of FY2021	15,198,585 shares	FY2020	15,403,484 shares
Third quarter of FY2021	381,264,168 shares	Third quarter of FY2020	380,355,650 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 ending March 31, 2022. Accordingly, year-on-year yen and percentage changes are not provided in the explanation of business results below, as the accounting treatment for revenue is different from the one used for the third quarter of the previous fiscal year. All forward-looking statements contained in this text are based on the judgement of the Group (the Company and its consolidated subsidiaries) as of the final day of the quarter under review.

During the third quarter of fiscal 2021 (April 1, 2021 to December 31, 2021), the Japanese economy suffered as real GDP for the July-September quarter was negative 3.6% year-on-year due to the spread of COVID-19 and frequent restrictions on economic activities resulting from repeated declarations of states of emergency. The number of newly infected people decreased from October and the state of emergency was lifted, showing signs of an upturn in the economy, amid a trend toward a return to normality in economic activities. Nevertheless, the outlook remains uncertain mainly due to concerns about new COVID-19 variants.

In this context, it remains uncertain when the COVID-19 pandemic will be contained, and the spread of new lifestyles and further changes in consumer behaviors is expected. Under these circumstances, the Group announced a new medium-term management plan in November. The Group has established the long-term vision “to be a ‘special’ department store-centered retail group that enriches the lives of our customers,” and aims to achieve its basic strategy of “expanding and dominating in high sensitivity, fine quality consumption, providing the ultimate customer experience.” The Group has striven to promote its initiatives based on the three pillars of its “high sensitivity, fine quality strategy,” “connections with customers CRM strategy,” and “stronger intra-Group coordination strategy.”

In the “high sensitivity, fine quality strategy,” we held weekly events, including an event that proposed the world’s most in-season and latest products in luxury brands, at the Isetan Shinjuku Main Store, which aims to be a global number one and only one department store. These events were received well. Regarding regional department stores, Matsuyama Mitsukoshi underwent a major renovation for the first time in 30 years in October, and reopened as a base for high-sensitivity, fine quality consumption in the area. By collaborating with regions, we aim to offer lifestyle proposals with expanded content and actualize a fine quality customer experience with new facilities such as hotels, fitness centers and aging care parks.

As an “(individual) out-of-store sales reform” aimed at increasing the lifetime value of out-of-store sales customers nationwide, we have organized a new “sales network structure” through the collaboration of direct sales, buyers and in-store attendants, centering on the Isetan Shinjuku Main Store and the Mitsukoshi Nihombashi Main Store. We have started a new sales model that offers MD proposals, which are not conventionally available in department stores, to meet the potential needs of our customers. Furthermore, through the “Sales x Digital” network, we offered brands that are not found in our own stores and rare products in regional department stores.

In the “connections with customers CRM strategy,” we are working on “increasing the population parameter” of MICARD members and Isetan Mitsukoshi app subscribers. Since May, the Isetan Mitsukoshi app began awarding points to customers even if they paid with credit cards other than MICARD or with cash at stores in the Tokyo metropolitan area. Moreover, with the point-up campaign held in October, the number of app subscribers has increased more than was expected. At the same time, we worked on “increasing the frequency of use and amount of money used” by improving convenience primarily through the addition of new app functions and the expansion of information dissemination contents.

As a first step in realizing the “stronger intra-Group coordination strategy,” we are working to reduce the cost of outflow to outside the Group. Isetan Mitsukoshi Property Design Ltd., which engages in the construction business, has started contracting for store remodeling work within the Group.

In “reforms to the income and expenditure structure,” which forms the foundation for our strategies, we reviewed the outsourcing operations of the entire Group and reduced costs by insourcing sales operations and online work. In addition, we controlled costs, such as by reviewing advertising mediums and reducing advertising expenses by going online.

We also emphasize sustainability as a foundation for management and aim to promote it by combining it with our strategies. In November, we published the “Isetan Mitsukoshi Holdings Sustainability Report 2021” for the first time and set medium-to-long term goals. Various initiatives toward the realization of a sustainable society are described alongside performance data, and we will continue to strive towards achieving our environmental goals and expanding the Company’s unique initiatives.

As a result, in the third quarter of the fiscal year under review on a consolidated basis, the Company recorded net sales of ¥314,650 million compared to net sales of ¥602,435 million in the third quarter of the previous fiscal year, operating income of ¥3,007 million compared to operating loss of ¥14,870 million in the third quarter of the previous fiscal year, recurring income of ¥3,885 million compared to recurring loss of ¥13,444 million in the third quarter of the previous fiscal year, and net income attributable to parent company shareholders of ¥923 million compared to net loss attributable to parent company shareholders of ¥34,759 million in the third quarter of the previous fiscal year.

Due to the adoption of the Accounting Standard for Revenue Recognition, etc., in the third quarter of the fiscal year under review, net sales, operating income, recurring income, and income before incomes taxes decreased by ¥366,809 million, ¥376 million, ¥277 million, and ¥277 million, respectively.

Results by segment were as follows.

#### 1) *Department Store Business*

In the department store business, since October, when the state of emergency was lifted, we have continued to operate while continuing to take measures to prevent the spread of infection to our customers and employees, focusing on “safety and security.” The number of customers visiting stores is on a recovery trend due to an increase in the COVID-19 vaccination rate and a decrease in the number of newly infected people. Domestic department stores sales from October to December exceeded sales from the same period of the previous year for the third consecutive month, and the two main stores have been the driving force behind these sales.

From October, high value-added products such as luxury brands and jewelry continued to perform well in response to growing consumer confidence around Christmas and the end of the year. Moreover, orders for New Year dishes and Christmas cakes increased for the second consecutive year at both main stores.

As part of our initiatives to enhance customer experience value through digital reforms, we have aimed to increase convenience for customers by expanding the target sections of the “Mitsukoshi Isetan remote shopping app,” which provides an online shopping experience similar to one in a real store.

Although we continue to strive to strengthen online initiatives, the growth rate of online sales has slowed slightly since October, when the state of emergency was lifted, compared to before. In such a situation, the “ISETAN DOOR” regular food delivery service strengthened its provision of season MD for existing customers and performed strongly.

As a result, segment sales amounted to ¥280,965 million compared to ¥553,902 million in the third quarter of the previous fiscal year, and an operating loss of ¥6,195 million was recorded compared to an operating loss of ¥21,903 million in the third quarter of the previous fiscal year. Due to the adoption of the Accounting Standard for Revenue Recognition, etc., segment sales decreased by ¥361,831 million, and operating loss increased by ¥59 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.

As for MICARD Co., Ltd., the use of cards inside and outside the Group began to recover after the nationwide lifting of the state of emergency in October, and external use excluding department stores exceeded the level in 2018 before the COVID-19 pandemic. Moreover, in terms of selling, general and administrative expenses, we took measures to reduce outsourcing operations and achieve greater efficiency in sales program costs, which resulted in firm operating income.

As a result, segment sales amounted to ¥23,061 million compared to ¥24,426 million in the third quarter of the previous fiscal year, and operating income was ¥4,721 million compared to operating income of ¥3,191 million in the third quarter of the previous fiscal year. Due to the adoption of the Accounting Standard for Revenue Recognition, etc., segment sales decreased by ¥2,238 million, and operating income decreased by ¥316 million.

#### 3) *Real Estate Business*

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

Isetan Mitsukoshi Property Design Ltd. recorded a year-on-year decline in net sales due to the impact of construction work delays and other issues arising from the COVID-19 pandemic, despite substantial orders for large commercial facilities, hotels, resorts and other facilities in the construction and design business and construction management business. From October to December, sales in the construction business were strong due to the start of contracts for store remodeling within the Group.

As a result, segment sales amounted to ¥13,090 million compared to ¥22,080 million in the third quarter of the previous fiscal year, and operating income was ¥4,134 million compared to operating income of ¥4,400 million in the third quarter of the previous fiscal year. In the real estate business, the impact of the adoption of the Accounting Standard for Revenue Recognition, etc. on segment sales and operating income is minimal.

#### 4) *Other Businesses*

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

In the travel business, Mitsukoshi Isetan Nikko Travel, Ltd. saw a significant downturn from April to September due to the impact of the declaration of a state of emergency. However, the number of customers increased sharply from October to December and the domestic travel sales during this period greatly exceeded the level of the previous year. Nevertheless, the business environment remains in a difficult situation as overseas travel sales, which were the main source of revenue, cannot be expected.

At the logistics company Isetan Mitsukoshi Business Support Ltd., store sales recovered and the volume of inner building delivery operations increased through intra-Group transactions. In transactions outside the Group, operating income remained strong owing to an overall improvement in gross profit due to the acquisition of new customers, an increase in sporadic business contracts and the review of manufacturing costs.

As a result, segment sales amounted to ¥38,679 million compared to ¥48,380 million in the third quarter of the previous fiscal year, and an operating income of ¥207 million was recorded compared to an operating loss of ¥522 million in the third quarter of the previous fiscal year. Due to the adoption of the Accounting Standard for Revenue Recognition, etc., segment sales decreased by ¥2,740 million, while there is minimal impact on operating income.

## (2) Explanation regarding Financial Position

Total assets at the end of the third quarter of the fiscal year under review amounted to ¥1,200,826 million, an increase of ¥2,523 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 ¥701,176 million, an increase of ¥11,149 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.

Net assets amounted to ¥499,649 million, a decrease of ¥8,625 million from the end of the previous fiscal year. This was mainly attributable to a decrease of ¥12,451 million in the balance of retained earnings at the beginning of the fiscal year due to the adoption of the Accounting Standard for Revenue Recognition, etc.

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

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

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

	Net Sales	Operating Income	Recurring Income	Net Income attributable to Parent Company Shareholders	Net Income per Share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	435,000	3,000	3,000	3,000	7.87
Revised forecast (B)	425,000	3,000	4,000	7,000	18.36
Change (B – A)	(10,000)	–	1,000	4,000	–
Change (%)	(2.3)	–	33.3	133.3	–
(Reference) Results for the previous fiscal year (fiscal 2020)	816,009	(20,976)	(17,171)	(41,078)	(107.96)

Note: The forecast is based on the “Accounting Standard for Revenue Recognition,” etc., which was adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022. If the accounting standard, etc. had not been adopted, the net sales forecast would be ¥923,000 million (a decrease of ¥22,000 million or 2.3% from the previous forecast of ¥945,000 million).

## 2. Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2020 (As of March 31, 2021)	3Q of Fiscal 2021 (As of December 31, 2021)
<b>ASSETS</b>		
Current assets		
Cash and bank deposits	100,041	99,014
Notes and accounts receivable-trade	116,415	—
Notes and accounts receivable-trade, and contract assets	—	138,899
Marketable securities	1,683	995
Merchandise and finished goods	28,913	27,004
Work in process	320	359
Raw materials and supplies	549	434
Other current assets	38,730	26,971
Less: Allowance for doubtful accounts	(4,205)	(4,197)
Total current assets	282,448	289,481
Property and equipment		
Tangible fixed assets		
Buildings and structures, net	161,238	157,645
Land	521,541	521,609
Other tangible fixed assets, net	27,473	23,884
Total tangible fixed assets	710,252	703,139
Intangible fixed assets		
Software	15,410	16,894
Other intangible fixed assets	23,453	23,426
Total intangible fixed assets	38,863	40,320
Investments and other assets		
Investment securities	110,558	114,672
Other assets	56,247	53,310
Less: Allowance for doubtful accounts	(170)	(181)
Total investments and other assets	166,635	167,801
Total property and equipment	915,751	911,261
Deferred assets		
Bond issue costs	102	82
Total deferred assets	102	82
Total assets	1,198,303	1,200,826

(Millions of yen)

	Fiscal 2020 (As of March 31, 2020)	3Q of Fiscal 2021 (As of December 31, 2021)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable	83,140	121,309
Current portion of bonds payable	—	10,000
Short-term borrowings	31,084	21,577
Commercial paper	50,000	39,000
Income taxes payable	1,834	1,452
Reserve for loss from redemption of gift vouchers	36,154	17,685
Allowance	15,403	7,165
Other current liabilities	160,235	185,735
Total current liabilities	377,853	403,926
Long-term liabilities		
Bonds payable	40,000	30,000
Long-term debt	87,800	84,000
Deferred tax liabilities	128,522	129,302
Net defined benefit liability	34,570	34,301
Allowance	109	41
Liabilities from application of equity method	2,811	3,362
Other long-term liabilities	18,359	16,242
Total long-term liabilities	312,173	297,250
Total liabilities	690,027	701,176
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	50,995	51,123
Capital surplus	323,755	323,774
Retained earnings	138,865	123,143
Less: Treasury stock	(18,654)	(18,363)
Total shareholders' equity	494,962	479,677
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities	3,240	2,898
Deferred gains (losses) on hedges	46	43
Foreign currency translation adjustments	4,923	12,285
Remeasurements of defined benefit plans	(1,236)	(1,085)
Total accumulated other comprehensive income	6,973	14,141
Stock acquisition rights	1,447	1,192
Non-controlling interests	4,891	4,637
Total net assets	508,275	499,649
Total liabilities and net assets	1,198,303	1,200,826



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

### Consolidated Statements of Income

Third Quarter Period

(Millions of yen)

	3Q of Fiscal 2020 (From April 1, 2020 to December 31, 2020)	3Q of Fiscal 2021 (From April 1, 2021 to December 31, 2021)
Net sales	602,435	314,650
Cost of sales	432,929	132,308
Gross profit	169,506	182,342
Selling, general and administrative expenses	184,376	179,335
Operating income (loss)	(14,870)	3,007
Non-operating income		
Interest income	376	266
Dividend income	572	449
Equity in earnings of affiliates	487	236
Gain on donated fixed assets	2,502	1,001
Other non-operating income	1,606	1,811
Total non-operating income	5,545	3,765
Non-operating expenses		
Interest expenses	670	649
Loss on retirement of property and equipment	1,208	916
Other non-operating expenses	2,240	1,321
Total non-operating expenses	4,119	2,887
Recurring income (loss)	(13,444)	3,885
Extraordinary gain		
Gain on sales of shares of subsidiaries and associates	—	2,240
Subsidies for employment adjustment	5,890	902
Total extraordinary gain	5,890	3,143
Extraordinary loss		
Loss on disposal of property and equipment	1,004	561
Impairment losses	852	108
Loss on valuation of investment securities	1,837	—
Loss on valuation of shares of subsidiaries and associates	599	—
Loss on closing of stores	1,276	709
Business structure improvement expenses	2,592	177
COVID-19-related loss	12,579	3,083
Other extraordinary loss	349	—
Total extraordinary loss	21,091	4,639
Income (loss) before income taxes	(28,645)	2,389
Income taxes	6,346	1,650
Net income (loss)	(34,991)	738
Net loss attributable to non-controlling interests	(232)	(184)
Net income (loss) attributable to parent company shareholders	(34,759)	923

Consolidated Statements of Comprehensive Income (Loss)

Third Quarter Period

(Millions of yen)

	3Q of Fiscal 2020 (From April 1, 2020 to December 31, 2020)	3Q of Fiscal 2021 (From April 1, 2021 to December 31, 2021)
Net income (loss)	(34,991)	738
Other comprehensive income		
Net unrealized gains (losses) on other securities	933	(1,387)
Deferred gains (losses) on hedges	1	(3)
Foreign currency translation adjustments	(865)	1,084
Gain (loss) on revision of retirement benefit plans	14	151
Amount corresponding to equity interest in equity method affiliates	(1,830)	7,525
Total other comprehensive income	(1,746)	7,371
Comprehensive income	(36,737)	8,110
(Breakdown)		
Comprehensive income attributable to parent company shareholders	(36,263)	8,091
Comprehensive income attributable to non-controlling interests	(474)	19

### (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 ending March 31, 2022. Under the accounting standard, revenue is recognized when control over promised goods or services is transferred to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The main changes due to the adoption of the Accounting Standard for Revenue Recognition, etc. are as follows.

#### (1) Revenue recognition for agent transactions

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

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

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

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

As a result, in the third quarter of the fiscal year under review, net sales, cost of sales, and selling, general and administrative expenses decreased by ¥366,809 million, ¥354,612 million, and ¥11,820 million, respectively, and operating income, recurring income, and income before income taxes decreased by ¥376 million, ¥277 million, and ¥277 million, respectively. In addition, the balance of retained earnings at the beginning of the fiscal year decreased by ¥12,451 million.

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

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

Effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, the Company adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter, "Accounting Standard for Fair Value Measurement"), etc. Under the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company decided to adopt the new accounting policy

stipulated by the Accounting Standard for Fair Value Measurement, etc. for the future. There is no impact on the quarterly consolidated financial statements.

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

Calculation of tax expenses

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

(Additional information)

(Accounting estimates regarding the impact of COVID-19)

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

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

(Adoption of the consolidated taxation system)

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

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

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

(Segment information)

[Segment information]

I. Third quarter of the previous 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.

## II. Third quarter of the current consolidated accounting period (April 1, 2021 to December 31, 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	279,464	13,298	11,924	304,687	9,963	314,650	—	314,650
Intersegment sales or transfer	1,500	9,762	1,165	12,429	28,716	41,145	(41,145)	—
Total	280,965	23,061	13,090	317,117	38,679	355,796	(41,145)	314,650
Segment income (loss)	(6,195)	4,721	4,134	2,660	207	2,867	139	3,007

#### 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 ¥139 million is intersegment eliminations, unrealized income, etc.
3. Segment income (loss) 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	495	—	—	495	108	603

#### Note

Impairment losses include ¥495 million of loss on closing of stores.

### 3. Changes in reporting segments

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

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

As a result of this change, sales and segment profit or loss have changed in the third quarter of the fiscal year under review compared to the previous method as follows: in the department store business, sales decreased by ¥361,831 million, and segment loss increased by ¥59 million; in the credit & finance business/customer organization management business, sales decreased by ¥2,238 million, and segment income decreased by ¥316 million; the impact on the real estate business is minimal; and in the other businesses, sales decreased by ¥2,740 million, and the impact on segment income is minimal.

(Business spin-off)

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

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

(Significant subsequent events)

Transfer of important assets

The Company resolved at the meeting of the Board of Executives held on February 1, 2022 to transfer the property and equipment owned by Isetan Mitsukoshi Ltd., a wholly-owned subsidiary of the Company.

1. Reason for the transfer

We have decided to transfer the following assets in order to improve the efficiency of assets and strengthen our financial position by effectively utilizing management resources.

2. Overview of the assets to be transferred

Location:	3-1-26, Shinjuku, Shinjuku-ku, Tokyo
Description of assets:	Land (472.66 m <sup>2</sup> ) Buildings (total floor area of 11,079.87 m <sup>2</sup> , of which the Company holds approximately 28.3%)
Current status:	Real estate for rent
Gain on transfer:	Approximately ¥4.9 billion

(The gain on transfer is an estimated amount obtained by deducting the book value and the estimated amount of expenses related to the transfer from the transfer price)

3. Overview of the transferee

Although the transferee is a general business corporation, we must refrain from disclosing it due to confidentiality obligations.

Moreover, there are no notable capital, personal, or business relationships between the Company and its consolidated subsidiaries and the transferee. The transferee is not a related party of the Company and its consolidated subsidiaries.

4. Schedule for the transfer

Resolution date of the meeting of the Board of Executives:	February 1, 2022
Date of conclusion of sales contract:	February 2, 2022 (planned)
Property delivery date:	March 31, 2022 (planned)

5. Impact on gain and loss

Due to the transfer of this property and equipment, the Company expects to record approximately ¥4.9 billion of gain on sales of property and equipment under extraordinary gain in the fourth quarter of the fiscal year ending March 2022.

### 3. Supplementary Information

#### (1) Outline of Consolidated Business Results

(Millions of yen)

Item	3Q of Fiscal 2021	3Q of Fiscal 2020	Amount of Change	Percentage Change
Gross sales (Consolidated)	681,460	602,435	79,024	113.1%
Net sales (Consolidated)	314,650	602,435	(287,784)	52.2%
Gross profit (Consolidated)	182,342	169,506	12,835	107.6%
Selling, general and administrative expenses (Consolidated)	179,335	184,376	(5,041)	97.3%
Advertising expenses	5,879	6,987	(1,107)	84.2%
Point related expenses	2,781	11,385	(8,603)	24.4%
Personnel expenses	66,423	64,565	1,858	102.9%
Depreciation and amortization	17,026	17,270	(244)	98.6%
Lease payments	22,288	18,581	3,706	119.9%
Business consignment expenses	21,055	21,357	(301)	98.6%
Others	43,878	44,229	(350)	99.2%
Operating income (Consolidated)	3,007	(14,870)	17,877	—
Recurring income (Consolidated)	3,885	(13,444)	17,330	—
Net income attributable to parent company shareholders	923	(34,759)	35,682	—

\* As the Accounting Standard for Revenue Recognition, etc. was adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022, results after the adoption are shown for the third quarter of the fiscal year under review, and results before the adoption are shown for the third quarter of the previous fiscal year.

#### (2) Consolidated Non-operating Income (Expenses)

(Millions of yen)

Item	3Q of Fiscal 2021	3Q of Fiscal 2020	Amount of Change	Percentage Change
Non-operating income	3,765	5,545	(1,779)	67.9%
Interest and dividend income	716	948	(232)	75.5%
Equity in earnings of affiliates	236	487	(251)	48.4%
Gain on donated fixed assets	1,001	2,502	(1,500)	40.0%
Other non-operating income	1,811	1,606	205	112.8%
Non-operating expenses	2,887	4,119	(1,232)	70.1%
Interest expenses	649	670	(20)	96.9%
Loss on retirement of property and equipment	916	1,208	(291)	75.8%
Other non-operating expenses	1,321	2,240	(919)	59.0%



(3) Consolidated Extraordinary Gain (Loss)

(Millions of yen)

Item	3Q of Fiscal 2021	Main Contents
Extraordinary gain	3,143	
Gain on sales of shares of subsidiaries and associates	2,240	Transfer of shares of SWP Holdings Inc. and SOCIE WORLD CO., LTD.
Subsidies for employment adjustment	902	
Extraordinary loss	4,639	
Loss on disposal of property and equipment	561	Remodeling, etc. of Niigata Isetan and Matsuyama Mitsukoshi
Impairment losses	108	Software
Loss on closing of stores	709	Small and medium-sized stores, and two overseas stores
Business structure improvement expenses	177	
COVID-19-related loss	3,083	¥975 million in personnel expenses, ¥556 million in depreciation and amortization, ¥667 million in lease payments, ¥267 million in business consignment expenses, etc.

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

(Millions of yen)

Item	3Q of Fiscal 2021	3Q of Fiscal 2020	Amount of Change	Percentage Change
Gross sales	361,677	298,327	63,349	121.2%
Net sales	156,571	298,327	(141,756)	52.5%
Gross profit	92,040	81,405	10,634	113.1%
Other operating income and expenses	12,109	9,191	2,918	131.7%
Operating gross profit	104,150	90,597	13,552	115.0%
Selling, general and administrative expenses	103,811	102,813	997	101.0%
Advertising expenses	2,604	3,185	(580)	81.8%
Point related expenses	0	5,130	(5,131)	—
Personnel expenses	35,657	32,754	2,903	108.9%
Depreciation and amortization	8,369	7,198	1,170	116.3%
Lease payments	7,528	5,478	2,049	137.4%
Business consignment expenses	12,809	13,922	(1,113)	92.0%
Others	36,842	35,143	1,699	104.8%
Operating income	338	(12,216)	12,555	—
Recurring income	4,315	538	3,777	801.9%
Net income	1,969	(12,966)	14,936	—

\* As the Accounting Standard for Revenue Recognition, etc. was adopted from the beginning of the first quarter of the fiscal year ending March 31, 2022, results after the adoption are shown for the third quarter of the fiscal year under review, and results before the adoption are shown for the third quarter of the previous fiscal year.

(5) Gross Sales by Isetan Mitsukoshi Ltd. Store

(Millions of yen)

Name of Store	3Q of Fiscal 2021	3Q of Fiscal 2020	Amount of Change	Percentage Change
Isetan Shinjuku Main Store	186,004	149,040	36,964	124.8%
Mitsukoshi Nihombashi Main Store	87,023	75,850	11,173	114.7%
Mitsukoshi Ginza Store	41,633	32,200	9,433	129.3%
Isetan Tachikawa Store	20,612	19,338	1,274	106.6%
Isetan Urawa Store	26,402	21,898	4,504	120.6%
Total	361,677	298,327	63,349	121.2%

(6) Sales of Duty-Free Merchandise

(Millions of yen)

Name of Company	3Q of Fiscal 2021	3Q of Fiscal 2020	Amount of Change	Percentage Change
Isetan Shinjuku Main Store	4,939	2,317	2,622	213.2%
Mitsukoshi Nihombashi Main Store	515	190	325	271.2%
Mitsukoshi Ginza Store	516	265	251	194.7%
Others	60	30	29	195.4%
Isetan Mitsukoshi total	6,033	2,803	3,229	215.2%
Sapporo Marui Mitsukoshi Ltd.	20	14	6	143.7%
Nagoya Mitsukoshi Ltd.	215	153	61	139.7%
Iwataya Mitsukoshi Ltd.	77	144	(67)	53.3%
Others	43	33	9	127.7%
Total domestic regional department stores	356	346	9	102.6%
Total domestic department stores	6,389	3,150	3,238	202.8%

(7) Major Consolidated Companies

1) Department Store Business

(Millions of yen)

Name of Company	Gross Sales (*2)		Operating Income	
	3Q of Fiscal 2021	Amount of Change	3Q of Fiscal 2021	Amount of Change
Isetan Mitsukoshi Holdings Ltd.	21,501	14,077	15,358	14,070
Isetan Mitsukoshi Ltd. (*1)	361,677	63,349	338	12,555
Sapporo Marui Mitsukoshi Ltd.	35,170	3,194	(1,575)	319
Hakodate Marui Imai Ltd.	4,462	(14)	(12)	(26)
Sendai Mitsukoshi Ltd.	19,552	1,173	(355)	85
Nagoya Mitsukoshi Ltd.	41,936	3,304	(919)	71
Shizuoka Isetan Co., Ltd.	11,532	886	(43)	66
Niigata Isetan Mitsukoshi Ltd.	26,081	2,768	394	158
Hiroshima Mitsukoshi Ltd.	8,660	(290)	(532)	(62)
Takamatsu Mitsukoshi Ltd.	15,654	2,220	92	239
Matsuyama Mitsukoshi Ltd.	3,888	(1,325)	(579)	320
Iwataya Mitsukoshi Ltd.	72,833	9,764	665	1,211
Isetan of Japan Sdn. Bhd.	4,012	(1,689)	(128)	145
Shanghai Mei Long Zhen Isetan Department Store Co., Ltd.	4,866	530	(282)	66
Tianjin Isetan Co., Ltd.	5,736	1,013	169	107
Tianjin Binhai New Area Isetan Co., Ltd.	1,143	321	(25)	24
Chengdu Isetan Co., Ltd.	5,980	1,029	1	(32)
Mitsukoshi (U.S.A) Inc.	3,481	1,781	448	482

\*1 The gain (loss) of the real estate segment is included in Isetan Mitsukoshi Ltd.

\*2 Figures in the department store business represent gross sales.

2) Other Subsidiaries

(Millions of yen)

Name of Company	Net Sales		Operating Income	
	3Q for Fiscal 2021	Amount of Change	3Q for Fiscal 2021	Amount of Change
MICARD Co., Ltd.	23,007	550	5,057	1,577
Isetan Mitsukoshi Property Design Ltd.	6,972	(6,547)	(61)	15
Isetan Mitsukoshi System Solutions Ltd.	9,173	(1,768)	41	(221)
Isetan Mitsukoshi Human Solutions Ltd.	2,721	(848)	(57)	(80)
Isetan Mitsukoshi Business Support Ltd.	18,821	224	299	98
Isetan Mitsukoshi Gift Solutions Ltd.	1,044	(2,793)	457	145
Mitsukoshi Isetan Nikko Travel, Ltd.	1,318	553	(597)	212