Consolidated Financial Results for the Three Months Ended June 30, 2024

(Under Japanese GAAP)

August 9, 2024

Company name: Isetan Mitsukoshi Holdings Ltd.
Listing: Prime Market of Tokyo Stock Exchange
Securities code: 3099
URL: https://www.imhds.co.jp
Representative: Toshiyuki Hosoya, Director, President and CEO
Inquiries: Keiko Mihara, General Manager, Corporate Communication and IR Division, General Affairs Department
Telephone: +81-50-1704-0684
Scheduled date of dividend payments: -
Preparation of supplementary materials for fiscal year results: Yes
Holding of financial results briefing: Yes (for securities analysts)

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

1. Consolidated Business Results for the First Quarter of Fiscal 2024 (From April 1, 2024, to June 30, 2024)

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

	Sales		Operating Income		Recurring Income		Net income attributable to Parent Company Shareholders	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q of FY2024	129,694	9.3	18,868	118.0	21,209	110.0	13,702	101.3
1Q of FY2023	118,680	16.8	8,654	118.3	10,101	123.1	6,805	20.4

(Note) Comprehensive income: 1Q of FY2024: ¥17,354 million (69.1%) 1Q of FY2023: ¥10,263 million (3.2%)

	Net Income per Share (Basic)	Net Income per Share (Diluted)
	Yen	Yen
1Q of FY2024	36.55	36.51
1Q of FY2023	17.82	17.79

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2024	1,234,450	605,864	48.5
FY2023	1,225,103	600,824	48.5

(Note) Shareholders' equity: 1Q of FY2024: ¥598,727 million, FY2023: ¥593,918 million

2. Dividends

	Annual Dividends				
(Record date)	First Quarter	Second Quarter	Third Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2023	-	12.00	-	22.00	34.00
FY2024	-				
FY2024 (Forecast)		24.00	-	24.00	48.00

(Note) Revision to recently announced dividend forecast: Yes

3. Forecast of Consolidated Results for Fiscal 2024 (From April 1, 2024 to March 31, 2025)

(Percentage figures indicate changes from the previous year.)

	Sales		Operating Income		Recurring Income		Net income attributable to Parent Company Shareholders		Net Income per Share (Basic)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	556,000	3.6	72,000	32.4	77,000	28.6	58,000	4.4	154.72

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

The gross sales forecast (sales if the “Accounting Standard for Revenue Recognition,” etc. had not been adopted) would be ¥1,320,000 million, an increase of 7.8% from the previous fiscal year.

* Notes:

(1) Significant changes in the scope of consolidation during the period: No

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

Note: For details, please refer to “(3) Notes regarding Consolidated Financial Statements (Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements)” in “2. Consolidated Financial Statements and Primary Notes” 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: Yes
2) Other changes: No
3) Changes in accounting estimates: No
4) Restatement due to correction: No

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

1) Number of shares issued and outstanding at the end of the period (including treasury stock)	First quarter of FY2024	390,307,354 shares	FY2023	397,265,054 shares
2) Number of shares of treasury stock at the end of the period	First quarter of FY2024	16,248,018 shares	FY2023	21,927,440 shares
3) Average number of shares during the period	First quarter of FY2024	374,868,942 shares	First quarter of FY2023	381,907,457 shares

*** Review of the accompanying quarterly consolidated financial statements by certified public accountants or auditing firms: No**

*** 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 “(3) Explanation Regarding Future Outlook Including the Forecast of Consolidated Results” in “1. Qualitative Information on the Quarterly Results” on page 4.

○ Table of Contents of Accompanying Materials

1. Qualitative Information on the Quarterly Results

(1) Explanation Regarding Business Results
During the first quarter of fiscal 2024 (April 1, 2024, to June 30, 2024), the Japanese economy saw a recovery in automobiles and other major industries, and a recovery trend in services. In addition, since the Bank of Japan lifted its negative interest rate policy and raised interest rates, an environment for a sustainable increase in prices and wages has been established. Due to this environment, as well as the asset effect of higher share prices, personal consumption rebounded.

On the other hand, due to the soaring energy and raw material costs caused by the global situation and exchange rate fluctuations, real wages have been declining and some consumers are reluctant to consume, leading to a concern about a further polarization of consumption.

Amid this environment, the Isetan Mitsukoshi Group steadily implemented initiatives under its medium-term management plan (Fiscal 2022–Fiscal 2024) to realize its long-term vision, “We are a retail group centered on extraordinary department stores working toward improving the lives of our customers.” Thanks to it, we achieved the highest operating income since the foundation of Isetan Mitsukoshi Holdings Ltd. in the previous fiscal year. Although we planned ¥64 billion of operating income for fiscal 2024, which was more than that in the previous fiscal year, the result of the first quarter of the fiscal year under review exceeded the quarterly plan significantly.

Among department stores in Japan, revenue and income significantly increased mainly at stores in the Tokyo metropolitan area, driving the Group’s revenue, while regional stores improved revenue significantly by continuing to control selling, general and administrative expenses. Furthermore, as a result of continued efforts to expand the customer base, the acquisition of digital ID members (including Isetan Mitsukoshi app members) was steady, and customers the Company can identify (hereinafter referred to as “identified customers”) increased. In addition, sales from identified customers grew due to an increase in the unit purchase price of MICARD member customers.

The Group’s subsidiaries and affiliates also achieved significant increases in both revenue and income from the previous fiscal year due to increases in individual and corporate transactions against the backdrop of a pickup in business confidence in Japan.

Moreover, the Group is promoting sustainability initiatives as part of the Group platform strategy, and started the campaign for “think good,” Isetan Mitsukoshi’s concept of *sustainable*, in 2021. The Group has implemented initiatives that will lead to the resolution of social issues at the Isetan Shinjuku Main Store, the Mitsukoshi Nihombashi Main Store and other stores, and the number of plans has exceeded 2,000 plans over three years. Going forward, we plan to engage in “think good” activities not only at department stores but also in the Group as a whole.

As a result, in the first quarter of the fiscal year under review on a consolidated basis, the Company recorded sales of ¥129,694 million, up 9.3% year-on-year, operating income of ¥18,868 million, up 118.0% year-on-year, recurring income of ¥21,209 million, up 110.0% year-on-year, and net income attributable to parent company shareholders of ¥13,702 million, up 101.3% year-on-year.

Results by segment were as follows.

1) Department store business
In the domestic store business, the number of domestic tourists and inbound tourists grew due to the depreciation of the yen and rising share prices, and customers visiting our department stores increased mainly in the Tokyo metropolitan area.

In the “High sensitivity, fine quality” strategy, the high-value-added merchandise newly introduced through the remodeling of the Isetan Shinjuku Main Store and the Ginza Mitsukoshi store performed well. In addition, due to the promotion of collaboration among out-of-store sales activities at stores nationwide and the strengthening of approaches to out-of-store sales customers, the nationwide transaction volume of individual out-of-store-sales increased from the previous year.

In the “CRM strategy connecting with individual customers,” we implemented a campaign to link MICARD and the Isetan Mitsukoshi app to expand their use mainly at stores in the Tokyo metropolitan area at the peak of early summer sales in May 2024, and sales of identified customers increased significantly from the previous year.

Tax-free sales grew significantly not only at stores in the Tokyo metropolitan area but also at regional stores. Sales reached a new record high on a single-month basis in April and May 2024, and remained at the same level in June 2024.

With regard to overseas stores, both sales and operating income at stores in the United States and Malaysia performed well, exceeding the plan. The two stores in Tianjin, China (Tianjin Isetan and Tianjin Binhai New Area Isetan) terminated operations in April 2024, and the store in Shanghai, China (Shanghai Mei Long Zhen Isetan Department Store) also terminated operations in June, following the expiration of the lease contracts for the buildings they occupied.

Segment sales amounted to ¥107,668 million, up 8.8% year-on-year, and operating income was ¥15,716 million, up 134.5% year-on-year.

2) Credit & finance business/ Customer organization management business

In the credit & finance business / customer organization management business, we are working to expand our customer base by striving to improve convenience and enhance financial services.

MICARD Co., Ltd. enjoyed an increase in income from the previous fiscal year due to the steady performance of the credit card transaction volume at the Group's department stores and the expansion of installment fees caused by a greater use of installment payments. In addition, "ISETAN MITSUKOSHI WATCH GUARANTEE*1" was launched at the Isetan Shinjuku Main Store in January 2024 as a new financial service unique to department stores. The number of subscriptions exceeded the plan as more brands become covered by the service and because we are strengthening sales promotions in collaboration with department store staff. Furthermore, due to the initiatives of the reform of the income and expenditure structure including clarifying the standards for incurring advertising expenses, income increased significantly.

Segment sales amounted to ¥8,257 million, up 5.7% year-on-year, and operating income was ¥2,153 million, up 94.6% year-on-year.

*1 ISETAN MITSUKOSHI WATCH GUARANTEE = Our unique service for watches purchased at Isetan Mitsukoshi that offers a repair warranty and maintenance services including overhauls at preferential prices that cannot be covered by the manufacturer's warranty.

3) Real estate business

In the real estate business, we are working to create new value by making the most of the real estate the Group owns.

Isetan Mitsukoshi Property Design Ltd. saw significant revenue and income growth from the previous fiscal year due to increases in orders for renovation of hotels, offices, and brand stores in large development projects. This occurred because of our high-value-added proposal-based sales in the construction and interior business, where we have strengths in high-quality interior and furniture production.

Segment sales amounted to ¥6,476 million, up 29.8% year-on-year, and operating income was ¥709 million, up 45.7% year-on-year.

4) Other businesses

In the advertising and media business, Studio Alta Co., Ltd. steadily received orders for outdoor advertising and digital signage advertising mainly at stores in the Tokyo metropolitan area. In addition, revenue and income increased significantly due to the consolidation and integration of advertising production for group companies.

In the travel business, Isetan Mitsukoshi Nikko Travel Ltd. enjoyed a full-fledged recovery in overseas travel. Revenue rose significantly due to an increase in our original European river cruises in the overseas subscription-type travel packages and strong sales of order-taking-type travel packages mainly from out-of-store customers of department stores.

IM Food Style Ltd. operates 18 stores of QUEEN'S ISETAN, which are high-quality food supermarkets centering on highly original private brands. As a new store opening, it plans to open QUEEN'S ISETAN Jujo store (tentative name) in the winter of 2024. Revenue increased partly due to campaigns targeting MICARD members, who are identified customers of department stores and other Group companies, and the effect of the Shinkoiwa store(since October,2023) and the Nakano store(since March,2024), which opened in the previous fiscal year.

Segment sales amounted to ¥21,399 million, up 6.8% year-on-year, and operating income was ¥234 million, down 12.8% year-on-year.

(2) Explanation Regarding Financial Position

Total assets at the end of the first quarter of the fiscal year under review amounted to ¥1,234,450 million, an increase of ¥9,347 million from the end of the previous fiscal year. This was mainly attributable to acquisition of tangible fixed assets and an increase in investment securities due to the growth of equity in earnings of affiliates.

Total liabilities amounted to ¥628,586 million, an increase of ¥4,307 million from the end of the previous fiscal year. This was mainly attributable to an increase in interest-bearing debt.

Net assets amounted to ¥605,864 million, an increase of ¥5,039 million from the end of the previous fiscal year. This was mainly attributable to the recording of net income attributable to parent company shareholders.

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

Based on the business results for the first quarter of the fiscal year under review and the current performance trends, we have revised the forecast of consolidated results for the fiscal year ending March 31, 2025, as follows.

Forecast of Consolidated Results for Fiscal 2024 (From April 1, 2024, to March 31, 2025)

	Sales	Operating Income	Recurring Income	Net income attributable to parent company shareholders	Net Income per Share (Basic)
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	548,000	64,000	69,000	53,000	141.21
Revised forecast (B)	556,000	72,000	77,000	58,000	154.72
Change (B − A)	8,000	8,000	8,000	5,000	-
Change (%)	1.5%	12.5%	11.6%	9.4%	-
(Reference) Results for the previous fiscal year (FY2023)	536,441	54,369	59,877	55,580	145.79

Notes The gross sales forecast (sales if the “Accounting Standard for Revenue Recognition,” etc. had not been adopted) would be ¥1,320,000 million (change of ¥40,000 million or 3.1% from the previous forecast of ¥1,280,000 million).

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2023 (As of March 31, 2024)	1Q of Fiscal 2024 (June 30, 2024)
ASSETS		
Current assets		
Cash and bank deposits	68,177	62,185
Notes and accounts receivable-trade, and contract assets	154,501	155,053
Marketable securities	1,183	1,500
Merchandise and finished goods	24,151	23,006
Work in process	487	452
Raw materials and supplies	616	651
Other current assets	41,772	46,706
Less: Allowance for doubtful accounts	(4,114)	(3,587)
Total current assets	286,776	285,968
Property and equipment		
Tangible fixed assets		
Buildings and structures, net	146,132	144,757
Land	529,485	533,545
Other tangible fixed assets, net	29,213	28,401
Total tangible fixed assets	704,831	706,704
Intangible fixed assets		
Software	17,234	16,898
Goodwill	9,489	9,278
Other intangible fixed assets	23,366	23,484
Total intangible fixed assets	50,090	49,661
Investments and other assets		
Investment securities	132,956	139,999
Other assets	50,874	52,557
Less: Allowance for doubtful accounts	(468)	(480)
Total investments and other assets	183,362	192,076
Total property and equipment	938,284	948,442
Deferred assets		
Bond issue costs	41	39
Total deferred assets	41	39
Total assets	1,225,103	1,234,450

(Millions of yen)

	Fiscal 2023 (As of March 31, 2024)	1Q of Fiscal 2024 (June 30, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable	116,091	113,000
Short-term borrowings	22,454	22,455
Commercial paper	25,000	35,000
Income taxes payable	6,927	7,010
Reserve for loss from redemption of gift vouchers	13,242	13,240
Allowance	14,747	6,093
Other current liabilities	194,711	200,913
Total current liabilities	393,175	397,713
Long-term liabilities		
Bonds payable	20,000	20,000
Long-term debt	53,300	53,300
Deferred tax liabilities	111,560	112,363
Net defined benefit liability	30,855	30,958
Allowance	18	12
Other long-term liabilities	15,369	14,237
Total long-term liabilities	231,103	230,872
Total liabilities	624,278	628,586
NET ASSETS		
Shareholders’ equity		
Common stock	51,470	51,493
Capital surplus	323,857	313,274
Retained earnings	210,679	216,124
Treasury stock	(32,990)	(26,515)
Total shareholders’ equity	553,017	554,376
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities	11,329	11,333
Deferred gains (losses) on hedges	0	0
Foreign currency translation adjustments	27,652	31,092
Remeasurements of defined benefit plans	1,919	1,924
Total accumulated other comprehensive income	40,901	44,350
Stock acquisition rights	499	451
Non-controlling interests	6,405	6,685
Total net assets	600,824	605,864
Total liabilities and net assets	1,225,103	1,234,450

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

Consolidated Statements of Income

First Quarter Period

(Millions of yen)

	1Q of Fiscal 2023 (From April 1, 2023, to June 30, 2023)	1Q of Fiscal 2024 (From April 1, 2024, to June 30, 2024)
Sales	118,680	129,694
Cost of sales	48,008	49,194
Gross profit	70,672	80,499
Selling, general and administrative expenses	62,017	61,631
Operating income	8,654	18,868
Non-operating income		
Interest income	110	185
Dividend income	288	331
Equity in earnings of affiliates	1,575	1,835
Other non-operating income	330	994
Total non-operating income	2,305	3,347
Non-operating expenses		
Interest expenses	201	170
Loss on retirement of property and equipment	146	342
Other non-operating expenses	511	492
Total non-operating expenses	859	1,006
Recurring income	10,101	21,209
Extraordinary loss		
Impairment losses	-	407
Loss on closing of stores	-	104
Total extraordinary loss	-	512
Income before income taxes	10,101	20,696
Income taxes	3,221	7,038
Net income	6,880	13,658
Net income (loss) attributable to non-controlling interests	74	(43)
Net income attributable to parent company shareholders	6,805	13,702

Consolidated Statements of Comprehensive Income (Loss)

First Quarter Period

(Millions of yen)

	1Q of Fiscal 2023 (From April 1, 2023, to June 30, 2023)	1Q of Fiscal 2024 (From April 1, 2024, to June 30, 2024)
Net income	6,880	13,658
Other comprehensive income		
Net unrealized gains (losses) on other securities	2,120	804
Deferred gains (losses) on hedges	(0)	0
Foreign currency translation adjustments	359	1,194
Gain (loss) on revision of retirement benefit plans	46	4
Amount corresponding to equity interest in equity method affiliates	857	1,690
Total other comprehensive income	3,383	3,695
Comprehensive income	10,263	17,354
(Breakdown)		
Comprehensive income attributable to parent company shareholders	10,066	17,151
Comprehensive income attributable to non-controlling interests	196	203

(3) Notes Regarding Consolidated Financial Statements

(Change in accounting policy)

The Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, hereinafter referred to as the “Amended Accounting Standard 2022”) and other standards are applied starting from the beginning of the first quarter of the fiscal year under review. The amendment of the classification of income taxes (taxation on other comprehensive income) is in accordance with the transitional treatment stipulated in the proviso of paragraph 20-3 of the Amended Accounting Standard 2022 and the transitional treatment stipulated in the proviso of paragraph 65-2 (2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022, hereinafter referred to as the “Amended Implementation Guidance 2022”). This change in accounting policy has no effects on the quarterly consolidated financial statements.

In addition, with respect to the amendment related to the revision of treatment in the consolidated financial statements in the case that gains (losses) on sales of subsidiary shares between consolidated companies are deferred for tax purposes, the Amended Implementation Guidance 2022 is applied starting from the beginning of the first quarter of the fiscal year under review. This change in accounting policy is applied retrospectively, and the quarterly consolidated financial statements and the consolidated financial statements for the previous fiscal year are those after its retrospective application. This change in accounting policy has no effects on the quarterly consolidated financial statements and the consolidated financial statements for the previous fiscal year.

(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.

(Segment information)

[Segment information]

I. First quarter of the previous consolidated accounting period (April 1, 2023 to June 30, 2023)

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	98,358	4,709	4,440	107,509	11,171	118,680	-	118,680
Intersegment sales or transfer	636	3,099	550	4,286	8,871	13,157	(13,157)	-
Subtotal	98,995	7,808	4,991	111,795	20,042	131,838	(13,157)	118,680
Segment income	6,702	1,106	487	8,296	268	8,564	90	8,654

(Note)
1. The other businesses segment includes the services of retailing, manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service, advertising, media, and travel business that are not included in other reporting segments.
2. The segment income adjustment of ¥90 million is intersegment eliminations, unrealized income, etc.
3. Segment income is adjusted to match operating income.

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

Not applicable.

II. First quarter of the current consolidated accounting period (April 1, 2024 to June 30, 2024)

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	107,082	4,844	5,259	117,185	12,509	129,694	-	129,694
Intersegment sales or transfer	586	3,413	1,216	5,216	8,890	14,106	(14,106)	-
Subtotal	107,668	8,257	6,476	122,402	21,399	143,801	(14,106)	129,694
Segment income	15,716	2,153	709	18,579	234	18,813	54	18,868

(Note)
1. The other businesses segment includes the services of retailing, manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service, advertising, media, and travel business that are not included in other reporting segments.
2. The segment income adjustment of ¥54 million is intersegment eliminations, unrealized income, etc.
3. Segment income is adjusted to match operating income.

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

(Significant impairment losses related to property and equipment)

The “Department store business” segment recorded an impairment loss of ¥512 million. In the quarterly consolidated statements of income, ¥104 million of this impairment loss is included in “loss on closing of stores” under extraordinary loss.

(Significant changes in the amount of goodwill)

Not applicable.

(Notes on significant changes in shareholders’ equity)

Not applicable

(Notes on going concern assumption)

Not applicable.

(Notes regarding statements of cash flows)

Quarterly consolidated statements of cash flows have not been prepared for the first quarter of the fiscal year under review. Depreciation and amortization (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first quarter of the fiscal year under review are as follows.

	1Q of Fiscal 2023 (From April 1, 2023, to June 30, 2023)	1Q of Fiscal 2024 (From April 1, 2024, to June 30, 2024)
Depreciation	5,873 million yen	5,872 million yen
Amortization of goodwill	210 million yen	210 million yen