Summary of Settlement of Consolidated Accounts for the First Quarter of the Fiscal Year Ending March 31, 2024

[Japanese Standards] (Consolidated)

August 3, 2023

Isetan Mitsukoshi Holdings Ltd.

Securities code: 3099 (Listed on the Prime Market of Tokyo Stock Exchange and Fukuoka Stock Exchange)
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Scheduled date of filing of the quarterly securities report (*Shihanki Houkokusho*): August 4, 2023
Scheduled date of dividend payments: -
Preparation of quarterly results supplementary materials: Yes
Convening of quarterly results explanation meeting: Yes (for securities analysts)

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

1. Consolidated Business Results for the First Quarter of Fiscal 2023 (From April 1, 2023 to June 30, 2023)

(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	%
1Q of FY2023	118,680	16.8	8,654	118.3	10,101	123.1	6,805	20.4
1Q of FY2022	101,615	14.7	3,965	–	4,527	–	5,652	–

(Note) Comprehensive income: 1Q of FY2023: ¥10,263 million (3.2%), 1Q of FY2022: ¥9,946 million (–%)

	Net Income per Share (Basic)	Net Income per Share (Diluted)
	Yen	Yen
1Q of FY2023	17.82	17.79
1Q of FY2022	14.82	14.78

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
1Q of FY2023	1,211,363	560,228	45.7
FY2022	1,217,308	552,519	44.9

(Reference) Shareholders' equity: 1Q of FY2023: ¥553,213 million, FY2022: ¥546,120 million

2. Dividends

	Annual Dividends				
(Record date)	First Quarter	Second Quarter	Third Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	–	6.00	–	8.00	14.00
FY2023	–				
FY2023 (Forecast)		8.00	–	8.00	16.00

(Note) Revision to recently announced dividend forecast: No

3. Forecast of Consolidated Results for Fiscal 2023 (From April 1, 2023 to March 31, 2024)

(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 (Basic)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	515,000	5.7	38,000	28.3	40,000	33.3	30,000	(7.3)	78.55

(Note) Revision to recently announced consolidated results forecast: Yes
The total net sales forecast (net sales if the "Accounting Standard for Revenue Recognition," etc. had not been adopted) would be ¥1,155,000 million, an increase of 6.1% 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 8.

(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

First quarter of FY2023	396,977,254 shares	FY2022	396,931,154 shares
First quarter of FY2023	15,050,051 shares	FY2022	15,048,154 shares
First quarter of FY2023	381,907,457 shares	First quarter of FY2022	381,544,312 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 3.

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

2. Consolidated Financial Statements and Primary Notes.... 4
(1) Consolidated Balance Sheets.... 4
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.... 6
(3) Notes regarding Consolidated Financial Statements.... 8
(Notes on going concern assumption).... 8
(Notes on significant changes in shareholders' equity).... 8
(Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements).... 8
(Segment information).... 8
(Significant subsequent events).... 9

1. Qualitative Information on the Quarterly Results

(1) Explanation regarding Business Results

During the first quarter of fiscal 2023 (April 1, 2023 to June 30, 2023), the Japanese economy saw the normalization of socio-economic activity, with the reclassification of COVID-19 as a Class 5 infectious disease. Consumer spending showed signs of recovery, mainly in service consumption, against the background of an increase in the number of domestic and international travelers.

However, the economic outlook remains uncertain, reflecting the price soaring of resources, energy, and food products due to the impact of the situation in Ukraine and fluctuations in exchange rates, etc.

Amid such an environment, the Company is steadily working on its medium-term management plan (Fiscal 2022–Fiscal 2024) as we strive to realize the Group's long-term vision "We are a retail group centered on extraordinary department stores working toward improving the lives of our customers." The Company expects operating income of ¥38.0 billion in fiscal 2023, the highest since Isetan Mitsukoshi Holdings Ltd. was established. Moreover, during the first quarter of the fiscal year under review, the Company performed well above plan.

In domestic department stores, the Group's earnings were driven by a significant increase in revenue and income, mainly at stores in the Tokyo metropolitan area, and earnings at stores in other regions across Japan also improved significantly due to the progress of reforms to the income and expenditure structure. As efforts to expand our customer base, net sales to identifiable customers grew solidly due to an increase in the number of identifiable customers and higher spending per customer for MICARD member customers.

Furthermore, the Group's affiliates also significantly increased revenue and income from the previous year due to implementing reforms to the income and expenditure structure and a recovery in demand for service consumption following the reclassification of COVID-19 to a Class 5 infectious disease.

As a result, In the first quarter of the fiscal year under review on a consolidated basis, the Company recorded net sales of ¥118,680 million, up 16.8% year-on-year, operating income of ¥8,654 million, up 118.3% year-on-year, recurring income of ¥10,101 million, up 123.1% year-on-year, and net income attributable to parent company shareholders of ¥6,805 million, up 20.4% year-on-year.

Results by segment were as follows.

1) Department Store Business

Revenue and income in domestic department stores increased due to growth in the number of store visitors, especially stores in the Tokyo metropolitan area, reflecting increased demand for outings following the shift of COVID-19 to a Class 5 infectious disease and an upswing in domestic travelers and overseas visitors to Japan. At the Isetan Shinjuku Main Store and the Mitsukoshi Nihombashi Main Store, sales of summer clothes were strong due to rising temperatures, and sales of a wide range of items, such as cosmetics and jewelry, also increased considerably. In particular, the Isetan Shinjuku Main Store achieved record-high sales in the first quarter of the fiscal year due to increased sales to out-of-store sales customers. Sales at the Mitsukoshi Nihombashi Main Store also grew steadily, exceeding the plan, due to the Great Founding Festival held to celebrate the 350th anniversary of the foundation of Mitsukoshi, among others.

Tax-free sales increased significantly from the previous year at all stores, driven by strong sales of luxury brand-name handbags, jewelry, and other high-end items. For June alone, the domestic department store total exceeded the fiscal 2018 results and recovered to the fiscal 2018 level in the first quarter of the fiscal year under review.

Regarding the overseas business, although consumption trends are slowing down in some areas, ASEAN stores performed well, increasing sales and income.

Segment sales amounted to ¥98,995 million, up 7.9% year-on-year, and operating income was ¥6,702 million, up 244.7% year-on-year.

2) Credit & Finance Business/Customer Organization Management Business

In this business, we are engaged in expanding our customer base by improving convenience and enhancing financial services.

In addition to the increase in the value of credit card transactions at the Group's department stores, which are on an earnings growth trend, MICARD Co. Ltd. saw an expanding usage of credit cards outside of the Group, mainly in the airline, travel, and restaurant areas. Moreover, revenue and income increased due to implementing cost optimization efforts, including switching from outsourced operations to in-house operations.

Segment sales amounted to ¥7,808 million, up 6.0% year-on-year, and operating income was ¥1,106 million, up 3.2% year-on-year.

3) Real Estate Business

In the real estate business, although we are progressively considering ways to maximize the utilization of the Group real estate in Japan and overseas to create new value, lease revenue declined due to the replacement of tenants in owned properties.

Isetan Mitsukoshi Property Design Ltd. is working to strengthen its construction and design business, an advantage in high-quality interior decoration and furniture production. Revenue significantly increased year-on-year, resulting from increased orders from hotels, offices, and commercial facilities owing to high value-added proposal-based sales.

Segment sales amounted to ¥4,991 million, up 16.1% year-on-year, and operating income was ¥487 million, down 53.6% year-on-year.

4) Other Businesses

In the advertising agency business, Studio Alta Co. ,Ltd. saw robust performance in its mainstay outdoor advertising business. Also, revenue and income rose significantly, resulting from the impact of integrating advertising sales operations, including digital signage and hanging banners, among others, at the Group's department stores.

In the travel industry, Mitsukoshi Isetan Nikko Travel, Ltd. saw its domestic and overseas travel plans associated with the 350th anniversary of the foundation of Mitsukoshi performed favorably, and in the agent-organized overseas package tour business, resumed its original river cruises in Europe, resulting in increased revenue.

IM Food Style Ltd. operates 17 QUEEN'S ISETAN stores, which are high-quality food supermarkets featuring highly unique private brands. We plan to open a new store, QUEEN'S ISETAN Shinkoiwa Store, in October 2023. We will continue to strive to provide high-quality lifestyles that enrich customers' lives. Meanwhile, the Company included IM Food Style Ltd. in the scope of consolidation from the end of the first quarter of the previous fiscal year due to an additional acquisition of shares.

Segment sales amounted to ¥20,042 million, up 96.9% year-on-year, and operating income was ¥268 million, compared to an operating loss of ¥168 million in the first quarter of the previous fiscal year.

(2) Explanation regarding Financial Position

Total assets at the end of the first quarter of the fiscal year under review amounted to ¥1,211,363 million, a decrease of ¥5,944 million from the end of the previous fiscal year. This was due mainly to a decrease in cash and bank deposits.

Total liabilities amounted to ¥651,134 million, a decrease of ¥13,653 million from the end of the previous fiscal year. This was mainly attributable to a decrease in notes and accounts payable.

Net assets amounted to ¥560,228 million, an increase of ¥7,709 million from the end of the previous fiscal year. This was mainly attributable to the recording of net income attributable to parent company shareholders and an increase in net unrealized gains (losses) on other securities.

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

In light of the business results for the first quarter of the fiscal year under review and the current trends in business performance, we have revised the consolidated results forecast for fiscal 2023 as follows.

Forecast of Consolidated Results for Fiscal 2023 (From April 1, 2023 to March 31, 2024)

	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)	510,000	35,000	37,000	28,000	73.32
Revised forecast (B)	515,000	38,000	40,000	30,000	78.55
Change (B – A)	5,000	3,000	3,000	2,000	―
Change (%)	1.0	8.6	8.1	7.1	―
(Reference) Results for the previous fiscal year (fiscal 2022)	487,407	29,606	30,017	32,377	84.82

Note: The total net sales forecast (net sales if the "Accounting Standard for Revenue Recognition," etc. had not been adopted) would be ¥1,155,000 million (an increase of ¥15,000 million or 1.3% from the previous forecast of ¥1,140,000 million).

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2022 (As of March 31, 2023)	1Q of Fiscal 2023 (As of June 30, 2023)
ASSETS		
Current assets		
Cash and bank deposits	105,692	94,219
Notes and accounts receivable-trade, and contract assets	133,922	137,430
Marketable securities	859	811
Merchandise and finished goods	25,045	24,335
Work in process	332	489
Raw materials and supplies	606	612
Other current assets	25,544	26,416
Less: Allowance for doubtful accounts	(4,266)	(4,240)
Total current assets	287,735	280,075
Property and equipment		
Tangible fixed assets		
Buildings and structures, net	149,007	146,627
Land	528,032	528,064
Other tangible fixed assets, net	26,431	25,908
Total tangible fixed assets	703,470	700,600
Intangible fixed assets		
Software	17,334	17,759
Goodwill	10,332	10,121
Other intangible fixed assets	23,386	23,379
Total intangible fixed assets	51,052	51,261
Investments and other assets		
Investment securities	120,864	125,816
Other assets	54,309	53,742
Less: Allowance for doubtful accounts	(181)	(184)
Total investments and other assets	174,993	179,374
Total property and equipment	929,517	931,236
Deferred assets		
Bond issue costs	55	51
Total deferred assets	55	51
Total assets	1,217,308	1,211,363

(Millions of yen)

	Fiscal 2022 (As of March 31, 2023)	1Q of Fiscal 2023 (As of June 30, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable	104,802	96,630
Current portion of bonds payable	10,000	10,000
Short-term borrowings	26,568	16,532
Commercial paper	40,000	50,000
Income taxes payable	4,969	3,825
Reserve for loss from redemption of gift vouchers	14,523	14,520
Allowance	12,911	5,939
Other current liabilities	189,933	192,481
Total current liabilities	403,709	389,929
Long-term liabilities		
Bonds payable	20,000	20,000
Long-term debt	68,300	68,300
Deferred tax liabilities	118,027	119,185
Net defined benefit liability	33,470	33,639
Allowance	22	19
Liabilities from application of equity method	3,520	3,339
Other long-term liabilities	17,738	16,721
Total long-term liabilities	261,079	261,204
Total liabilities	664,788	651,134
NET ASSETS		
Shareholders' equity		
Common stock	51,276	51,303
Capital surplus	323,609	323,636
Retained earnings	162,708	166,490
Less: Treasury stock	(18,159)	(18,162)
Total shareholders' equity	519,434	523,267
Accumulated other comprehensive income		
Net unrealized gains (losses) on other securities	5,514	7,453
Deferred gains (losses) on hedges	2	1
Foreign currency translation adjustments	20,931	22,207
Remeasurements of defined benefit plans	237	283
Total accumulated other comprehensive income	26,685	29,946
Stock acquisition rights	886	833
Non-controlling interests	5,512	6,181
Total net assets	552,519	560,228
Total liabilities and net assets	1,217,308	1,211,363

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

Consolidated Statements of Income

First Quarter Period

(Millions of yen)

	1Q of Fiscal 2022 (From April 1, 2022 to June 30, 2022)	1Q of Fiscal 2023 (From April 1, 2023 to June 30, 2023)
Net sales	101,615	118,680
Cost of sales	39,456	48,008
Gross profit	62,159	70,672
Selling, general and administrative expenses	58,194	62,017
Operating income	3,965	8,654
Non-operating income		
Interest income	80	110
Dividend income	259	288
Equity in earnings of affiliates	907	1,575
Other non-operating income	382	330
Total non-operating income	1,630	2,305
Non-operating expenses		
Interest expenses	189	201
Loss on retirement of property and equipment	214	146
Other non-operating expenses	664	511
Total non-operating expenses	1,068	859
Recurring income	4,527	10,101
Extraordinary gain		
Gain on step acquisitions	3,810	–
Total extraordinary gain	3,810	–
Extraordinary loss		
COVID-19-related loss	23	–
Total extraordinary loss	23	–
Income before income taxes	8,314	10,101
Income taxes	2,663	3,221
Net income	5,650	6,880
Net income (loss) attributable to non-controlling interests	(2)	74
Net income attributable to parent company shareholders	5,652	6,805

Consolidated Statements of Comprehensive Income (Loss)
First Quarter Period

(Millions of yen)

	1Q of Fiscal 2022 (From April 1, 2022 to June 30, 2022)	1Q of Fiscal 2023 (From April 1, 2023 to June 30, 2023)
Net income	5,650	6,880
Other comprehensive income		
Net unrealized gains (losses) on other securities	172	2,120
Deferred gains (losses) on hedges	1	(0)
Foreign currency translation adjustments	1,225	359
Gain (loss) on revision of retirement benefit plans	62	46
Amount corresponding to equity interest in equity method affiliates	2,833	857
Total other comprehensive income	4,295	3,383
Comprehensive income	9,946	10,263
(Breakdown)		
Comprehensive income attributable to parent company shareholders	9,607	10,066
Comprehensive income attributable to non-controlling interests	338	196

(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.

(Segment information)

[Segment information]

I. First quarter of the previous consolidated accounting period (April 1, 2022 to June 30, 2022)

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	91,253	4,469	3,688	99,411	2,203	101,615	—	101,615
Intersegment sales or transfer	526	2,895	611	4,033	7,976	12,010	(12,010)	—
Total	91,780	7,365	4,299	103,445	10,179	113,625	(12,010)	101,615
Segment income (loss)	1,944	1,072	1,051	4,067	(168)	3,899	65	3,965

Notes

1. The other businesses segment includes the services of manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service, and travel business that are not included in other reporting segments.
2. The segment income (loss) adjustment of ¥65 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

During the first quarter of the fiscal year under review, assets of the "other businesses" segment increased by ¥23,275 million compared to the end of the previous fiscal year, due to the acquisition of additional shares of IM Food Style Ltd., and its inclusion in the scope of consolidation. The amount of such segment assets is disclosed based on the amount after reflecting a material revision of the initially allocated amount of the acquisition costs following the determination of the provisional accounting method for the business combination.

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

(Significant impairment losses related to property and equipment)

Not applicable.

(Significant changes in the amount of goodwill)

Goodwill of ¥10,965 million arose from the acquisition of additional shares of IM Food Style Ltd., and its inclusion in the scope of consolidation in "other businesses." Further, the amount of such goodwill is disclosed based on the amount after reflecting a material revision of the initially allocated amount of the acquisition costs following the determination of the provisional accounting method for the business combination.

II. First quarter of the current 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)	—
Total	98,995	7,808	4,991	111,795	20,042	131,838	(13157)	118,680
Segment income (loss)	6,702	1,106	487	8,296	268	8,564	90	8,654

Notes
1. The other businesses segment includes the services of retailing, manufacturing, exporting, importing, wholesaling, distribution, temporary personnel service, data processing service, 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 operating income.

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

Not applicable.

(Significant subsequent events)

Not applicable.