

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2020 (Based on Japanese GAAP)

December 25, 2020

Company name: Takashimaya Company, Limited
 Stock exchange listing: Tokyo
 Stock code: 8233 URL <https://www.takashimaya.co.jp>
 Representative: President Yoshio Murata
 Inquiries: General Manager, Public and Investor Yoshiyuki Nishikata TEL 03(3211)4111
 Relations Office
 Scheduled date to file Quarterly Securities Report: January 12, 2021
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended November 30, 2020 (from March 1, 2020 to November 30, 2020)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended November 30, 2020	479,880	(29.1)	(10,513)	–	(10,934)	–	(24,377)	–
Nine months ended November 30, 2019	676,639	2.6	20,261	4.5	19,403	(15.2)	16,447	43.8

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended November 30, 2020	(146.20)	–
Nine months ended November 30, 2019	95.14	78.29

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2020	1,214,650	424,191	33.2
As of February 29, 2020	1,168,503	455,871	37.2

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 29, 2020	–	12.00	–	12.00	24.00
Year ending February 28, 2021	–	12.00	–		
Year ending February 28, 2021 (Forecast)				12.00	24.00

3. Forecast of consolidated financial results for the year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	682,000	(25.8)	(18,000)	–	(19,500)	–	(36,500)	–	(218.91)

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended November 30, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of November 30, 2020	177,759,481 shares	As of February 29, 2020	177,759,481 shares
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Number of treasury shares at the end of the period

As of November 30, 2020	11,026,336 shares	As of February 29, 2020	11,026,113 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 30, 2020	166,733,308 shares	Nine months ended November 30, 2019	172,856,939 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 29, 2020	As of November 30, 2020
Assets		
Current assets		
Cash and deposits	89,820	139,557
Notes and accounts receivable - trade	115,919	124,392
Merchandise and finished goods	44,374	49,042
Work in process	323	331
Raw materials and supplies	1,276	1,110
Other	36,704	36,234
Allowance for doubtful accounts	(655)	(610)
Total current assets	287,764	350,058
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	193,471	187,586
Land	412,051	412,878
Leased assets, net	2,876	3,135
Right of use assets, net	88,429	78,567
Other, net	18,974	21,784
Total property, plant and equipment	715,804	703,951
Intangible assets		
Leasehold interests in land	10,567	10,223
Right of use assets	5,193	4,827
Goodwill	2,769	2,553
Other	19,409	18,798
Total intangible assets	37,939	36,403
Investments and other assets		
Investment securities	76,598	75,006
Guarantee deposits	27,733	27,047
Other	24,969	24,556
Allowance for doubtful accounts	(2,305)	(2,373)
Total investments and other assets	126,995	124,236
Total non-current assets	880,739	864,591
Total assets	1,168,503	1,214,650

(Millions of yen)

	As of February 29, 2020	As of November 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	102,626	109,919
Short-term borrowings	42,185	28,220
Current portion of bonds	25,118	35,031
Commercial papers	–	19,000
Lease obligations	7,733	7,738
Income taxes payable	5,076	7,495
Advances received	101,717	118,774
Gift certificates	53,037	54,896
Provision for point card certificates	2,796	2,453
Allowance for loss on repair construction of building	74	74
Other	57,548	67,676
Total current liabilities	397,915	451,281
Non-current liabilities		
Bonds payable	70,394	60,369
Long-term borrowings	55,344	99,592
Lease obligations	88,102	79,443
Asset retirement obligations	3,524	5,035
Retirement benefit liability	56,137	54,964
Provision for retirement benefits for directors (and other officers)	276	305
Provision for environmental measures	258	236
Allowance for loss on repair construction of building	3,516	3,516
Other	37,162	35,713
Total non-current liabilities	314,717	339,177
Total liabilities	712,632	790,458
Net assets		
Shareholders' equity		
Share capital	66,025	66,025
Capital surplus	55,026	54,790
Retained earnings	308,397	280,203
Treasury shares	(15,993)	(15,993)
Total shareholders' equity	413,456	385,026
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,990	6,515
Deferred gains or losses on hedges	(0)	(1)
Revaluation reserve for land	5,926	5,737
Foreign currency translation adjustment	8,948	5,749
Remeasurements of defined benefit plans	381	171
Total accumulated other comprehensive income	21,247	18,173
Non-controlling interests	21,168	20,991
Total net assets	455,871	424,191
Total liabilities and net assets	1,168,503	1,214,650

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Operating revenue	676,639	479,880
Net sales	623,531	434,631
Cost of sales	464,199	329,920
Gross profit	159,332	104,711
Other operating revenue	53,107	45,248
Operating gross profit	212,439	149,959
Selling, general and administrative expenses		
Advertising expenses	20,153	12,531
Provision for point card certificates	2,211	1,754
Provision of allowance for doubtful accounts	784	691
Remuneration, salaries and allowances for directors (and other officers)	52,090	44,127
Retirement benefit expenses	1,182	1,450
Rent expenses on real estate	18,267	14,862
Other	97,489	85,055
Total selling, general and administrative expenses	192,178	160,473
Operating profit (loss)	20,261	(10,513)
Non-operating income		
Interest income	940	452
Dividend income	1,003	1,026
Subsidy income	–	1,013
Share of profit of entities accounted for using equity method	1,618	598
Other	728	703
Total non-operating income	4,290	3,794
Non-operating expenses		
Interest expenses	4,096	3,574
Foreign exchange losses	301	277
Other	749	364
Total non-operating expenses	5,147	4,216
Ordinary profit (loss)	19,403	(10,934)
Extraordinary income		
Gain on sales of non-current assets	9,677	–
Subsidy income	–	3,140
Gain on forgiveness of lease obligations	–	1,119
Other	40	–
Total extraordinary income	9,717	4,259

(Millions of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Extraordinary losses		
Loss on retirement of non-current assets	4,452	1,613
Impairment loss	–	1,853
Loss related to COVID-19	–	10,313
Other	2,123	1,624
Total extraordinary losses	6,576	15,405
Profit (loss) before income taxes	22,545	(22,080)
Income taxes - current	5,341	2,982
Income taxes - deferred	268	(1,367)
Total income taxes	5,610	1,614
Profit (loss)	16,934	(23,695)
Profit attributable to non-controlling interests	487	682
Profit (loss) attributable to owners of parent	16,447	(24,377)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Profit (loss)	16,934	(23,695)
Other comprehensive income		
Valuation difference on available-for-sale securities	(115)	574
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	(1,241)	(2,813)
Remeasurements of defined benefit plans, net of tax	(574)	(214)
Share of other comprehensive income of entities accounted for using equity method	(781)	(918)
Total other comprehensive income	(2,713)	(3,373)
Comprehensive income	14,221	(27,068)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,724	(27,261)
Comprehensive income attributable to non-controlling interests	496	193

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	22,545	(22,080)
Depreciation	23,195	20,158
Impairment loss	–	1,853
Amortization of goodwill	171	111
Increase (decrease) in allowance for doubtful accounts	71	27
Increase (decrease) in retirement benefit liability	(1,460)	(1,485)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(14)	28
Increase (decrease) in provision for point card certificates	342	(342)
Increase(decrease) in allowance for loss on repair construction of building	(1,337)	–
Interest and dividend income	(1,944)	(1,479)
Interest expenses	4,096	3,574
Share of loss (profit) of entities accounted for using equity method	(1,618)	(598)
Loss (gain) on sales of non-current assets	(9,677)	–
Loss on retirement of non-current assets	1,536	562
Subsidy income	–	(3,140)
Gain on forgiveness of lease obligations	–	(1,119)
Loss related to COVID-19	–	10,313
Decrease (increase) in trade receivables	(11,995)	(8,567)
Decrease (increase) in inventories	(8,136)	(5,190)
Increase (decrease) in trade payables	14,196	7,962
Increase (decrease) in advances received	3,360	17,083
Other, net	(436)	17,616
Subtotal	32,895	35,290
Interest and dividends received	3,018	2,298
Interest paid	(3,955)	(3,523)
Proceeds from subsidy income	–	3,140
Loss related to COVID-19 paid	–	(7,153)
Income taxes paid	(5,965)	(1,874)
Net cash provided by (used in) operating activities	25,993	28,177
Cash flows from investing activities		
Payments into time deposits	(312)	–
Proceeds from withdrawal of time deposits	1,326	2
Proceeds from sales and redemption of short-term and long-term investment securities	962	55
Proceeds from sales of shares of subsidiaries and associates	–	378
Purchase of property, plant and equipment and intangible assets	(32,965)	(16,982)
Proceeds from sales of property, plant and equipment and intangible assets	10,429	1
Proceeds from withdrawal of investment securities	4,003	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,329)	–
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(638)
Other, net	(140)	121
Net cash provided by (used in) investing activities	(22,024)	(17,060)

(Millions of yen)

	Nine months ended November 30, 2019	Nine months ended November 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(846)	7,500
Proceeds from long-term borrowings	5,800	56,415
Repayments of long-term borrowings	(5,055)	(33,625)
Increase (decrease) in commercial papers	–	19,000
Repayments of lease obligations	(5,572)	(3,502)
Purchase of treasury shares	(5,902)	(0)
Dividends paid	(4,145)	(4,001)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(200)
Other, net	(422)	(409)
Net cash provided by (used in) financing activities	(16,143)	41,175
Effect of exchange rate change on cash and cash equivalents	(2,099)	(2,488)
Net increase (decrease) in cash and cash equivalents	(14,274)	49,803
Cash and cash equivalents at beginning of period	94,692	88,411
Cash and cash equivalents at end of period	80,417	138,214

Qualitative Information about Consolidated Operating Results

During the cumulative consolidated third quarter (March 1 to November 30, 2020), COVID-19 severely impacted the Japanese economy. In the April–June quarter, the Japanese economy experienced its greatest postwar decline in GDP. GDP subsequently recovered, but remained below pre-COVID levels. Once economic activities resumed following the lifting of the state of emergency, personal spending entered a gradual recovery path and was further buoyed by government interventions and better consumer confidence. However, the stay-at-home trend remained deeply rooted. Due to these circumstances, the economic outlook remains uncertain.

In Japan, COVID-19 remains far from under control; the country is said to be experiencing its third wave of infections. Moreover, Western countries are seeing further surges in infections. This situation has fueled global economic uncertainty, and corporate performance is likely to be negatively affected for some time.

Against this backdrop, we seek to proceed with two strategic tasks for this year intended to grow our businesses: 1) expand the Machi-dukuri Strategy, our general group-wide strategy, and 2) proceed with a bold group-wide program of cost optimization. However, COVID-19 caused a large year-on-year decline in footfall and takings. Specifically, our stores in Japan and overseas had to close or operate with reduced hours in order to comply with anti-infection measures, and many people continued to stay at home even after the measures were lifted.

Our stores are now all open once again, having taken thorough measures to safeguard the health and safety of customers and staff—our first priority. We have also worked to maximize customer convenience amid the pandemic by improving digital customer engagement. In September, for example, we expanded the online visit reservation service to cover seven stores. Our online store saw a sizeable year-on-year increase in sales, particularly in foods and daily goods that appealed to customers who were hunkering down at home. Gift items such as midsummer and year-end gifts sold well too. Additionally, we introduced a work-from-home program for staff employed at our head office and elsewhere. Furthermore, we introduced videoconferencing and other digital technology to boost productivity. We will continue the digitally driven process of transforming our organizational culture and work practices.

Regarding the department store business, for some time now, we have recognized the need to restructure costs, overhaul apparel, and undergo a digital transformation to innovate business processes. COVID-19 has made the necessity of these tasks all the more clear. We also recognize that consumer lifestyles and shopping preferences have changed dramatically. Tackling these tasks is essential to rejuvenating this core business and source of our brand value; we are therefore committed to addressing these and other challenges.

In addition to the above, we undertake sustainability initiatives with both short-term and mid- to long-term perspectives. In April, we took action to eliminate plastic waste by charging a fee for grocery bags and switching to bags made of more eco-friendly material. We have also joined global initiative RE100 to signal our commitment to source 100% of our energy from renewable sources by 2050. In November this year, we started a phased transition to renewables in Tamagawa Takashimaya Shopping Center and seven other retail facilities. We will continue our contribution to addressing societal challenges in partnership with government and our trading partners.

Our consolidated performance was as follows: Total consolidated operating revenue for Takashimaya Group was 479,880million yen (down 29.1% compared with the corresponding period of the previous fiscal year). We recorded a consolidated operating loss of 10,513 million yen (compared to a positive income of 20,261 million yen in the corresponding period of the previous fiscal year), a consolidated ordinary loss of 10,934 million yen (compared to a positive income of 19,403 million yen in the corresponding period of the previous fiscal year), and a consolidated loss attributable to owners of parent of 24,377 million yen (compared to a profit of 16,447 million yen in the corresponding period of the previous fiscal year).