



# Takashimaya Company, Limited

## Takashimaya Reports Earnings for the First Three Months to May 31, 2007

Tokyo, Japan – June 29, 2007 – Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated sales and other operating revenue of 247,737 million yen for the first three months (March 1 - May 31, 2007) of the fiscal year ending February 29, 2008, and net income of 4,562 million yen, or 13.82 yen per share

### Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group decreased 3.9% from the same period a year earlier to 247,737 million yen. Operating income fell 11.7% to 8,221 million yen and ordinary income declined 5.1% to 9,878 million yen. As a result, net income for the period decreased 22.5% to 4,562 million yen.

During the three months under review, the Japanese economy continued on a recovery path on the back of increased capital expenditures supported by strong corporate sector performance. Personal consumption also showed signs of regaining its former vigor. In the department stores sector, however, the future business environment needs to be watched as department store sales in Japan recorded a consecutive year-on-year decrease since March 2007.

Under such economic conditions, the Takashimaya Group made efforts to retain customers by launching the Takashimaya Card <<Gold>>, which was jointly developed by Credit Saison Co., Ltd., in March 2007. In the same month, the Group opened a Takashimaya Food Maison store, a new type of specialized store modeled on food floors found at department store basement levels, at the “Nagareyama Otaka no Mori Shopping Center” in Chiba Prefecture. In April, the Group announced the grand opening of the Takashimaya Shinjuku store which completed full renovation. The new Shinjuku store is a new type of department store which offers high-end shopping experience and merchandise attuned to the latest fashion trends. However, the renovation work at the Shinjuku store was one of the major factors affecting the Department Stores segment’s operating performance. As a result, total sales and other operating revenue for domestic department store operation decreased from the same period of the previous year.

In other segments, Takashimaya Credit Co., Ltd. in the Financing segment recorded a decrease in earnings due to an increase in expenses associated with the issuing of the new credit card. However, other segments as a whole recorded steady performance as Toshin Development Co., Ltd., a Group company in the Real Estate segment, opened “Nagareyama Otaka no Mori Shopping Center” and Takashimaya Space Create Co., Ltd., a Group company in the Contract & Design segment, boosted revenue with a large order for the renovation work of the Takashimaya Shinjuku store and other renovation orders.



### **Financial Condition**

Consolidated total assets at the end of the period totaled 759,667 million yen, a decrease of 23,328 million yen from the end of the previous fiscal year. This mainly reflects an increase of notes and accounts receivable and a decrease in deposits. Total liabilities decreased 25,522 million yen to 470,644 million yen, due mainly to an increase in notes and account payable due to seasonal factors while long-term debt decreased. Net assets increased 2,193 million yen to 289,023 million yen.

Consolidated net cash and cash equivalents at the end of the period were 24,354 million yen, representing a decrease of 30,606 million yen from the end of the previous fiscal year.

Net cash provided by operating activities amounted to 25,226 million yen, and represented an increase of 35,095 million yen from the same period a year earlier. This is primarily due to the return of deposits.

Net cash used in investing activities was 13,689 million yen, a year-on-year increase of 3,179 million yen. This mainly reflected a 1,007 million yen increase in the purchase of property and equipment, at 12,593 million yen.

Net cash used in financing activities was 41,804 million yen, an increase of 57,559 million yen. This mainly reflects a 31,207 million yen increase in repayment of long-term bank loans to 41,097 million yen and a decrease in proceeds from capital increase by 30,055 million yen compared with a year earlier period when the Company raised capital through a public offering and third-party allotment of shares.

### **Outlook for the Fiscal Year Ending February 29, 2008**

The Group's first-quarter earnings were largely in line with the initial forecast and the Group believes that it is on track to achieving its first-half and full-year earnings forecasts for the fiscal year ending February 29, 2008, which were included in its consolidated full-year earnings report for the previous fiscal year released on April 10, 2007.

### **Forward-looking Statements**

This news release is based on current expectations and assumptions of future events as well as information available to the Group's management at the time the release was prepared. Although the Group believes its expectations and assumptions are reasonable, actual results and trends in the Group's performance could differ materially from those expressed or implied by figures or statements presented in this release because of risks and uncertainties, including but not limited to economic conditions, market trends and foreign exchange fluctuations.

**Consolidated Financial Statements**
**Balance Sheets**

(In million yen)

	As of May 31, 2007 (A)	As of May 31, 2006 (B)	(A – B)	As of February 28, 2007 (C)	(A – C)
	Amount	Amount	Amount	Amount	Amount
<b>(Assets)</b>					
Current assets	216,217	206,473	9,744	258,857	-42,640
Cash and deposits	24,418	47,144	-22,725	55,009	-30,591
Notes and accounts receivable	115,002	80,168	34,834	72,622	42,380
Marketable securities	599	899	-299	599	0
Inventories	47,251	46,086	1,164	41,494	5,756
Other	29,532	32,868	-3,335	89,742	-60,209
Allowance for doubtful accounts	-588	-693	105	-611	23
Fixed assets	543,450	578,080	-34,629	524,138	19,311
Tangible fixed assets	374,428	275,620	98,808	281,394	93,034
Buildings and structures	154,420	115,500	38,920	114,850	39,570
Land	198,843	144,652	54,191	142,229	56,613
Other	21,164	15,467	5,696	24,313	-3,149
Intangible fixed assets	15,894	16,320	-425	15,894	-0
Consolidation difference	-	1,216	-1,216	1,145	-1,145
Goodwill	1,121	-	1,121	-	1,121
Other	14,773	15,103	-330	14,749	23
Investments and other assets	153,126	286,139	-133,012	226,849	-73,722
Investment securities	100,420	100,764	-343	100,162	258
Long-term loans	104	82,845	-82,741	82,821	-82,717
Long-term guarantee deposit	43,710	99,717	-56,007	36,875	6,834
Other	11,974	14,921	-2,947	10,068	1,905
Allowance for doubtful accounts	-3,081	-12,110	9,028	-3,078	-3
<b>Total assets</b>	<b>759,667</b>	<b>784,553</b>	<b>-24,885</b>	<b>782,996</b>	<b>-23,328</b>

(In million yen)

	As of May 31, 2007 (A)	As of May 31, 2006 (B)	(A – B)	As of February 28, 2007 (C)	(A – C)
	Amount	Amount	Amount	Amount	Amount
<b>(Liabilities)</b>					
Current liabilities	316,794	354,853	-38,058	341,057	-24,263
Notes and account payable	118,433	109,195	9,238	99,020	19,413
Short-term bank loans	11,291	75,531	-64,240	50,898	-39,607
Current portion of corporate bonds	10,000	3,000	7,000	10,000	-
Accrued income taxes	4,256	4,371	-114	9,959	-5,702
Advances received	69,944	64,912	5,032	67,876	2,067
Gift certificates outstanding	44,996	43,999	996	44,637	358
Reserve for directors' bonuses	15	8	6	91	-76
Allowance for Point Gift Certificates	4,219	3,538	680	3,731	488
Allowance for loss on disposal of buildings and structures	-	-	-	2,379	-2,379
Other	53,636	50,295	3,340	52,461	1,174
Fixed liabilities	153,850	169,558	-15,707	155,109	-1,258
Corporate bonds	11,231	24,850	-13,619	11,231	-
Long-term debt	43,872	46,795	-2,923	44,361	-489
Allowance for employees' retirement benefits	56,191	56,662	-471	56,824	-633
Allowance for directors' and corporate auditors' retirement benefits	227	473	-245	606	-378
Other	42,328	40,777	1,551	42,085	242
Total liabilities	470,644	524,411	-53,766	496,166	-25,522
<b>(Net assets)</b>					
Common stock	56,025	54,194	1,830	56,025	-
Additional paid-in capital	45,077	43,250	1,827	45,076	0
Retained earnings	148,952	131,763	17,188	145,975	2,977
Treasury stock	-438	-354	-83	-425	-13
Total shareholders' capital	249,615	228,853	20,762	246,652	2,963
Net unrealized gains/losses on other securities	24,931	24,555	375	25,631	-699
Net deferred gains/losses on hedge contracts	31	-9	41	-0	32
Excess of land evaluation	8,441	4,754	3,687	8,505	-64
Foreign currency translation adjustments	2,728	1,430	1,298	2,803	-75
Total valuation and translation adjustments	36,132	30,730	5,402	36,939	-806
Minority interests	3,274	558	2,715	3,237	36
Total net assets	289,023	260,142	28,881	286,829	2,193
Total liabilities and net assets	759,667	784,553	-24,885	782,996	-23,328



## Statements of Operations

(In million yen)

	Three months ended May 31, 2007 (A)	Three months ended May 31, 2006 (B)	(A – B)		Year ended February 28, 2007
	Amount	Amount	Amount	%	Amount
Net sales	236,313	247,346	-11,032	-4.5	1,007,476
Cost of sales	172,010	180,258	-8,247	-4.6	734,083
Gross profit	64,302	67,087	-2,785	-4.2	273,392
Other operating revenue	11,423	10,539	883	8.4	41,929
(Total sales and operating revenue)	(247,737)	(257,886)	(-10,149)	(-3.9)	(1,049,405)
Gross operating income	75,726	77,627	-1,901	-2.4	315,322
Selling, general and administrative expenses	67,505	68,318	-812	-1.2	281,461
Operating income	8,221	9,309	-1,088	-11.7	33,860
Interest and dividend income	361	962	-601	-62.4	3,549
Equity in gain of affiliated companies	679	607	72	11.9	2,151
Other non-operating income	2,194	1,583	611	38.6	6,680
Total non-operating income	3,236	3,154	81	2.6	12,381
Interest expense	471	769	-298	-38.8	2,851
Other non-operating expense	1,107	1,286	-179	-14.0	3,846
Total non-operating expense	1,578	2,056	-477	-23.2	6,698
Ordinary income	9,878	10,407	-528	-5.1	39,543
Extraordinary gains	410	666	-255	-38.3	15,362
Extraordinary losses	1,341	1,131	210	18.6	11,970
Net income before income taxes	8,947	9,942	-994	-10.0	42,936
Income taxes, inhabitants tax, and enterprise taxes	2,921	3,573	-652	-18.3	12,819
Income taxes adjustments	1,383	441	942	213.4	4,665
Minority interests in earnings of consolidated subsidiaries	80	40	39	99.3	131
Net income	4,562	5,886	-1,323	-22.5	25,319

**Statement of Changes in Shareholders' Capital**  
(March 1, 2007 to May 31, 2007)

(In million yen)

	Shareholders' capital				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' capital
Balance as of February 28, 2007	56,025	45,076	145,975	-425	246,652
Changes during period					
Cash dividends			-1,650		-1,650
Net income			4,562		4,562
Purchase/disposition of treasury stock		0		-13	-13
Reversal of excess of land revaluation			64		64
Net change in items other than shareholders' capital during period					
Total changes during period	-	0	2,977	-13	2,963
Balance as of May 31, 2007	56,025	45,077	148,952	-438	249,615

	Valuation and translation adjustments					Minority interests	Total net assets
	Net unrealized gains/losses on other securities	Net deferred gains/losses on hedge contracts	Excess of land revaluation	Foreign currency adjustments	Total valuation and adjustments		
Balance as of February 28, 2007	25,631	-0	8,505	2,803	36,939	3,237	286,829
Changes during period							
Cash dividends							-1,650
Net income							4,562
Purchase/disposition of treasury stock							-13
Reversal of excess of land revaluation							64
Net change in items other than shareholders' capital during period	-699	32	-64	-75	-806	36	-770
Total changes during period	-699	32	-64	-75	-806	36	2,193
Balance as of May 31, 2007	24,931	31	8,441	2,728	36,132	3,274	289,023

**Statements of Cash Flows**

(In million yen)

	Three months ended May 31, 2007	Three months ended May 31, 2006	Year ended February 28, 2007
	Amount	Amount	Amount
<b>I Cash flows from operating activities:</b>			
Income before income taxes and minority interests	8,947	9,942	42,936
Depreciation	3,695	3,265	12,226
Loss on impairment of property and equipment	-	-	43
Amortization of consolidation difference	-	23	95
Amortization of goodwill	23	-	-
Increase (decrease) in allowance for doubtful accounts	-19	77	-9,036
Decrease in allowance for directors' and corporate auditors' bonuses	-76	-91	-7
Decrease in allowance for employees' retirement benefits	-633	-707	-545
Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	-378	-63	69
Increase in allowance for Point Gift Certificates	487	341	527
Increase (decrease) in allowance for loss on disposal of buildings and structures	-2,379	-	2,379
Interest and dividend income	-361	-962	-3,549
Interest expenses	471	769	2,851
Equity in gain of affiliated companies	-679	-607	-2,151
Gain (loss) on sale of property and equipment, net	1	-29	-3,567
Loss on disposal of property and equipment	1,843	404	3,018
Gain (loss) on sale of securities, net	1	-579	-832
Write-down of investment securities	-	-	2
Gain on sale of consolidated subsidiaries' shares	-	-	-1,417
Increase in notes and accounts receivable	-41,801	-16,811	-9,989
Increase in inventories	-5,758	-4,928	-284
Increase in notes and accounts payable	19,149	12,189	1,921
Decrease in guarantee deposits	54,425	913	6,819
Other	-5,218	-9,732	-4,819
<b>Subtotal</b>	<b>31,739</b>	<b>-6,585</b>	<b>36,689</b>
Interest and dividend income received	1,914	2,083	4,165
Interest expense paid	-71	-1,130	-3,745
Income taxes paid	-8,355	-4,237	-8,347
<b>Net cash provided by (used in) operating activities</b>	<b>25,226</b>	<b>-9,868</b>	<b>28,762</b>
<b>II Cash flows from investing activities:</b>			
Purchase of time deposits maturing after three months	-22	-17	-60
Repayment of time deposits maturing after three months	6	6	60
Purchase of securities	-1,495	-1,005	-2,025
Proceeds from sale of securities	2	750	11,056
Purchase of property and equipment	-12,593	-11,585	-29,543
Proceeds from sale of property and equipment	424	333	7,812
Increase in long-term advances	-26	-7	-29
Proceeds from collection of long-term advances	14	1,012	1,059
Other	0	1	1,593
<b>Net cash used in investing activities</b>	<b>-13,689</b>	<b>-10,509</b>	<b>-10,075</b>
<b>III Cash flows from financing activities:</b>			
Net decrease in short-term bank loans	-	-	-50
Proceeds from long-term bank loans	1,000	2,000	4,000
Repayment of long-term bank loans	-41,097	-9,890	-38,906
Redemption of bonds	-	-5,000	-8,000
Proceeds from sale of treasury stock	0	0	3
Cash dividends paid	-1,650	-1,387	-2,856
Proceeds from capital increase	-	30,055	30,055
Other	-57	-23	-94
<b>Net cash used in (provided by) financing activities</b>	<b>-41,804</b>	<b>15,754</b>	<b>-15,848</b>



IV	Effect of exchange rate changes on cash and cash equivalents	-339	112	527
V	Decrease in cash and cash equivalents	-30,606	-4,511	3,365
VI	Cash and cash equivalents at beginning of period	54,961	51,595	51,595
VII	Cash and cash equivalents at end of period	24,354	47,084	54,961