

# Takashimaya Company, Limited

Takashimaya Reports Earnings for the Nine Months ended November 30, 2011

## Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group declined 2.0% from the year-ago period to 614,769 million yen. Consolidated operating income was up 16.1% to 12,387 million yen and consolidated ordinary income increased 6.7% to 14,777 million yen, while consolidated net income decreased 35.4% to 6,836 million yen.

In the first nine months (March 1 – November 30, 2011) of the fiscal year ending February 29, 2012, the Japanese economy was heavily impacted by the Great East Japan Earthquake of March 11, 2011. Since then, however, the economy has steadily recovered to around its pre-earthquake level. However, the financial problems in Europe and around the world remain murky, and the situation going forward is anything but certain. Factoring in the current situation, the Group updated its rolling long-term business plan, *New Strategies for Growth*, and undertook structural reforms and measures to bolster sales capabilities with a view to achieving the plan's new targets.

## Segment Information

Operating performance by segment is discussed below. For comparative purposes, segment operating performance amounts for the same period of the previous fiscal year have been converted into reporting segments used for the first nine months of the current fiscal year.

## Department Stores

In the Department Stores segment, sales and other operating revenue declined 2.6% from the year-ago period to 546,029 million yen and operating income fell 22.3% to 4,834 million yen.

Consumer activity showed signs of recovery one month after the earthquake disaster, and October sales exceeded those for the same month the previous year. While the unseasonably warm weather hurt sales of winter clothing and the change in the start of the year-end shopping season had an impact, sales of both select clothing and general merchandise and jewelry increased, and there are expectations for a continued recovery in consumer activity.

The Takashimaya Group rolled out special goods commemorating Takashimaya's 180<sup>th</sup> anniversary and otherwise worked to bolster the product lineup as well as enhance marketing capabilities, in an effort to pass along value to future generations. The Group also proactively carried out marketing activities that lead to support

for the restoration of areas impacted by the Great East Japan Earthquake. Such activities included holding a new “Big Tohoku Exhibit” featuring specialty products and crafts from the six prefectures comprising the Tohoku region, recommending gifts to support people in the Tohoku region, and letting people buy charity Christmas ornaments through the Group’s participation in “East Loop,” a project to support areas devastated by the earthquake. Customers liked these initiatives.

Following its grand reopening in March, the Osaka Store has earned customer support and posted higher sales since April, despite moves by competitors to expand existing stores and open new ones. Additionally, the Yokohama Store and the Tamagawa Store were renovated and are yielding better results.

Overseas, Takashimaya Singapore Ltd. recorded growth in both revenue and earnings thanks to the strong Singaporean economic recovery, as it captured consumer demand through proactive sales efforts.

### **Contract & Design**

The Contract & Design segment’s sales and other operating revenue was up 0.9% from the year-ago period to 11,556 million yen, while it incurred an operating loss of 103 million yen, narrower than the year-ago period’s operating loss of 401 million yen.

Takashimaya Space Create Co., Ltd. saw a decline in orders due to the prolonged impact of the earthquake, but in addition to a recovery in external orders from luxury brands, ongoing structural reforms helped lower fixed costs, leading to a reduced operating loss compared with the same period a year earlier.

### **Real Estate**

The Real Estate segment’s sales and other operating revenue was up 7.0% from the year-ago period to 24,219 million yen, and its operating income was up 9.8% to 5,626 million yen.

Toshin Development Co., Ltd.’s revenues expanded on the opening of the new Futako Tamagawa Rise Dogwood Plaza, along with the sale of real estate for sale. Additionally, efforts to streamline expenses helped boost both revenue and income versus the year-ago period. Toshin Development Singapore Pte. Ltd. posted higher revenues and profits due to the strong economy in Singapore.

### **Finance**

The Finance segment’s sales and other operating revenue declined 2.3% to 8,596 million yen, while operating income increased 58.2% to 2,253 million yen.

Takashimaya Credit Co., Ltd.’s revenues fell due to the impact of the earthquake as well as the recoil from the previous year’s eco-point demand. On the other hand, operating income increased as cost efficiencies improved through efforts such as a review of outsourcing costs and a reduction of credit losses by enhancing credit management.

## **Other**

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, edged up 2.3% from the year-ago period to 24,368 million yen. The segment incurred an operating loss of 435 million yen, narrower than the year-ago period's operating loss of 1,751 million yen.

In the three months from September, the Cross Media Division posted higher catalog product sales than the previous year. In the Internet catalog business, which the Company has been bolstering for some time now, revenues showed a considerable increase as a result of an enhanced product lineup, particularly with respect to cosmetics and food products. Furthermore, Takashimaya Service Co., Ltd., a functional subsidiary, raised its level of profitability and posted a much smaller operating loss than the previous year.

## **Financial Condition**

### **Assets, Liabilities, and Net Assets**

Consolidated assets at the end of the third quarter (November 30, 2011) totaled 829,108 million yen, up 12,019 million yen from the end of the previous fiscal year (February 28, 2011), mainly due to an increase in notes and accounts receivable. Liabilities increased 13,384 million yen from the end of the previous fiscal year, to 529,372 million yen, chiefly due to an increase in accounts payable. Net assets totaled 299,735 million yen, down 1,364 million yen from the end of the previous fiscal year.

### **Cash Flows**

Consolidated cash and cash equivalents at the end of the third quarter (November 30, 2011) totaled 77,917 million yen, up 7,637 million yen from the end of the previous fiscal year (February 28, 2011).

Net cash provided by operating activities was 27,424 million yen, an increase of 16,901 million yen from the year-ago period. This mainly reflects a decrease of 13,953 million yen in notes and accounts receivable.

Net cash used in investment activities was 11,131 million yen, an increase of 3,476 million yen from the year-ago period. This was mainly due to a 12,747 million yen decline in outlays for the purchase of tangible and intangible fixed assets, while proceeds from the sale of tangible and intangible fixed assets declined 12,551 million yen and proceeds from the sale of securities were down 2,941 million yen.

Net cash used in financing activities was 7,043 million yen, a 15,951 million yen change from net cash provided in the year-ago period. This was mainly due to a 12,417 million yen decline in expenditures from the repayment of long-term loans, which was offset by a 28,000 million yen decline in proceeds from long-term loans.

## **Consolidated Earnings Forecast**

Starting from fiscal years which begin on or after April 1, 2012, corporate tax rates will change due to the enactment of two new legal statutes promulgated on December 2; a corporate tax law partial amendment (statute no. 114 of 2011) and a reconstruction funding law in the aftermath of the Great East Japan Earthquake (statute no. 117 of 2011.) Consequently, from the fiscal year beginning March 1, 2013, for which temporary discrepancies are expected to be eliminated, income tax adjustments will increase in conjunction with the change in the effective tax rates for deferred tax assets and deferred tax liabilities. As a result, revisions have been made to previous forecasts of consolidated and non-consolidated net income.

For details, refer to the press release titled “Takashimaya Revisions to Earnings Forecasts,” dated December 26, 2011.

## Balance Sheets

(million yen)

	As of	As of
	November 30, 2011	February 28, 2011
	Amount	Amount
<b>Assets</b>		
Current assets	289,585	265,878
Cash and deposits	62,957	55,503
Notes and accounts receivable	138,925	121,263
Marketable securities	15,000	15,000
Merchandise and products	42,875	37,211
Work in process	564	771
Raw materials and supplies	614	584
Other	29,159	36,105
Allowance for doubtful accounts	(512)	(562)
Fixed assets	539,522	551,209
Tangible fixed assets	374,908	381,920
Buildings and structures, net	155,480	160,020
Land	208,067	208,772
Other, net	11,360	13,127
Intangible fixed assets	29,465	26,451
Goodwill	692	764
Other	28,772	25,686
Investments and other assets	135,148	142,838
Investment securities	73,369	79,528
Long-term guarantee deposits	42,164	43,613
Other	24,552	24,486
Allowance for doubtful accounts	(4,938)	(4,790)
<b>Total assets</b>	<b>829,108</b>	<b>817,088</b>

(million yen)

	As of	As of
	November 30, 2011	February 28, 2011
	Amount	Amount
<b>Liabilities</b>		
Current liabilities	342,923	304,198
Notes and account payable	103,983	87,248
Short-term bank loans	31,833	14,083
Income taxes payable	2,229	3,035
Advances received	82,709	76,871
Gift certificates outstanding	67,667	77,174
Allowance for point gift certificates	3,792	3,828
Asset retirement obligations	36	-
Other	50,672	41,957
Fixed liabilities	186,448	211,789
Corporate bonds	30,000	30,000
Long-term debt	66,656	87,679
Allowance for employees' retirement benefits	51,413	51,889
Allowance for directors' and corporate auditors' retirement benefits	274	244
Reserve for environmental measures	693	693
Asset retirement obligations	1,123	-
Other	36,287	41,284
Total liabilities	529,372	515,988
<b>Net assets</b>		
Shareholders' capital	289,603	285,854
Common stock	56,025	56,025
Additional paid-in capital	45,085	45,085
Retained earnings	189,022	185,272
Treasury stock	(530)	(528)
Valuation and translation adjustments	4,954	10,383
Net unrealized gains/losses on other securities	2,553	6,237
Net deferred gains/losses on hedge contracts	(10)	3
Land revaluation difference	7,769	7,998
Foreign currency translation adjustments	(5,358)	(3,856)
Minority interests	5,178	4,861
Total net assets	299,735	301,099
Total liabilities and net assets	829,108	817,088

## Statements of Operations

(million yen)

	Nine months ended November 30, 2010	Nine months ended November 30, 2011
	Amount	Amount
Net sales	588,746	575,679
Cost of sales	435,101	426,104
Gross profit	153,645	149,575
Other operating revenue	38,471	39,089
Gross operating income	192,116	188,665
Selling, general and administrative expenses		
Advertising expenses	17,118	17,581
Provision for point gift certificates	3,016	2,835
Provision for doubtful accounts	1,447	680
Directors' compensation and salaries	51,878	49,980
Retirement benefit expenses	5,835	5,566
Rental expenses	29,245	28,315
Other	72,906	71,317
Total selling, general and administrative expenses	181,448	176,278
Operating income	10,668	12,387
Non-operating income		
Interest income	258	240
Dividend income	650	678
Equity in gains of affiliated companies	1,462	1,555
Other non-operating income	2,411	1,698
Total non-operating income	4,783	4,171
Non-operating expenses		
Interest expenses	1,276	1,172
Foreign exchange gain or loss	—	437
Other non-operating expense	325	170
Total non-operating expenses	1,601	1,781
Ordinary income	13,849	14,777
Extraordinary gains		
Reversal of allowance for doubtful accounts	—	15
Gain on sale of fixed assets	10,625	64
Gain on sales of investment securities	—	32
Gain on revision of retirement benefit plan	—	50
Total extraordinary gains	10,625	162
Extraordinary losses		
Loss on disposal of fixed assets	2,114	1,221
Additional early retirement benefits	1,588	1,677
Loss on change in equity interest	448	—
Loss on revaluation of investment securities	—	501
Loss of disaster	—	353
Effect of adoption of accounting standard for asset retirement obligations	—	369
Other	670	523
Total extraordinary losses	4,821	4,646
Net income before income taxes and minority interests	19,653	10,293
Income taxes, inhabitants' tax, and enterprise taxes	6,644	3,693
Income tax adjustments	2,194	(597)
Total income taxes	8,839	3,095
Income before minority interests	—	7,197
Minority interests in income	229	361
Net income	10,584	6,836

## Statements of Cash Flows

(million yen)

	Nine months ended November 30, 2010	Nine months ended November 30, 2011
	Amount	Amount
I Cash flows from operating activities:		
Income before income taxes and minority interests	19,653	10,293
Depreciation	12,017	12,855
Amortization of goodwill	71	71
Increase (decrease) in allowance for doubtful accounts	963	97
Increase (decrease) in allowance for employees' retirement benefits	(3,839)	(475)
Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	(5)	30
Increase (decrease) in allowance for point gift certificates	209	(35)
Increase (decrease) in allowance for loss on disposal of buildings and structures	—	(341)
Interest and dividend income	(908)	(918)
Interest expenses	1,276	1,172
Equity in (gains) losses of affiliated companies	(1,462)	(1,555)
(Gain) loss on sale of fixed assets	(10,623)	(64)
Loss on disposal of fixed assets	1,407	804
(Gain) loss on revaluation of investment securities	—	501
Effect of adoption of accounting standard for asset retirement obligations	—	369
(Increase) decrease in notes and accounts receivable trade	(28,208)	(14,255)
(Increase) decrease in inventories	(3,988)	(5,524)
Increase (decrease) in trade account payable	20,239	16,971
(Increase) decrease in accrued revenue	—	9,690
Other	8,314	1,112
Subtotal	15,115	30,801
Interest and dividend income received	1,771	1,807
Interest expense paid	(1,158)	(1,177)
Income taxes paid	(7,261)	(4,231)
Income taxes refunded	2,055	225
Net cash provided by (used in) operating activities	10,523	27,424
II Cash flows from investing activities:		
Purchase of time deposits maturing after three months	(52)	(54)
Repayment of time deposits maturing after three months	60	241
Purchase of securities	(9)	(15)
Proceeds from sale of securities	3,000	58
Purchase of stocks of subsidiaries and affiliates	—	(758)
Purchase of tangible and intangible fixed assets	(23,515)	(10,768)
Proceeds from sale of tangible and intangible fixed assets	12,698	147
Other	163	16
Net cash provided by (used in) investing activities	(7,655)	(11,131)
III Cash flows from financing activities:		
Proceeds from long-term bank loans	30,000	2,000
Repayment of long-term bank loans	(17,689)	(5,272)
Cash dividends paid	(3,299)	(3,299)
Other	(103)	(472)
Net cash provided by (used in) financing activities	8,907	(7,043)



IV	Effect of exchange rate changes on cash and cash equivalents	(1,124)	(1,611)
V	Increase (decrease) in cash and cash equivalents	10,651	7,637
VI	Cash and cash equivalents at beginning of period	55,963	70,279
VII	Increase in cash and cash equivalents due to newly consolidated subsidiaries	235	—
VIII	Cash and cash equivalents at end of period	66,849	77,917

## Notes on the Going-concern Assumption

Not applicable

## Segment information

Business segment information for March 1 – November 30, 2010

(million yen)

	Department Stores	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Sales and other operating revenue:								
Outside customers	560,506	11,450	22,643	8,798	23,818	627,218	—	627,218
Intersegment	4,431	1,473	3,968	3,104	22,489	35,467	(35,467)	—
Total	564,938	12,924	26,611	11,902	46,308	662,685	(35,467)	627,218
Operating income (loss)	6,221	(401)	5,124	1,425	(1,751)	10,618	49	10,668

- Notes: 1. Business operations are categorized based on the type and use of merchandise and services involved into the Department Stores, Contract & Design, Real Estate, and Finance segments.
2. The Other segment mainly consists of the mail-order business, the wholesale business, and the sewing and processing business.
3. Effective the first quarter of the fiscal year ended February 28, 2011, the Company adopted the *Accounting Standard for Construction Contracts (ASBJ Statement No. 15)* and its associated *Guidance on the Accounting Standard for Construction Contracts (ASBJ Guidance No. 18)*. Due to this change, in the Contract & Design segment, operating revenue was 1,040 million yen higher and operating loss was 84 million yen lower than would have resulted with the previous accounting method.

Geographical segment information for March 1 – November 30, 2010

Geographical segment information is omitted from disclosure, as operating revenue in Japan exceeds 90% of the total operating revenue.

Overseas sales for March 1 – November 30, 2010

Overseas sales information is omitted from disclosure, as overseas sales account for less than 10% of the consolidated operating revenue.

## Segment information

### Additional information

Effective the first quarter of the fiscal year ending February 29, 2012, the Company adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No.17, March 27 2009) and its accompanying *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Guidance No. 20, March 21, 2008).

#### 1. Overview of reportable segments

The Takashimaya Group's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Group's board of directors to decide how to allocate resources and assess performance.

The Group's business, consisting mainly of Department Stores operations, is classified into reportable segments based on service categories and service delivery methods. Reportable segments are the Department Stores segment, the Contract & Design segment, the Real Estate segment, and the Finance segment.

The Department Stores segment mainly sells apparel, personal items, household goods, utensils, food items, etc. The Contract & Design segment receives and undertakes orders for interior renovations and other such work. The Real Estate segment provides real estate management services and operates shopping malls and related facilities. The Finance segment issues credit cards and is engaged in the financial business of Takashimaya Group companies.

#### 2. Sales and income/loss by reportable segment for March 1 – November 30, 2011

(million yen)

	Reportable segment					Other *1	Total	Adjustments *2	Amounts reported on the consolidate statements of operations *3
	Department Stores	Contract & Design	Real Estate	Finance	Total				
Sales and other operating revenue:									
Outside customers	546,029	11,556	24,219	8,596	590,401	24,368	614,769	—	614,769
Intersegment	4,466	1,190	3,759	2,981	12,398	22,903	35,301	(35,301)	—
Total	550,496	12,746	27,979	11,577	602,799	47,272	650,071	(35,301)	614,769
Segment income (loss)	4,834	(103)	5,626	2,253	12,610	(435)	12,175	211	12,387

- Notes:
1. "Other" represents business segments that are not included in the reportable segments and consists of the mail-order business, the whole sale business, and the sewing and processing business.
  2. Segment income of 211 million yen under "Adjustments" is the amount resulting from eliminations of inter-segment transactions.
  3. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of operations for the corresponding period.

#### 3. Impairment loss on fixed assets or goodwill by reportable segment

Not applicable

#### Notes on significant changes in shareholders' capital

Not applicable