

# Takashimaya Company, Limited

Takashimaya Reports Earnings for the 3 Months Ended May 31, 2012

## 1. Qualitative Information about Consolidated Operating Results

### (1) Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group rose 6.5% from the first quarter of last year, to 207,348 million yen. Consolidated operating income was up 68.7%, to 5,884 million yen, and consolidated ordinary income increased 47.0%, to 6,374 million yen. Consolidated net income climbed 125.5%, to 3,860 million yen.

In the first three months (March 1–May 31, 2012) of the fiscal year ending February 2013, a year after the Great East Japan Earthquake in March, there were some signs of a recovery in the Japanese economy, albeit a moderate one, with improved corporate earnings. However, the future of the economy remained uncertain, reflecting financial instability, especially in Europe, and concerns regarding the supply of electric power.

In this environment, the Takashimaya Group continued to implement structural reforms and worked to enhance its sales capabilities. Making the most of its advantage of having highly profitable companies, the Group combined its comprehensive strengths to improve its results.

### (2) Segment Information

Operating performance by segment is discussed below.

#### **Department Stores**

In the Department Stores segment, sales and other operating revenue rose 5.6% from the same period a year ago, to 183,464 million yen. Operating income increased 118.9%, to 2,489 million yen.

Results rose from a year ago, especially for stores in the Kanto region, reflecting the adverse effects of the earthquake last year, solid sales of select clothing, general merchandise, and jewelry, and strong sales of spring clothing.

The Group has taken up the “challenge of increasing revenues” this fiscal year, and has taken steps to improve its products and attract more customers. To enhance its uniqueness, the Group worked hard to promote original items. To attract customers, the Group held a variety of appealing events, including the “Nippon Broadcasting System’s Good Food Festival” at the Yokohama store in collaboration with the media company, and a “Fine Art Exhibition at Horyuji Temple” at the Tokyo store. Sales and the number of customers were solid as a result.

Sales grew steadily at the Osaka store, which celebrated its grand opening last March. Sales were especially strong for select clothing, general merchandise, and women’s general merchandise, causing departments to increase their floor space.

Overseas, Takashimaya Singapore Ltd. posted growth in revenue and earnings thanks to the strong Singaporean economy and the company’s efforts to capture consumer demand through proactive marketing, including initiatives targeting tourists.

#### **Contract & Design**

The Contract & Design segment contributed 4,708 million yen in sales and other operating revenue, a 75.2% increase from the same period a year ago, and operating income of 35 million yen, compared with an operating loss of 232 million yen in the same period a year ago.

Takashimaya Space Create Co., Ltd. posted an increase in revenue and returned to the black due to a recovery in orders, especially in luxury brands, after the adverse effects of the earthquake last year.

### **Real Estate**

In the Real Estate segment, sales and other operating revenue increased 6.4% versus the same period a year ago, to 8,328 million yen. Operating income totaled 1,959 million yen, an increase of 6.0%. Toshin Development Co., Ltd. posted an increase in both revenues and earnings due to strong performance at the Tamagawa, Kashiwa, and Nagareyama Otakanomori shopping centers. Toshin Development Singapore Pte. Ltd. posted increases in both revenues and earnings due to strong performance at specialty stores and successful initiatives to improve earnings, including rent increases.

### **Finance**

Sales and other operating revenue in the Finance segment climbed 1.2% from the same period a year ago, to 3,052 million yen, and operating income rose 32.8%, to 1,080 million yen. Takashimaya Credit Co., Ltd. posted higher revenues, reflecting strong shopping revenue in response to the adverse effects of the earthquake last year. Operating income increased as cost efficiency improved, primarily due to a reduction in credit losses as a result of improved credit management.

### **Other**

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, increased 3.9% from the same period a year ago, to 7,795 million yen. The segment posted an operating loss of 123 million yen, compared with an operating loss of 340 million yen in the same period a year ago.

In the Cross Media Division, orders for catalog products related to the earthquake declined, but revenue in the Internet catalog business rose, reflecting an increase in the number of food and cosmetics brands, products that the business is focusing on.

Takashimaya Service Co., Ltd., a functional subsidiary, raised its profitability level and posted a smaller operating loss than the same period year ago.

## 2. Qualitative Information about Consolidated Financial Status

### Assets, Liabilities, and Net Assets

Consolidated assets at the end of the first quarter (May 31, 2012) totaled 798,093 million yen, down 5,824 million yen from the end of the previous fiscal year (February 29, 2012), mainly due to decreases in cash and deposits and marketable securities. Liabilities decreased by 9,928 million yen from the end of the previous fiscal year, to 486,507 million yen, primarily reflecting a decrease in loans. Net assets totaled 311,585 million yen, up 4,104 million yen from the end of the previous fiscal year.

### Cash Flows

Consolidated cash and cash equivalents at the end of the first quarter (May 31, 2012) totaled 54,368 million yen, down 23,583 million yen from the end of the previous fiscal year (February 29, 2012).

Net cash provided by operating activities was 4,428 million yen, a decrease of 11,717 million yen from the same period a year ago. This mainly reflects an increase of 3,283 million yen in notes and accounts receivable-trade.

Net cash used in investment activities was 10,770 million yen, an increase of 6,243 million yen from the same period a year ago. This was mainly due to an increase of 4,679 million yen in purchases of 3-month CDs, and purchases of the stock of subsidiaries and affiliates of 690 million yen.

Net cash used in financing activities was 17,723 million yen, a 12,767 million yen increase from the same period a year ago. This was mainly due to a 17,950 million yen increase in the repayment of long-term loans, which offset 5,300 million in proceeds from long-term loans.

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

(million yen)

	As of February 29, 2012	As of May 31, 2012
<b>Assets</b>		
Current assets		
Cash and deposits	61,124	59,121
Notes and accounts receivable	121,414	129,735
Marketable securities	15,000	-
Merchandise and products	36,765	38,790
Work in process	508	511
Raw materials and supplies	590	643
Other	27,869	27,011
Allowance for doubtful accounts	(877)	(712)
Total current assets	262,394	255,101
Fixed assets		
Tangible fixed assets		
Buildings and structures	155,348	154,070
Land	208,682	211,366
Other, net	11,717	11,227
Total tangible fixed assets	375,748	376,664
Intangible fixed assets		
Goodwill	669	645
Other	29,129	28,797
Total intangible fixed assets	29,799	29,442
Investments and other assets		
Investment securities	77,474	78,418
Long-term guarantee deposits	42,082	42,127
Other	20,825	20,702
Allowance for doubtful accounts	(4,406)	(4,364)
Total investments and other assets	135,975	136,884
Total fixed assets	541,522	542,992
Total assets	803,917	798,093

(million yen)

	As of February 29, 2012	As of May 31, 2012
<b>Liabilities</b>		
Current liabilities		
Notes and account payable	87,297	93,683
Short-term bank loans	39,811	19,578
Accrued income taxes	4,177	2,538
Advances received	75,713	78,365
Gift certificates outstanding	63,070	61,608
Allowance for point gift certificates	3,517	3,299
Other	49,322	46,793
Total current liabilities	322,910	305,867
Fixed liabilities		
Corporate bonds	30,000	30,000
Long-term debt	57,667	62,120
Asset retirement obligations	1,122	1,220
Allowance for employees' retirement benefits	49,763	49,288
Allowance for directors' and corporate auditors' retirement benefits	242	234
Allowance for environmental measures	660	660
Other	34,069	37,115
Total fixed liabilities	173,525	180,639
Total liabilities	496,436	486,507
<b>Net assets</b>		
Shareholders' equity		
Common stock	56,025	56,025
Additional paid-in capital	45,085	45,086
Retained earnings	193,362	195,571
Treasury stock	(531)	(532)
Total shareholders' capital	293,941	296,150
Accumulated other comprehensive income		
Net unrealized gains/losses on other securities	4,799	3,344
Net deferred gains/losses on hedge contracts	11	(1)
Land revaluation difference	8,373	8,373
Foreign currency translation adjustments	(4,974)	(1,786)
Total valuation and translation adjustments	8,211	9,930
Minority interests	5,328	5,505
Total net assets	307,481	311,585
Total liabilities and net assets	803,917	798,093

**Statements of Operations**

(million yen)

	Three months ended May 31, 2011	Three months ended May 31, 2012
Net sales	181,727	193,702
Cost of sales	134,320	142,889
Gross profit	47,407	50,813
Other operating revenue	13,028	13,646
Gross operating income	60,435	64,459
Selling, general and administrative expenses		
Advertising expenses	6,232	6,825
Provision for point card certificates	946	661
Provision of allowance for doubtful accounts	336	44
Directors' compensations, salaries and allowances	15,856	15,938
Retirement benefit expenses	1,836	1,671
Rent expenses on real estates	9,428	9,328
Other	22,310	24,104
Total selling, general and administrative expenses	56,948	58,574
Operating income	3,487	5,884
Non-operating income		
Interest income	74	75
Dividend income	92	93
Gain on adjustment of account payable	320	170
Equity in gains of affiliated companies	519	555
Other	459	275
Total non-operating income	1,466	1,171
Non-operating expense		
Interest expense	398	325
Foreign exchange losses	156	190
Other	61	166
Total non-operating expense	616	682
Ordinary income	4,337	6,374
Extraordinary gains		
Gain on sales of noncurrent assets	64	-
Gain on sales of investment securities	30	-
Total extraordinary income	95	-
Extraordinary losses		
Loss on retirement of noncurrent assets	461	389
Loss on valuation of investment securities	482	-
Loss on disaster	281	-
Loss on adjustment for changes of accounting standard for asset retirement	369	-
Other	206	-
Total extraordinary losses	1,801	389
Net income before income taxes	2,631	5,984
Income taxes, inhabitants' tax, and enterprise taxes	1,184	1,401
Income tax adjustments	(420)	485
Total income taxes	764	1,887
Income before minority interests	1,866	4,097
Minority interests in earnings of consolidated subsidiaries	154	237
Net income	1,711	3,860

**Statements of comprehensive income**

(million yen)

	Three months ended May 31, 2011	Three months ended May 31, 2012
Consolidated quarterly statements of comprehensive income		
Income before minority interests	1,866	4,097
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,220)	(1,479)
Deferred gains or losses on hedges	0	(12)
Foreign currency translation adjustment	1,460	1,734
Share of other comprehensive income of associates accounted for using equity method	732	1,476
Total other comprehensive income	(27)	1,718
Comprehensive income	1,838	5,816
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,684	5,579
Comprehensive income attributable to minority interests	154	237

## Statements of Cash Flows

(million yen)

	Three months ended May 31, 2011	Three months ended May 31, 2012
<b>I</b> Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,631	5,984
Depreciation and amortization	4,309	4,791
Amortization of goodwill	23	23
Increase (decrease) in allowance for doubtful accounts	184	(206)
Increase (decrease) in provision for directors' bonuses	20	(16)
Increase (decrease) in provision for retirement benefits	249	(475)
Increase (decrease) in provision for directors' retirement benefits	(1)	(7)
Increase (decrease) in provision for point card certificates	(10)	(217)
Increase(decrease) in provision for loss on retirement of fixed assets	(341)	-
Interest and dividends income	(167)	(169)
Interest expenses	398	325
Equity in (earnings) losses of affiliates	(519)	(555)
Loss (gain) on sales of noncurrent assets	(62)	0
Loss on retirement of noncurrent assets	413	259
Loss (gain) on valuation of investment securities	482	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	369	-
Decrease (increase) in notes and accounts receivable-trade	(4,023)	(7,306)
Decrease (increase) in inventories	(1,436)	(2,031)
Increase (decrease) in notes and accounts payable-trade	5,273	5,885
Decrease (increase) in accounts receivable-other	5,373	558
Other, net	4,273	(77)
Subtotal	17,439	6,763
Interest and dividend income received	1,075	955
Interest expense paid	(421)	(308)
Income taxes paid	(1,948)	(2,982)
Net cash provided by (used in) operating activities	16,145	4,428
<b>II</b> Net cash provided by (used in) investing activities		
Payments into time deposits	(6)	(4,685)
Proceeds from withdrawal of time deposits	182	-
Purchase of short-term and long term investment securities	(2)	(2)
Proceeds from sales of short-term and long term investment securities	54	-
Purchase of stocks of subsidiaries and affiliates	-	(690)
Purchase of property, plant and equipment and intangible assets	(4,865)	(5,396)
Proceeds from sales of property, plant and equipment and intangible assets	113	9
Other, net	(3)	(5)
Net cash provided by (used in) investing activities	(4,527)	(10,770)



(million yen)

	Three months ended May 31, 2011	Three months ended May 31, 2012
III Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	-	5,300
Repayment of long-term loans payable	(3,130)	(21,080)
Cash dividends paid	(1,649)	(1,649)
Other	(175)	(292)
Net cash provided by (used in) financing activities	(4,955)	(17,723)
IV Effect of exchange rate change on cash and cash equivalents	1,009	2,356
V Net increase (decrease) in cash and cash equivalents	7,672	(21,709)
VI Cash and cash equivalents at beginning of period	70,279	76,077
VII Cash and cash equivalents at end of period	77,951	54,368