

Takashimaya Company, Limited

Takashimaya Reports Earnings for the 9 Months Ended November 30, 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 2.3% from the same period a year ago, to 629,180 million yen. Consolidated operating income was up 16.1%, to 14,375 million yen, and consolidated ordinary income increased 16.3%, to 17,185 million yen. Consolidated net income climbed 33.2%, to 9,105 million yen.

In the first nine months (March 1–November 30, 2012) of the fiscal year ending February 2013, the Japanese economy recovered from the Great East Japan Earthquake in March of the year before, and corporate earnings improved, albeit modestly.

Meanwhile, the world economy, especially the European economy, did not recover, which began to cast a shadow over corporate earnings. The future of the economy remained uncertain.

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 climbed 1.7% from the same period a year ago, to 555,566 million yen. Operating income declined 0.7%, to 4,799 million yen.

Competition intensified, reflecting the remodeling of competing stores and the opening of new commercial facilities categories, but revenue rose, primarily in reaction to the adverse effects of the earthquake last year.

In this business environment, the Group's department stores are promoting efficiency and a strategy to differentiate their products from those of the competition to achieve merchandising that exceeds customers' expectations and enhance their sales force. In addition to expanding the usual assortment of high-quality products characteristic of its department stores, the Group's stores, especially the large ones, are promoting measures to improve margins by increasing sales of original goods. Stores designed their own sales spaces in consideration of their customers' lifestyles, and promoted product planning. They also developed brands and items in response to the needs of the times.

Of the large stores that comprise the core of the Group's revenue base, revenue at the Osaka store rose, reflecting the continued effect of its renovation. Part of the Yokohama store was remodeled in October. The men's clothing, men's general merchandise, and sporting goods departments divided their sales spaces into a number of different zones to make them appear more high-quality and appealing. The store also created a "Health Garden" on its own initiative, with the theme of health and beauty. The Nihombashi store opened "Japanese Taste," an original sales floor selling food products from across the country that have their own special taste.

Revenue at domestic department stores rose in the first nine months under review, driven by original sales spaces and products at the large stores as well as community-based sales programs. However, profits declined due to decreasing margins associated with the strong recovery in corporate demand and an increase in selling, general and administrative expenses from the sales initiatives.

Overseas, Takashimaya Singapore Ltd. posted growth both in revenues and earnings through proactive marketing efforts, including appealing events and programs targeting tourists.

Contract & Design

Sales and other operating revenue in the Contract & Design segment rose 26.8% from the same period a year ago, to 14,649 million yen. Operating income stood at 569 million yen, compared with an operating loss of 103 million yen a year ago.

Takashimaya Space Create Co., Ltd. posted an increase in revenue and moved into the black due to a recovery in orders for luxury brand outlets, office buildings, and cultural facilities.

Real Estate

Sales and other operating revenue in the Real Estate segment climbed 3.5% from the same period a year ago, to 25,070 million yen. Operating income came to 5,860 million yen, an increase of 4.2%.

Toshin Development Co., Ltd. posted an increase in both revenues and earnings due to steady growth in rental income from the Tamagawa, Kashiwa, and Nagareyama Otakanomori shopping centers. Toshin Development Singapore Pte. Ltd. also posted increases in both revenues and earnings thanks to an increase in rental income associated with renewals of tenant contracts.

Finance

Sales and other operating revenue in the Finance segment increased 0.4% year on year, to 8,632 million yen, and operating income rose 20.8%, to 2,722 million yen.

Takashimaya Credit Co., Ltd. posted higher revenue, reflecting solid revenue from shopping. Operating income rose thanks to a reduction in selling, general and administrative expenses, including a reduction in credit losses due to improved credit management.

Other

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, rose 3.7% from a year ago, to 25,260 million yen. The segment posted operating income of 291 million yen, compared with an operating loss of 435 million yen in the same period a year ago.

Revenue in the Cross Media Division rose, attributable to a rise in orders in the Internet catalog business due to an increase in the number of food and cosmetics brands, products that the business is focusing on, and the strengthening of its collaboration with Select Square to increase sales.

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

2. Qualitative Information about Consolidated Financial Status

Assets, Liabilities, and Net Assets

Consolidated assets at the end of the third quarter (November 30, 2012) stood at 817,366 million yen, up 13,448 million yen from the end of the previous fiscal year (February 29, 2012), mainly due to increases in accounts receivable and inventories. Liabilities rose 3,168 million yen from the end of the previous fiscal year, to 499,604 million yen, chiefly due to an increase in accounts payable. Net assets totaled 317,761 million yen, up 10,280 million yen from the end of the previous fiscal year.

Cash Flows

Consolidated cash and cash equivalents at the end of third quarter (November 30, 2012) totaled 54,516 million yen, down 21,560 million yen from the end of the previous fiscal year (February 29, 2012). Net cash provided by operating activities was 21,715 million yen, a decrease of 5,709 million yen from the same period a year ago. This mainly reflects a year-on-year decrease in accrued revenue of 9,645 million yen and a year-on-year decrease in allowances for employees' retirement benefits of 4,111 million yen, which offset a year-on-year increase in notes and accounts payable-trade of 4,535 million yen and a year-on-year increase in notes and accounts receivable-trade of 3,215 million yen. Net cash used in investment activities was 22,889 million yen, an increase of 11,757 million yen from the same period a year ago. This was mainly due to a 4,785 million yen increase in purchases of 3-month CDs, a 5,381 million yen rise in purchases of tangible and intangible fixed assets, and a 1,202 million yen climb in purchases of the stocks of subsidiaries and affiliates. Net cash used in financing activities was 21,782 million yen, a 14,738 million yen increase from the same period a year ago. This was mainly due to a 17,888 million yen increase in repayments of long-term loans, which offset a 3,300 million yen increase in proceeds from long-term loans.

Consolidated Financial Statements
Balance Sheets

(million yen)

	As of February 29, 2012	As of November 30, 2012
Assets		
Current assets		
Cash and deposits	61,124	59,416
Notes and accounts receivable	121,414	137,925
Marketable securities	15,000	
Merchandise and products	36,765	43,584
Work in process	508	512
Raw materials and supplies	590	573
Other	27,869	29,855
Allowance for doubtful accounts	(877)	(666)
Total current assets	262,394	271,202
Fixed assets		
Tangible fixed assets		
Buildings and structures	155,348	153,433
Land	208,682	212,245
Other, net	11,717	12,724
Total tangible fixed assets	375,748	378,403
Intangible fixed assets		
Goodwill	669	773
Other	29,129	28,588
Total intangible fixed assets	29,799	29,361
Investments and other assets		
Investment securities	77,474	84,291
Long-term guarantee deposits	42,082	41,843
Other	20,825	16,465
Allowance for doubtful accounts	(4,406)	(4,200)
Total investments and other assets	135,975	138,399
Total fixed assets	541,522	546,163
Total assets	803,917	817,366

(million yen)

	As of February 29, 2012	As of November 30, 2012
Liabilities		
Current liabilities		
Notes and account payable	87,297	109,144
Short-term bank loans	39,811	18,542
Accrued income taxes	4,177	2,418
Advances received	75,713	83,445
Gift certificates outstanding	63,070	59,592
Allowance for point gift certificates	3,517	3,266
Other	49,322	51,546
Total current liabilities	322,910	327,957
Fixed liabilities		
Corporate bonds	30,000	30,000
Long-term debt	57,667	61,258
Asset retirement obligations	1,122	1,203
Allowance for employees' retirement benefits	49,763	45,176
Allowance for directors' and corporate auditors' retirement benefits	242	276
Allowance for environmental measures	660	660
Other	34,069	33,071
Total fixed liabilities	173,525	171,647
Total liabilities	496,436	499,604
Net assets		
Shareholders' equity		
Common stock	56,025	56,025
Additional paid-in capital	45,085	45,085
Retained earnings	193,362	199,168
Treasury stock	(531)	(535)
Total shareholders' capital	293,941	299,744
Accumulated other comprehensive income		
Net unrealized gains/losses on other securities	4,799	6,938
Net deferred gains/losses on hedge contracts	11	1
Land revaluation difference	8,373	8,373
Foreign currency translation adjustments	(4,974)	(3,157)
Total valuation and translation adjustments	8,211	12,156
Minority interests	5,328	5,860
Total net assets	307,481	317,761
Total liabilities and net assets	803,917	817,366

Statements of Operations

(million yen)

	Nine months ended November 30, 2011	Nine months ended November 30, 2012
Net sales	575,679	588,648
Cost of sales	426,104	436,200
Gross profit	149,575	152,448
Other operating revenue	39,089	40,531
Gross operating income	188,665	192,979
Selling, general and administrative expenses		
Advertising expenses	17,581	18,306
Provision for point card certificates	2,835	2,387
Provision of allowance for doubtful accounts	680	293
Directors' compensations, salaries and allowances	49,980	49,362
Retirement benefit expenses	5,566	5,102
Rent expenses on real estates	28,315	27,943
Other	71,317	75,208
Total selling, general and administrative expenses	176,278	178,603
Operating income	12,387	14,375
Non-operating income		
Interest income	240	311
Dividend income	678	665
Equity in gains of affiliated companies	1,555	1,462
Other	1,698	1,621
Total non-operating income	4,171	4,060
Non-operating expense		
Interest expense	1,172	1,003
Foreign exchange losses	437	
Other	170	247
Total non-operating expense	1,781	1,251
Ordinary income	14,777	17,185
Extraordinary gains		
Reversal of allowance for doubtful accounts	15	
Gain on sales of noncurrent assets	64	
Gain on sales of investment securities	32	
Gain on revision of retirement benefit plan	50	
Total extraordinary income	162	
Extraordinary losses		
Loss on retirement of noncurrent assets	1,221	2,192
Early extra retirement payments	1,677	
Loss on valuation of investment securities	501	19
Loss on disaster	353	
Loss on adjustment for changes of accounting standard for asset retirement obligation	369	
Other	523	20
Total extraordinary losses	4,646	2,231
Net income before income taxes	10,293	14,954
Income taxes, inhabitants' tax, and enterprise taxes	3,693	4,440
Income tax adjustments	(597)	873
Total income taxes	3,095	5,313
Income before minority interests	7,197	9,640
Minority interests in earnings of consolidated subsidiaries	361	534
Net income	6,836	9,105

Statements of comprehensive income

(million yen)

	Nine months ended November 30, 2011	Nine months ended November 30, 2012
Consolidated quarterly statements of comprehensive income		
Income before minority interests	7,197	9,640
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,645)	2,121
Deferred gains or losses on hedges	(13)	(9)
Foreign currency translation adjustment	(422)	929
Share of other comprehensive income of associates accounted for using equity method	(1,118)	904
Total other comprehensive income	(5,200)	3,945
Comprehensive income	1,997	13,585
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,636	13,050
Comprehensive income attributable to minority interests	361	534

Statements of Cash Flows

(million yen)

	Nine months ended November 30, 2011	Nine months ended November 30, 2012
I Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	10,293	14,954
Depreciation and amortization	12,855	13,869
Amortization of goodwill	71	85
Increase (decrease) in allowance for doubtful accounts	97	(418)
Increase (decrease) in provision for directors' bonuses		(16)
Increase (decrease) in provision for retirement benefits	(475)	(4,586)
Increase (decrease) in provision for directors' retirement benefits	30	34
Increase (decrease) in provision for point card certificates	(35)	(251)
Increase(decrease) in provision for loss on retirement of fixed assets	(341)	
Interest and dividends income	(918)	(977)
Interest expenses	1,172	1,003
Equity in (earnings) losses of affiliates	(1,555)	(1,462)
Loss (gain) on sales of noncurrent assets	(64)	
Loss on retirement of noncurrent assets	804	1,352
Loss (gain) on valuation of investment securities	501	19
Loss on adjustment for changes of accounting standard for asset retirement obligations	369	
Decrease (increase) in notes and accounts receivable-trade	(14,255)	(11,040)
Decrease (increase) in inventories	(5,524)	(6,758)
Increase (decrease) in notes and accounts payable-trade	16,971	21,507
Decrease (increase) in accounts receivable-other	9,690	44
Other, net	1,112	(403)
Subtotal	30,801	26,957
Interest and dividends income received	1,807	1,768
Interest expenses paid	(1,177)	(911)
Income taxes paid	(4,231)	(6,099)
Income taxes refund	225	
Net cash provided by (used in) operating activities	27,424	21,715
II Net cash provided by (used in) investing activities		
Payments into time deposits	(54)	(4,839)
Proceeds from withdrawal of time deposits	241	60
Purchase of short-term and long term investment securities	(15)	(10)
Proceeds from sales of short-term and long term investment securities	58	5
Purchase of stocks of subsidiaries and affiliates	(758)	(1,960)
Purchase of property, plant and equipment and intangible assets	(10,768)	(16,149)
Proceeds from sales of property, plant and equipment and intangible assets	147	9
Other, net	16	(3)
Net cash provided by (used in) investing activities	(11,131)	(22,889)
III Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	2,000	5,300
Repayment of long-term loans payable	(5,272)	(23,160)
Cash dividends paid	(3,299)	(3,298)
Other	(472)	(623)
Net cash provided by (used in) financing activities	(7,043)	(21,782)
IV Effect of exchange rate change on cash and cash equivalents	(1,611)	1,395
V Net increase (decrease) in cash and cash equivalents	7,637	(21,560)
VI Cash and cash equivalents at beginning of period	70,279	76,077
VII Cash and cash equivalents at end of period	77,917	54,516