

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2013

1. Qualitative Information about Consolidated Operating Results

(1) Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group rose 3.0% from the same period a year ago, to 648,191 million yen. Consolidated operating income was up 14.6%, to 16,473 million yen, and consolidated ordinary income increased 14.3%, to 19,643 million yen. Consolidated net income climbed 16.5%, to 10,609 million yen.

In the first nine months (March 1 – November 30, 2013) of the fiscal year ending February 2014, the Japanese economy staged a steady recovery, largely driven by favorable corporate performance.

However, given concerns about the cooling of consumer confidence due to the consumption tax hike scheduled in April 2014, it is difficult to be optimistic about future economic conditions.

In this environment, the Takashimaya Group continued to execute structural reforms and sought to enhance its sales capabilities, mainly in department stores. In addition, the Group took steps to improve its business performance, making the most of its advantage of having highly profitable companies.

(2) Segment Information

Operating performance by segment is discussed below.

Department Stores

In the Department Stores segment, sales and other operating revenue increased 3.1% from the same period a year ago, to 573,043 million yen. Operating income rose 37.1%, to 6,581 million yen.

The Takashimaya Group worked to bolster the sales base for its stores and strengthen merchandizing capabilities and customer strategies to improve its earnings base using “reforming the department store business in Japan” as its slogan.

During the nine months under review, the Department Stores segment posted higher revenues and earnings, thanks to continued high growth in sales of big-ticket items, such as select clothing, general merchandise and jewelry, in addition to the success of sales initiatives designed for the season, such as TV commercials tailored to the Hyakkasai, Artistic Japan, all-store sales promotion in autumn. While sustained high temperatures and severe weather such as typhoons affected the start-up of winter clothing in October, sales recovered in November as temperatures fell.

In large stores, which are the core of the segment earnings, the Nihombashi store reported increased revenues, reflecting its approach to renovating women’s general merchandise on the first floor to activate sales, in addition to a strong lineup of events to commemorate its 80th anniversary. The Yokohama store also posted higher revenues on robust sales of jewelry and articles for living, including housing-related items such as furniture. In addition, the Shinjuku store, which had been enjoying a growing number of customers since the linking of the Tokyu Toyoko Line with the Tokyo Metro Fukutoshin Line in March 2013, increased revenues steadily, thanks to the success of its efforts to attract and retain new customers through proactive advertising activities continuously conducted in areas along the Tokyu Toyoko Line. In terms of merchandise, department stores also increased revenues steadily, thanks to the launch of the Cashmere Knit Collection, in which they procured raw materials and commercialized products on their own, in October as part of their offering of merchandise excelling price and quality, taking advantage of the Group’s economies of scale.

Overseas, Takashimaya Singapore Ltd. posted additional growth in revenues following stronger efforts for card members and tourist customers, among other measures. Although operating expenses increased, operating income rose with the effect of foreign exchange, reflecting the depreciation of the yen.

Contract & Design

In the Contract & Design segment, sales and other operating revenue declined 7.7% from the same period a year ago, to 13,522 million yen. Operating income fell 36.3%, to 362 million yen.

Takashimaya Space Create Co., Ltd. posted a decline in sales and other operating revenue due to a reaction to orders received from large commercial facilities in the previous fiscal year. In addition, earnings also decreased because of higher costs to expand the renovation business.

Real Estate

The Real Estate segment's sales and other operating revenue increased 6.6% from the same period a year ago, to 26,735 million yen. Operating income totaled 6,184 million yen, an increase of 5.5%.

Toshin Development Co., Ltd. posted higher revenues and earnings, mainly due to the expansion of the Tamagawa shopping mall, the full-scale operation of new facilities such as Hanamizuki Terrace (Nagareyama Otakanomori Shopping Center) and higher rental income from specialty stores. Toshin Development Singapore Pte. Ltd. also reported an increase in revenues on greater rental income. While operating expenses increased, operating income rose with the effect of foreign exchange, reflecting the depreciation of the yen.

Finance

Sales and other operating revenue in the Finance segment increased 1.5% from the same period a year ago, to 8,759 million yen, while operating income rose 0.3%, to 2,730 million yen.

Takashimaya Credit Co., Ltd. posted increased operating revenues following a rise in the number of gold card members and solid growth in overall shopping transactions. Although this resulted in higher costs to tighten credit management, earnings increased.

Other

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, increased 3.4% from the same period a year ago, to 26,130 million yen. The segment posted operating income of 680 million yen, a rise of 133.5% from a year ago.

In the Cross Media Division, while orders received by net media contributed higher revenues, a decline in orders by the mainstay catalog media resulted in lower revenues. However, Good Live Co., Ltd. posted higher revenues supported by solid sales in department stores. In addition, revenues of Select Square Co., Ltd., which became a consolidated subsidiary in the second quarter of the previous fiscal year, were added from the beginning of the current fiscal year.

2. Qualitative Information about Consolidated Financial Status

Consolidated assets at the end of the third quarter (November 30, 2013) stood at 850,040 million yen, up 59,352 million yen from the end of the previous fiscal year (February 28, 2013), mainly reflecting increases in cash and deposits, notes and accounts receivable-trade and investment securities. Liabilities rose 39,451 million yen from the end of the previous fiscal year, to 494,695 million yen, chiefly due to an increase in notes and accounts payable-trade. Net assets totaled 355,345 million yen, up 19,901 million yen from the end of the previous fiscal year.

Consolidated cash and cash equivalents at the end of the third quarter (November 30, 2013) totaled 78,964 million yen, up 14,983 million yen from the end of the previous fiscal year (February 28, 2013). Net cash provided by operating activities was 24,382 million yen, an increase of 2,667 million yen from the same period a year ago. This mainly reflects a year-on-year increase in the provision for retirement benefits of 3,713 million yen.

Net cash used in investment activities was 13,272 million yen, a decline of 9,616 million yen from the same period a year ago. This was mainly due to a 4,948 million yen increase in proceeds from the withdrawal of time deposits and a 4,254 million yen decline in payments into time deposits.

Net cash provided by financing activities was 181 million yen, compared with net cash used of 21,782 million yen in the same period a year ago. This was chiefly due to a 21,384 million yen decline in repayment of long-term loans payable and a 700 million yen increase in proceeds from long-term loans payable.

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2013

	As of February 28, 2013	(million yen) As of November 30, 2013
Consolidated quarterly balance sheets		
Assets		
Current assets		
Cash and deposits	69,495	75,475
Notes and accounts receivable-trade	98,978	124,737
Short-term investment securities		7,999
Merchandise and finished goods	37,270	45,257
Work in process	443	664
Raw materials and supplies	521	533
Other	30,131	32,551
Allowance for doubtful accounts	(577)	(573)
Total current assets	236,263	286,647
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	154,003	153,289
Land	213,057	213,736
Other, net	11,695	13,555
Total property, plant and equipment	378,755	380,581
Intangible assets		
Goodwill	745	660
Other	28,233	27,973
Total intangible assets	28,979	28,633
Investments and other assets		
Investment securities	96,100	107,608
Guarantee deposits	41,288	40,093
Other	12,094	9,228
Allowance for doubtful accounts	(2,794)	(2,753)
Total investments and other assets	146,688	154,177
Total noncurrent assets	554,423	563,392
Total assets	790,687	850,040

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2013

	As of February 28, 2013	As of November 30, 2013
(million yen)		
Liabilities		
Current liabilities		
Notes and accounts payable-trade	87,883	110,688
Short-term loans payable	19,172	22,721
Current portion of bonds		30,000
Income taxes payable	4,045	3,421
Advances received	77,022	84,001
Gift certificates	57,174	56,235
Provision for point card certificates	3,136	3,422
Asset retirement obligations		11
Other	46,212	50,433
Total current liabilities	294,645	360,935
Noncurrent liabilities		
Bonds payable	30,000	
Long-term loans payable	49,674	50,389
Asset retirement obligations	1,301	1,405
Provision for retirement benefits	43,648	42,774
Provision for directors' retirement benefits	207	252
Provision for environmental measures	651	647
Other	35,116	38,290
Total noncurrent liabilities	160,597	133,759
Total liabilities	455,243	494,695
Net assets		
Shareholders' equity		
Capital stock	56,025	56,025
Capital surplus	45,085	45,085
Retained earnings	206,440	213,750
Treasury stock	(536)	(546)
Total shareholders' equity	307,014	314,314
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,106	19,370
Deferred gains or losses on hedges	1	5
Revaluation reserve for land	8,537	8,537
Foreign currency translation adjustment	1,767	6,671
Total accumulated other comprehensive income	22,413	34,586
Minority interests	6,015	6,444
Total net assets	335,443	355,345
Total liabilities and net assets	790,687	850,040

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2013

	(million yen)	
	Nine months ended November 30, 2012	Nine months ended November 30, 2013
Consolidated quarterly statements of (comprehensive) income		
Net sales	588,648	605,017
Cost of sales	436,200	450,062
Gross profit	152,448	154,954
Other operating revenue	40,531	43,173
Operating gross profit	192,979	198,128
Selling, general and administrative expenses		
Advertising expenses	18,306	17,906
Provision for point card certificates	2,387	2,638
Provision of allowance for doubtful accounts	293	375
Directors' compensations, salaries and allowances	49,362	49,756
Retirement benefit expenses	5,102	3,426
Rent expenses on real estates	27,943	30,001
Other	75,208	77,550
Total selling, general and administrative expenses	178,603	181,655
Operating income	14,375	16,473
Non-operating income		
Interest income	311	336
Dividends income	665	776
Equity in earnings of affiliates	1,462	1,585
Other	1,621	1,486
Total non-operating income	4,060	4,185
Non-operating expenses		
Interest expenses	1,003	848
Other	247	166
Total non-operating expenses	1,251	1,015
Ordinary income	17,185	19,643
Extraordinary income		
Gain on sales of noncurrent assets		210
Gain on sales of investment securities		38
Other		28
Total extraordinary income		278
Extraordinary loss		
Loss on retirement of noncurrent assets	2,192	3,059
Loss on valuation of investment securities	19	
Other	20	81
Total extraordinary losses	2,231	3,141
Income before income taxes and minority interests	14,954	16,780
Income taxes-current	4,440	5,526
Income taxes-deferred	873	144
Total income taxes	5,313	5,670
Income before minority interests	9,640	11,109
Minority interests in income	534	500
Net income	9,105	10,609

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	(million yen)	
	Nine months ended November 30, 2012	Nine months ended November 30, 2013
Consolidated quarterly statements of comprehensive income		
Income before minority interests	9,640	11,109
Other comprehensive income		
Valuation difference on available-for-sale securities	2,121	7,173
Deferred gains or losses on hedges	(9)	3
Foreign currency translation adjustment	929	2,955
Share of other comprehensive income of associates accounted for using equity method	904	2,040
Total other comprehensive income	3,945	12,172
Comprehensive income	13,585	23,282
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	13,050	22,782
Comprehensive income attributable to minority interests	534	500

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2013

	(million yen)	
	Nine months ended November 30, 2012	Nine months ended November 30, 2013
Consolidated quarterly statements of cash flows		
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	14,954	16,780
Depreciation and amortization	13,869	13,643
Amortization of goodwill	85	85
Increase (decrease) in allowance for doubtful accounts	(418)	(46)
Increase (decrease) in provision for directors' bonuses	(16)	(16)
Increase (decrease) in provision for retirement benefits	(4,586)	(873)
Increase (decrease) in provision for directors' retirement benefits	34	45
Increase (decrease) in provision for point card certificates	(251)	286
Interest and dividends income	(977)	(1,112)
Interest expenses	1,003	848
Equity in (earnings) losses of affiliates	(1,462)	(1,585)
Loss (gain) on sales of noncurrent assets		(210)
Loss on retirement of noncurrent assets	1,352	2,053
Loss (gain) on sales of short-term and long term investment securities		(38)
Loss (gain) on valuation of investment securities	19	0
Decrease (increase) in notes and accounts receivable-trade	(11,040)	(21,495)
Decrease (increase) in inventories	(6,758)	(8,141)
Increase (decrease) in notes and accounts payable-trade	21,507	22,195
Other, net	(358)	6,565
Subtotal	26,957	28,982
Interest and dividends income received	1,768	2,160
Interest expenses paid	(911)	(665)
Income taxes paid	(6,099)	(6,094)
Net cash provided by (used in) operating activities	21,715	24,382
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,839)	(585)
Proceeds from withdrawal of time deposits	60	5,008
Purchase of short-term and long term investment securities	(10)	(778)
Proceeds from sales of short-term and long term investment securities	5	56
Purchase of stocks of subsidiaries and affiliates	(1,960)	
Purchase of property, plant and equipment and intangible assets	(16,149)	(17,250)
Proceeds from sales of property, plant and equipment and intangible assets	9	238
Other, net	(3)	38
Net cash provided by (used in) investing activities	(22,889)	(13,272)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable		40
Proceeds from long-term loans payable	5,300	6,000
Repayment of long-term loans payable	(23,160)	(1,775)
Cash dividends paid	(3,298)	(3,298)
Other, net	(623)	(784)
Net cash provided by (used in) financing activities	(21,782)	181
Effect of exchange rate change on cash and cash equivalents	1,395	3,693
Net increase (decrease) in cash and cash equivalents	(21,560)	14,983
Cash and cash equivalents at beginning of period	76,077	63,980
Cash and cash equivalents at end of period	54,516	78,964