

# Takashimaya Company, Limited

Takashimaya Reports Earnings for the 3 Months Ended May 31, 2010

## 1. Qualitative Information about Consolidated Operating Results

### (1) Review of operations

While the Japanese economy gradually recovered during the first three months (March 1, 2010 to May 31, 2010) of the fiscal year under review, the future remains uncertain given factors such as concerns about an economic downturn caused by unstable international financial conditions.

Taking the current situation into account, the Group modified the Takashimaya Group's Long-Term Business Plan (New Strategies for Growth) and defined new targets, and sought to reform its structures and boost sales strength to achieve those targets. Signs of a bottoming out appeared in the operating results of the core department store business in Japan, and the performance of the Group companies also began to show an indication of improvement.

As a result, consolidated operating revenue was 206,290 million yen (down 1.0% year on year), consolidated operating income was 3,983 million yen (up 87.6% year on year), consolidated ordinary income was 4,735 million yen (up 91.2% year on year), and consolidated net income was 1,352 million yen (up 327.8% year on year).

### (2) Operating results by business segment

An overview of operations by business segment is as follows:

#### **Department Store**

In the Department Store business, the Osaka Store opened the first expansion phase in March, ahead of the grand opening in the spring next year. We also launched our mobile website and initiated new promotional media, such as an e-mail magazine for all stores, in an attempt to expand our customer base. The Shinjuku Store revamped its sales and expenditure structure and developed synergies with new tenants that opened for business in April. To commemorate the new capital partnership with Ryobi Holdings established in April, the Okayama Store began introducing structural reforms, for instance by strengthening its ability to attract customers. Additional retail buyers have been developed and merchandising managers are assigned to large stores, improving product selection in each region. Through these measures and because of the economic recovery, domestic department stores achieved year-on-year sales growth in May the first in 26 months.

Overseas, the operating revenue and operating income of Takashimaya Singapore Ltd. increased thanks to strong local sales efforts, in addition to the recovery of the Singapore economy.

Takashimaya New York LLC, based in New York, ceased operations on June 5.

As a result, operating revenue was 185,837 million yen (down 1.3% year on year) while operating income was 2,991 million yen (up 814.9% year on year).

#### **Contract & Design**

In the Contract & Design business, Takashimaya Space Create Co., Ltd. stepped up its efforts to boost sales and reduce costs, particularly fixed costs. However, the effect of the market contraction caused by sluggish corporate performance continued, resulting in an operating loss despite an improvement to some degree from the previous year.

As a result, operating revenue was 2,372 million yen (up 26.4% year on year) while the operating loss was 396 million yen (the operating loss in the previous year was 461 million yen).

### **Real Estate**

In the Real Estate business, while the income of Toshin Development Co., Ltd. increased from a new restaurant arcade business associated with the expansion of Takashimaya Osaka Store, operating income declined as a result of reduced operating revenue, owing to the impact of the local incorporation of the Singapore Store and renovations at Tamagawa Takashimaya Shopping Center associated with the 40<sup>th</sup> anniversary project, despite efforts to reduce costs such as personnel and advertising expenses.

Toshin Development Singapore Pte. Ltd., the locally incorporated Singapore branch of Toshin Development Co., Ltd., became a consolidated subsidiary in the period under review.

As a result, operating revenue stood at 7,540 million yen (up 1.9% year on year), whereas operating income was 1,612 million yen (down 1.7% year on year).

### **Finance**

In the Finance business, although expenses rose, including temporary expenses for responding to legislative amendments and expenses related to bad debts, operating revenue was higher with the increase in external handling fees, reflecting growth in membership, larger credit shopping amounts, and an increase in annual membership fees. This resulted in an increase in operating income.

As a result, operating revenue stood at 3,049 million yen (up 6.7% year on year), whereas operating income was 549 million yen (up 2.0% year on year).

### **Other**

In the cross-media business, the mail order business and online business were combined to establish a new Cross Media Division in September 2009, with the aim of bolstering sales activities and achieving drastic changes in the cost structure. However, the core business of catalog sales continued to struggle and failed to match the previous year's result.

An operating loss was incurred, due largely to higher expenses associated with the founding of Takashimaya Service Ltd. As a result, operating revenue for the new Cross Media Division overall came to 7,490 million yen (down 5.7% year on year) while the operating loss stood at 905 million yen (compared with an operating loss in the previous year of 38 million yen).

## **2. Qualitative Information about Consolidated Financial Status**

Assets at the end of the first quarter rose 22,789 million yen from the end of the previous fiscal year, to 807,888 million yen. Key factors included increases in notes receivable and accounts receivable and land. Liabilities increased 22,697 million yen to 516,557 million yen, from the end of the previous fiscal year. The increase is ascribed chiefly to rises in long-term loans, notes payable, and accounts payable. Net assets stood at 291,331 million yen, rising 91 million yen from the end of the previous consolidated fiscal year.

Net cash used in operating activities totaled 1,790 million yen, an increase of 342 million yen from the year-ago period. The primary factors included an increase of 1,761 million yen in net income before income taxes and an increase of 3,999 million yen in purchase liabilities, while accounts receivable rose 8,365 million yen.

Net cash used in investment activities was 8,316 million yen, up 9,407 million yen from the previous year. The major factor was an increase of 9,394 million yen in expenses for acquiring tangible and intangible fixed assets.

Net cash provided by financing activities was 14,163 million yen, rising 5,375 million yen from the year-ago period. This was attributable primarily to a reduction of 13,000 million yen in expenses, reflecting the absence of changes in the amount of commercial paper in the first quarter under review, an increase of 2,778 million yen in expenses for the repayment of long-term debts and a decrease of 5,000 million yen in income from long-term debts.

As a result, cash and cash equivalents at the end of the first quarter rose 4,613 million yen from the end of the previous consolidated fiscal year, to 60,577 million yen.

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

(million yen)

	As of May 31, 2010	As of February 28, 2010
<b>Assets</b>		
Current assets	256,685	239,816
Cash and deposits	42,631	56,011
Notes and accounts receivable	116,920	102,200
Marketable securities	18,000	3,000
Marchandise and products	41,219	39,665
Work in process	3,377	2,945
Raw materials and supplies	580	608
Other	34,433	35,881
Allowance for doubtful accounts	(478)	(497)
Fixed assets	551,203	545,282
Tangible fixed assets	382,588	381,943
Buildings and structures	162,407	162,591
Land	207,567	201,608
Other, net	12,613	17,744
Intangible fixed assets	24,644	19,417
Goodwill	835	859
Other	23,808	18,557
Investments and other assets	143,970	143,921
Investment securities	77,336	79,394
Long-term guarantee deposits	44,279	42,760
Other	27,493	26,582
Allowance for doubtful accounts	(5,139)	(4,816)
Total assets	807,888	785,098

(million yen)

	As of May 31, 2010	As of February 28, 2010
<b>Liabilities</b>		
Current liabilities	308,960	302,444
Notes and account payable	93,708	85,684
Short-term bank loans	23,430	24,593
Accrued income taxes	1,573	3,202
Advances received	79,278	77,020
Gift certificates outstanding	63,054	59,489
Allowance for point gift certificates	3,908	3,742
Other	44,006	48,710
Fixed liabilities	207,597	191,415
Corporate bonds	30,000	30,000
Long-term debt	82,831	65,962
Allowance for employees' retirement benefits	53,350	55,383
Allowance for directors' and corporate auditors' retirement benefits	231	251
Other	41,183	39,817
Total liabilities	516,557	493,859
<b>Net assets</b>		
Common stock	56,025	56,025
Additional paid-in capital	45,085	45,085
Retained earnings	174,424	174,741
Treasury stock	(517)	(514)
Total shareholders' capital	275,017	275,336
Net unrealized gains/losses on other securities	5,202	6,048
Net deferred gains/losses on hedge contracts	(14)	(12)
Land revaluation difference	7,998	7,998
Foreign currency translation adjustments	(1,433)	(1,973)
Total valuation and translation adjustments	11,752	12,060
Minority interests	4,561	3,842
Total net assets	291,331	291,239
Total liabilities and net assets	807,888	785,098

**Statements of Operations**

(million yen)

	Three months ended May 31, 2010	Three months ended May 31, 2009
Net sales	193,501	195,711
Cost of sales	142,675	143,408
Gross profit	50,825	52,302
Other operating revenue	12,789	12,585
Gross operating income	63,615	64,888
Selling, general and administrative expenses	59,631	62,765
Operating income	3,983	2,122
Interest income	58	86
Dividend income	82	107
Equity in gains of affiliated companies	437	354
Other non-operating income	681	457
Total non-operating income	1,261	1,005
Interest expense	406	422
Other non-operating expense	102	228
Total non-operating expense	508	650
Ordinary income	4,735	2,477
Extraordinary gains	-	200
Extraordinary losses	1,606	1,309
Net income before income taxes	3,129	1,368
Income taxes, inhabitants' tax, and enterprise taxes	965	1,207
Income tax adjustments	704	(265)
Minority interests in earnings of consolidated subsidiaries	106	110
Net income	1,352	316

**Statements of Cash Flows**

(million yen)

	Three months ended May 31, 2010	Three months ended May 31, 2009
<b>I Cash flows from operating activities:</b>		
Income before income taxes and minority interests	3,129	1,368
Depreciation	4,136	4,047
Amortization of goodwill	23	23
Allowance for doubtful accounts	304	216
Allowance for employees' retirement benefits	(2,033)	122
Allowance for directors' and corporate auditors' bonuses	(20)	(36)
Allowance for point gift certificates	165	74
Allowance for loss on disposal of buildings and structures	-	(787)
Interest and dividend income	(141)	(194)
Interest expenses	406	422
Equity in gain of affiliated companies	(437)	(354)
Loss on disposal of property and equipment	161	388
Notes and accounts receivable	(13,860)	(5,494)
Inventories	(1,942)	(2,010)
Accounts payable	7,842	3,843
Other	1,616	(1,936)
Subtotal	(648)	(306)
Interest and dividend income received	1,004	893
Interest expense paid	(330)	(79)
Income taxes paid	(1,816)	(1,956)
Net cash provided by operating activities	(1,790)	(1,448)
<b>II Cash flows from investing activities:</b>		
Purchase of time deposits maturing after three months	(12)	(12)
Repayment of time deposits maturing after three months	6	3,335
Purchase of securities	(2)	(2)
Proceeds from sale of securities	3,000	-
Purchase of property and equipment	(11,328)	(1,933)
Other	20	(295)
Net cash used in investing activities	(8,316)	1,090
<b>III Cash flows from financing activities</b>		
Proceeds from long-term bank loans	20,000	25,000
Repayment of long-term bank loans	(4,293)	(1,515)
Redemption of commercial papers	-	(13,000)
Cash dividends paid	(1,649)	(1,649)
Other	106	(47)
Net cash provided by financing activities	14,163	8,787
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	322	335
<b>V Increase in cash and cash equivalents</b>	4,378	8,765
<b>VI Cash and cash equivalents at beginning of period</b>	56,198	27,750
<b>VII Cash and cash equivalents at end of period</b>	60,577	36,515

**Segment information**

**March 1, 2010 to May 31, 2010**

(million yen)

	Department store	Contract & design	Real estate	Finance	Other	Total	Elimination and corporate	Consolidated
Sales and other operating revenue:								
Outside customers	185,837	2,372	7,540	3,049	7,490	206,290	-	206,290
intersegment	1,496	701	1,360	1,018	6,626	11,203	(11,203)	-
Total	187,334	3,074	8,901	4,067	14,116	217,494	(11,203)	206,290
Operating income	2,991	(396)	1,612	549	(905)	3,851	131	3,983

**March 1, 2010 to May 31, 2009**

(million yen)

	Department store	Contract & design	Real estate	Finance	Other	Total	Elimination and corporate	Consolidated
Sales and other operating revenue:								
Outside customers	188,216	1,876	7,403	2,857	7,943	208,297	-	208,297
intersegment	1,484	1,237	1,425	1,038	6,580	11,765	(11,765)	-
Total	189,701	3,113	8,828	3,896	14,523	220,063	(11,765)	208,297
Operating income	326	(461)	1,640	538	(38)	2,005	116	2,122