

Takashimaya Company, Limited

Takashimaya Reports Earnings for the 9 Months Ended November 30, 2010

1. Qualitative Information about Consolidated Operating Results

(1) Review of operations

During the first three quarters (from March 1, 2010 to November 30, 2010) of the fiscal year ending February 2011, the Japanese economy achieved a gradual recovery. However, optimism is not warranted, given the unstable global economy and concerns about an economic downturn due to volatile movements of exchange rates.

Taking the current situation into account, to achieve the targets set out in the Takashimaya Group's Long-Term Business Plan (= New Strategies for Growth), the Takashimaya Group sought to reform its structures, and further boost its sales strength.

As the operating environment improved, the performance of the core department store business clearly picked up, and the consolidated performance of the Takashimaya Group also recovered steadily.

As a result, consolidated operating revenue was 627,218 million yen (down 1.1% year on year), consolidated operating income was 10,668 million yen (up 56.2% year on year), consolidated ordinary income was 13,849 million yen (up 49.0% year on year), and consolidated net income was 10,584 million yen (up 162.1% 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, ahead of its grand opening in the spring next year, the Osaka Store opened the first expansion phase in March 2010 to capture new customers, and opened the second renovation phase in September 2010 to improve the sales floors of mainstay clothes and sundry goods for ladies. As a result, its sales grew steadily. Moreover taking advantage of synergies with new tenants who opened their shops in April 2010, the Shinjuku Store increased the number of customers visiting and shopping in the Store. The Tachikawa Store also optimized its sales capabilities by introducing floor management that employs collaboration with business partners. In addition, following the establishment of a new capital partnership with Ryobi Holdings Co., Ltd. in April 2010, the Okayama Store with Ryobi Holdings strove to promote structural reforms.

In addition to carrying out structural reforms based on the conditions in each store, the Takashimaya Group strives to develop sales strategies that focus closely on local communities by adopting sales policies that are suitable for local characteristics. Specifically, the Group is actively taking steps to attract foreign tourists, mainly at the Shinjuku Store and the Osaka Store, which are popular with overseas visitors, by assigning staff with foreign language fluency and introducing other initiatives. Moreover, the Yonago Store and other regional stores have been executing sales measures to revitalize local communities with the cooperation with regional administrations.

Meanwhile, taking advantage of its large-scale operations, the Takashimaya Group strove to provide useful merchandise that is unique to a department store. For example, the Group procured cashmere wool by itself and developed original cashmere jumpers, which were sold through its stores.

As a result of sales initiatives as mentioned above, the number of customers visited the stores in Japan for the first three quarters of the fiscal year under review increased year on year, and sales also improved steadily.

Overseas, the operating revenue and operating income of Takashimaya Singapore Ltd. increased, amid growing competition, thanks to the implementation of aggressive sales initiatives, including the introduction of new brands and the improvement in the lineup of products that meet local needs.

As a result, operating revenue was 560,506 million yen (down 1.8% year on year) while operating income was 6,221 million yen (up 307.2% year on year).

Contract & Design

In the Contract & Design business, operating revenue of Takashimaya Space Create Co., Ltd. rose steadily, and its income climbed almost 20%, reflecting a recovery in corporate orders. Moreover, with the effect of its efforts to cut costs, fixed costs in particular, the operating loss fell year on year.

As a result, operating revenue was 11,450 million yen (up 31.2% year on year) while the operating loss was 401 million yen (the operating loss in the previous year was 983 million yen).

Real Estate

In the Real Estate business, Toshin Development Co., Ltd. posted higher revenues, reflecting a new restaurant arcade business associated with the expansion of Takashimaya Osaka Store and renovation works at Tamagawa Takashimaya Shopping Center associated with the 40th anniversary project. It also took steps to cut costs, particularly labor costs and advertising expenses. As a result, including results from Toshin Development Singapore Pte. Ltd., which became a consolidated subsidiary from the locally incorporated Singapore branch in March 2010, Toshin Development Co., Ltd. recorded higher revenues and income.

As a result, operating revenue stood at 22,643 million yen (up 2.8% year on year), whereas operating income was 5,124 million yen (up 2.2% year on year).

Finance

In the Finance business, Takashimaya Credit Co., Ltd. recorded higher revenues and income, given the increase in external handling fees, reflecting growth in membership, larger credit shopping amounts, and an increase in annual membership fees.

As a result, operating revenue stood at 8,798 million yen (up 7.4% year on year), whereas operating income was 1,425 million yen (up 73.6% 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 significant changes in the cost structure. However, the core catalog sales business continued to struggle and failed to match the year-ago results. An operating loss resulted, 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 23,818 million yen (down 2.0% year on year), while the operating loss stood at 1,751 million yen (compared with an operating income of 420 million yen for the previous year).

2. Qualitative Information about Consolidated Financial Status

Assets at the end of the third quarter rose 47,309 million yen from the end of the previous fiscal year, to 832,408 million yen. Key factors included increases in notes and accounts receivable, marketable securities and land. Liabilities increased 42,088 million yen from the end of the previous fiscal year, to 535,948 million yen. The increase is ascribed chiefly to rises in long-term debt, and notes and account payable. Net assets stood at 296,460 million yen, rising 5,220 million yen from the end of the previous consolidated fiscal year.

Net cash provided by operating activities totaled 10,523 million yen, a decrease of 5,420 million yen from the year-ago period. The primary factors included an increase of 12,618 million yen in net income before income taxes and an increase of 5,365 million yen in purchase liabilities, while accounts receivable fell 29,813 million yen.

Net cash used in investment activities was 7,655 million yen, down 4,397 million yen from the previous year. The major factor was an increase of 12,536 million yen in proceeds from sales of tangible and intangible fixed assets, offsetting an increase of 8,498 million yen in expenses for acquiring tangible and intangible fixed assets.

Net cash provided by financing activities was 8,907 million yen, declining 15,466 million yen from the year-ago period. This was attributable primarily to a reduction of 20,000 million yen in income, reflecting the absence of a bond issue in the third quarter under review, an increase of 13,466 million yen in expenses for the repayment of long-term debts, offsetting a reduction of 13,000 million yen in expenses, reflecting the absence of any changes in the amount of commercial paper, and a rise of 5,000 million yen in income from long-term debts.

As a result, cash and cash equivalents at the end of the third quarter rose 10,886 million yen from the end of the previous consolidated fiscal year, to 66,849 million yen.

Consolidated Financial Statements
Balance Sheets

(million yen)

	As of November 30, 2010	As of February 28, 2010
Assets		
Current assets	282,912	239,816
Cash and deposits	51,070	56,011
Notes and accounts receivable	134,050	102,200
Marketable securities	16,000	3,000
Marchandise and products	44,610	39,665
Work in process	1,968	2,945
Raw materials and supplies	606	608
Other	35,083	35,881
Allowance for doubtful accounts	(478)	(497)
Fixed assets	549,495	545,282
Tangible fixed assets	382,468	381,943
Buildings and structures	159,298	162,591
Land	208,382	201,608
Other, net	14,787	17,744
Intangible fixed assets	25,119	19,417
Goodwill	788	859
Other	24,331	18,557
Investments and other assets	141,907	143,921
Investment securities	76,525	79,394
Long-term guarantee deposits	43,610	42,760
Other	27,570	26,582
Allowance for doubtful accounts	(5,798)	(4,816)
Total assets	832,408	785,098

(million yen)

	As of November 30, 2010	As of February 28, 2010
Liabilities		
Current liabilities	321,658	302,444
Notes and account payable	105,971	85,684
Short-term bank loans	12,175	24,593
Accrued income taxes	2,300	3,202
Advances received	82,924	77,020
Gift certificates outstanding	69,979	59,489
Allowance for point gift certificates	3,952	3,742
Other	44,353	48,710
Fixed liabilities	214,290	191,415
Corporate bonds	30,000	30,000
Long-term debt	90,690	65,962
Allowance for employees' retirement benefits	51,544	55,383
Allowance for directors' and corporate auditors' retirement benefits	245	251
Other	41,809	39,817
Total liabilities	535,948	493,859
Net assets		
Common stock	56,025	56,025
Additional paid-in capital	45,085	45,085
Retained earnings	182,006	174,741
Treasury stock	(522)	(514)
Total shareholders' capital	282,594	275,336
Net unrealized gains/losses on other securities	4,536	6,048
Net deferred gains/losses on hedge contracts	(2)	(12)
Land revaluation difference	7,998	7,998
Foreign currency translation adjustments	(3,351)	(1,973)
Total valuation and translation adjustments	9,180	12,060
Minority interests	4,684	3,842
Total net assets	296,460	291,239
Total liabilities and net assets	832,408	785,098

Statements of Operations

(million yen)

	Nine months ended November 30, 2010	Nine months ended November 30, 2009
Net sales	588,746	596,228
Cost of sales	435,101	437,655
Gross profit	153,645	158,572
Other operating revenue	38,471	37,696
Gross operating income	192,116	196,268
Selling, general and administrative expenses	181,448	189,439
Operating income	10,668	6,829
Interest income	258	264
Dividend income	650	654
Equity in gains of affiliated companies	1,462	983
Other non-operating income	2,411	2,447
Total non-operating income	4,783	4,349
Interest expense	1,276	1,273
Other non-operating expense	325	608
Total non-operating expense	1,601	1,881
Ordinary income	13,849	9,297
Extraordinary gains	10,625	309
Extraordinary losses	4,821	2,572
Net income before income taxes	19,653	7,035
Income taxes, inhabitants' tax, and enterprise taxes	6,644	3,595
Income tax adjustments	2,194	(776)
Minority interests in earnings of consolidated subsidiaries	229	178
Net income	10,584	4,037

Statements of Cash Flows

(million yen)

	Nine months ended November 30, 2010	Nine months ended November 30, 2009
I Cash flows from operating activities:		
Income before income taxes and minority interests	19,653	7,035
Depreciation	12,017	11,876
Amortization of goodwill	71	71
Increase (decrease) in allowance for doubtful accounts	963	1,116
Increase (decrease) in allowance for employees' retirement benefits	(3,839)	(90)
Increase (decrease) in allowance for directors' and corporate auditors' bonuses	(5)	(11)
Increase (decrease) in allowance for point gift certificates	209	(40)
Increase (decrease) in allowance for loss on disposal of buildings and	-	(810)
Interest and dividend income	(908)	(918)
Interest expenses	1,276	1,273
Equity in gain of affiliated companies	(1,462)	(983)
Gain (loss) on sale of property and equipment, net	(10,623)	-
Loss on disposal of property and equipment	1,407	770
(Increase) decrease in notes and accounts receivable	(28,208)	1,605
(Increase) decrease in inventories	(3,988)	(5,717)
Increase (decrease) in notes and accounts payable	20,239	14,874
Other	8,314	(8,879)
Subtotal	15,115	21,169
Interest and dividend income received	1,771	1,630
Interest expense paid	(1,158)	(874)
Income taxes paid	(7,261)	(5,981)
Income taxes refunded	2,055	-
Net cash provided by operating activities	10,523	21,169
II Cash flows from investing activities:		
Purchase of time deposits maturing after three months	(52)	(49)
Repayment of time deposits maturing after three months	60	3,491
Purchase of securities	(9)	(615)
Proceeds from sale of securities	3,000	-
Purchase of property and equipment	(23,515)	(15,017)
Proceeds from sale of property and equipment	12,698	-
Other	163	138
Net cash used in investing activities	(7,655)	(12,052)
III Cash flows from financing activities		
Proceeds from long-term bank loans	30,000	25,000
Repayment of long-term bank loans	(17,689)	(4,223)
Increase (decrease) in commercial papers	-	(13,000)
Proceeds from issuance of bonds	-	20,000
Cash dividends paid	(3,299)	(3,299)
Other	(103)	(103)
Net cash provided by financing activities	8,907	24,373
IV Effect of exchange rate changes on cash and cash equivalents	(1,124)	50
V Increase (decrease) in cash and cash equivalents	10,651	28,315
VI Cash and cash equivalents at beginning of period	55,963	27,750
VII Increase in cash and cash equivalents due to newly consolidated subsidiaries	235	-
VIII Cash and cash equivalents at end of period	66,849	56,065

Segment information**March 1, 2010 to November 30, 2010**

(million yen)

	Department store	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	6,221	(401)	5,124	1,425	(1,751)	10,618	49	10,668

March 1, 2009 to November 30, 2009

(million yen)

	Department store	Contract & design	Real estate	Finance	Other	Total	Elimination and corporate	Consolidated
Sales and other operating revenue:								
Outside customers	570,652	8,729	22,034	8,194	24,314	633,924	-	633,924
intersegment	4,368	2,127	4,244	3,160	23,517	37,418	(37,418)	-
Total	575,020	10,856	26,278	11,355	47,832	671,343	(37,418)	633,924
Operating income	1,527	(983)	5,016	820	420	6,801	27	6,829