

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2023 (Based on Japanese GAAP)

April 14, 2023

Company name: Takashimaya Company, Limited
 Stock exchange listing: Tokyo
 Stock code: 8233 URL <https://www.takashimaya.co.jp>
 Representative: President Yoshio Murata
 General Manager, Public and Investor
 Inquiries: Relations Office Shuichiro Kurosu TEL (03)3211-4111
 Scheduled date of ordinary general meeting of shareholders: May 23, 2023
 Scheduled date to file Securities Report: May 25, 2023
 Scheduled date to commence dividend payments: May 24, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 28, 2023	443,443	–	32,519	–	34,520	–	27,838	–
Year ended February 28, 2022	761,124	11.8	4,110	–	6,903	–	5,360	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2023	169.78	145.27	6.9	3.0	8.8
Year ended February 28, 2022	32.14	27.48	1.4	0.6	0.6

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2023	1,178,201	436,482	35.1	2,620.43
As of February 28, 2022	1,144,335	420,489	34.8	2,390.47

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended February 28, 2023	36,497	(10,707)	(32,428)	88,631
Year ended February 28, 2022	21,044	(37,120)	(4,758)	88,996

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 28, 2022	–	12.00	–	12.00	24.00	4,001	74.7	1.0
Year ended February 28, 2023	–	12.00	–	14.00	26.00	4,209	15.3	1.0
Year ending February 29, 2024 (Forecast)	–	14.00	–	14.00	28.00		–	

3. Forecast of consolidated financial results for the year ending February 29, 2024 (from March 1, 2023 to February 29, 2024)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2023	230,000	10.0	15,000	17.1	16,000	9.6	10,500	(22.4)	66.56
Full year	475,000	7.1	35,000	7.6	35,000	1.4	23,000	(17.4)	145.81

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2023	177,759,481 shares	As of February 28, 2022	177,759,481 shares
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Number of treasury shares at the end of the period

As of February 28, 2023	20,027,587 shares	As of February 28, 2022	11,027,076 shares
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Average number of shares during the period

Year ended February 28, 2023	163,962,974 shares	Year ended February 28, 2022	166,733,003 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	90,672	90,841
Notes and accounts receivable - trade	96,120	–
Notes and accounts receivable - trade, and contract assets	–	143,477
Merchandise and finished goods	37,867	35,201
Work in process	324	284
Raw materials and supplies	1,107	869
Other	44,424	31,625
Allowance for doubtful accounts	(687)	(770)
Total current assets	269,828	301,530
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	188,758	184,336
Machinery, equipment and vehicles, net	463	514
Tools, furniture and fixtures, net	11,971	11,340
Land	418,387	419,938
Leased assets, net	2,569	1,625
Construction in progress	8,863	10,895
Right-of-use assets, net	75,291	76,867
Total property, plant and equipment	706,306	705,517
Intangible assets		
Goodwill	2,380	2,394
Leasehold interests in land	10,603	11,125
Right-of-use assets	5,973	6,477
Other	16,973	17,086
Total intangible assets	35,931	37,084
Investments and other assets		
Investment securities	74,563	78,699
Guarantee deposits	27,926	27,075
Deferred tax assets	26,375	23,746
Other	5,614	6,909
Allowance for doubtful accounts	(2,210)	(2,361)
Total investments and other assets	132,269	134,069
Total non-current assets	874,507	876,670
Total assets	1,144,335	1,178,201

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	93,698	110,663
Short-term borrowings	18,160	9,660
Current portion of bonds payable	55	–
Lease liabilities	8,942	10,368
Income taxes payable	1,040	3,219
Advances received	118,105	–
Contract liabilities	–	96,912
Gift certificates	58,206	43,571
Deposits received	23,936	55,543
Provision for point card certificates	944	2,201
Provision for bonuses for directors (and other officers)	–	48
Other	29,726	33,542
Total current liabilities	352,815	365,731
Non-current liabilities		
Bonds payable	80,203	80,173
Long-term borrowings	116,345	123,750
Lease liabilities	78,529	79,856
Asset retirement obligations	5,451	5,872
Retirement benefit liability	51,556	50,206
Provision for retirement benefits for directors (and other officers)	256	248
Provision for environmental measures	82	16
Deferred tax liabilities	2,055	2,218
Deferred tax liabilities for land revaluation	9,050	9,049
Other	27,499	24,593
Total non-current liabilities	371,030	375,987
Total liabilities	723,846	741,718
Net assets		
Shareholders' equity		
Share capital	66,025	66,025
Capital surplus	54,790	54,790
Retained earnings	271,973	294,129
Treasury shares	(15,994)	(32,690)
Total shareholders' equity	376,795	382,255
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,429	8,366
Deferred gains or losses on hedges	(0)	(1)
Revaluation reserve for land	2,945	3,972
Foreign currency translation adjustment	10,995	19,811
Remeasurements of defined benefit plans	403	(1,079)
Total accumulated other comprehensive income	21,773	31,070
Non-controlling interests	21,919	23,155
Total net assets	420,489	436,482
Total liabilities and net assets	1,144,335	1,178,201

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Operating revenue	761,124	443,443
Net sales	695,693	368,863
Cost of sales	527,980	182,262
Gross profit	167,713	186,601
Other operating revenue	65,430	74,579
Operating gross profit	233,143	261,180
Selling, general and administrative expenses		
Advertising expenses	23,050	9,097
Provision for point card certificates	944	2,201
Distribution and operational expenses	29,546	33,259
Supplies expenses	2,712	2,855
Provision of allowance for doubtful accounts	547	744
Remuneration, salaries and allowances for directors (and other officers)	59,286	59,811
Retirement benefit expenses	1,473	1,129
Provision for bonuses for directors (and other officers)	–	48
Provision for retirement benefits for directors (and other officers)	46	54
Welfare expenses	12,876	12,833
Heating and lighting expenses	8,914	12,494
Commission expenses	7,302	8,318
Rent expenses on real estate	21,937	22,825
Rent expenses on machines	923	955
Depreciation	31,411	33,287
Amortization of goodwill	240	279
Other	27,818	28,463
Total selling, general and administrative expenses	229,033	228,660
Operating profit	4,110	32,519
Non-operating income		
Interest income	425	810
Dividend income	1,181	1,141
Subsidy income	3,076	389
Gain on adjustment of unused certificates	–	1,420
Foreign exchange gains	1,023	614
Share of profit of entities accounted for using equity method	1,462	2,689
Other	710	634
Total non-operating income	7,880	7,700
Non-operating expenses		
Interest expenses	4,651	5,177
Other	436	522
Total non-operating expenses	5,087	5,699
Ordinary profit	6,903	34,520

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Extraordinary income		
Gain on sale of non-current assets	126	4,805
Subsidy Income	1,110	83
Gain on forgiveness of lease liabilities	467	13
Gain on sale of investment securities	2,501	2,857
Gain on forgiveness of debts	313	–
Other	8	20
Total extraordinary income	4,527	7,781
Extraordinary losses		
Loss on retirement of non-current assets	2,883	1,906
Impairment losses	2,619	5,018
Loss related to COVID-19	2,207	46
Other	52	423
Total extraordinary losses	7,763	7,394
Profit before income taxes	3,667	34,907
Income taxes - current	2,644	3,482
Income taxes - deferred	(5,029)	2,533
Total income taxes	(2,384)	6,016
Profit	6,052	28,891
Profit attributable to non-controlling interests	691	1,052
Profit attributable to owners of parent	5,360	27,838

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit	6,052	28,891
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,621)	1,423
Deferred gains or losses on hedges	(1)	(0)
Foreign currency translation adjustment	3,990	5,976
Remeasurements of defined benefit plans, net of tax	(790)	(1,367)
Share of other comprehensive income of entities accounted for using equity method	2,121	3,254
Total other comprehensive income	3,697	9,286
Comprehensive income	9,750	38,177
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,254	36,108
Comprehensive income attributable to non-controlling interests	1,495	2,069

Consolidated statements of changes in equity

Fiscal year ended February 28, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	66,025	54,790	270,615	(15,993)	375,437
Cumulative effects of changes in accounting policies					–
Restated balance	66,025	54,790	270,615	(15,993)	375,437
Changes during period					
Dividends of surplus			(4,001)		(4,001)
Profit (loss) attributable to owners of parent			5,360		5,360
Purchase of treasury shares and disposal of treasury shares		0		(0)	(0)
Reversal of revaluation reserve for land					–
Change in scope of consolidation					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	0	1,358	(0)	1,357
Balance at end of period	66,025	54,790	271,973	(15,994)	376,795

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	8,873	1	2,945	5,969	1,089	18,879	20,793	415,111
Cumulative effects of changes in accounting policies								–
Restated balance	8,873	1	2,945	5,969	1,089	18,879	20,793	415,111
Changes during period								
Dividends of surplus								(4,001)
Profit (loss) attributable to owners of parent								5,360
Purchase of treasury shares and disposal of treasury shares								(0)
Reversal of revaluation reserve for land								–
Change in scope of consolidation								–
Net changes in items other than shareholders' equity	(1,444)	(1)	–	5,026	(686)	2,893	1,126	4,020
Total changes during period	(1,444)	(1)	–	5,026	(686)	2,893	1,126	5,378
Balance at end of period	7,429	(0)	2,945	10,995	403	21,773	21,919	420,489

Fiscal year ended February 28, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	66,025	54,790	271,973	(15,994)	376,795
Cumulative effects of changes in accounting policies			(514)		(514)
Restated balance	66,025	54,790	271,459	(15,994)	376,280
Changes during period					
Dividends of surplus			(4,001)		(4,001)
Profit (loss) attributable to owners of parent			27,838		27,838
Purchase of treasury shares and disposal of treasury shares		0		(16,695)	(16,695)
Reversal of revaluation reserve for land			(1,026)		(1,026)
Change in scope of consolidation			(139)		(139)
Net changes in items other than shareholders' equity					-
Total changes during period	-	0	22,670	(16,695)	5,974
Balance at end of period	66,025	54,790	294,129	(32,690)	382,255

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	7,429	(0)	2,945	10,995	403	21,773	21,919	420,489
Cumulative effects of changes in accounting policies								(514)
Restated balance	7,429	(0)	2,945	10,995	403	21,773	21,919	419,974
Changes during period								
Dividends of surplus								(4,001)
Profit (loss) attributable to owners of parent								27,838
Purchase of treasury shares and disposal of treasury shares								(16,695)
Reversal of revaluation reserve for land								(1,026)
Change in scope of consolidation								(139)
Net changes in items other than shareholders' equity	936	(0)	1,026	8,816	(1,482)	9,296	1,236	10,532
Total changes during period	936	(0)	1,026	8,816	(1,482)	9,296	1,236	16,507
Balance at end of period	8,366	(1)	3,972	19,811	(1,079)	31,070	23,155	436,482

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from operating activities		
Profit before income taxes	3,667	34,907
Depreciation	31,428	33,301
Impairment losses	2,619	5,018
Amortization of goodwill	240	279
Increase (decrease) in allowance for doubtful accounts	(329)	234
Increase (decrease) in retirement benefit liability	(2,661)	(3,317)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(53)	(8)
Increase (decrease) in provision for point card certificates	(1,491)	1,251
Increase(decrease) in provision for loss on repair construction of building	(3,661)	–
Interest and dividend income	(1,607)	(1,951)
Interest expenses	4,651	5,177
Share of loss (profit) of entities accounted for using equity method	(1,462)	(2,689)
Loss (gain) on sale of non-current assets	(125)	(4,800)
Loss on retirement of non-current assets	2,883	1,906
Subsidy income	(1,110)	(83)
Loss related to COVID-19	2,207	46
Loss (gain) on sale of investment securities	(2,501)	(2,857)
Decrease (increase) in trade receivables	4,612	(47,295)
Decrease (increase) in inventories	4,178	3,225
Increase (decrease) in trade payables	6,040	15,523
Increase (decrease) in advances received	5,058	(118,420)
Increase (decrease) in deposits received	(2,261)	31,407
Increase (decrease) in accounts payable - other	(12,552)	1,058
Increase (decrease) in contract liabilities	–	97,056
Other, net	(5,349)	(9,624)
Subtotal	32,419	39,345
Interest and dividends received	2,798	3,100
Interest paid	(4,665)	(5,207)
Subsidies received	1,110	83
Loss related to COVID-19 paid	(1,630)	(65)
Income taxes paid	(8,989)	(759)
Net cash provided by (used in) operating activities	21,044	36,497
Cash flows from investing activities		
Payments into time deposits	(188)	(276)
Purchase of short-term and long-term investment securities	(33)	(1,737)
Proceeds from sale and redemption of short-term and long-term investment securities	1,153	11,344
Purchase of property, plant and equipment and intangible assets	(32,939)	(26,014)
Proceeds from sale of property, plant and equipment and intangible assets	100	6,756
Payments for asset retirement obligations	(114)	(171)
Purchase of shares of subsidiaries and associates	(456)	(836)
Net decrease (increase) in short-term loans receivable	(2,772)	978
Long-term loan advances	(3)	(2,016)
Other, net	(1,866)	1,264
Net cash provided by (used in) investing activities	(37,120)	(10,707)

(Millions of yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(10,000)
Proceeds from long-term borrowings	21,185	12,000
Repayments of long-term borrowings	(13,160)	(3,160)
Net increase (decrease) in commercial papers	(10,000)	–
Proceeds from issuance of bonds	20,000	–
Redemption of bonds	(10,092)	(60)
Repayments of lease liabilities	(8,319)	(10,122)
Purchase of treasury shares	(0)	(16,695)
Dividends paid	(4,001)	(4,001)
Other, net	(369)	(388)
Net cash provided by (used in) financing activities	(4,758)	(32,428)
Effect of exchange rate change on cash and cash equivalents	4,511	6,272
Net increase (decrease) in cash and cash equivalents	(16,323)	(365)
Cash and cash equivalents at beginning of period	105,320	88,996
Cash and cash equivalents at end of period	88,996	88,631

Qualitative Information about Consolidated Operating Results

During the consolidated fiscal year under review (March 1, 2022, to February 28, 2023), the Japanese economy showed signs of normalization, as illustrated by the lifting of the COVID-19 quasi-emergency measures in March 2022. As part of this trend, consumer spending started returning to the pre-pandemic level. Additionally, inbound tourist numbers rose following the easing of border controls. However, economic uncertainties persisted; in particular, a government survey on consumer attitudes revealed that consumer confidence was dented by rising prices.

Against that backdrop, we (Takashimaya Group) worked on four tasks designed to ensure that our businesses can survive the adverse conditions and achieve future growth: 1) making the department stores more profitable, 2) transforming business processes and workplace culture, 3) laying the foundations for boosting earnings and expanding the business portfolio, and 4) integrating ESG into business strategies.

Performance in the Department Store segment was as follows. Total sales grew significantly from the previous year's level amid a rise in footfall and inbound tourists. Meanwhile, the Osaka Store, followed by our other large stores, prioritized efforts to place the store on a business footing that delivers stable profits. Thanks to these efforts, the segment posted an SG&A to total operating revenue ratio of 22.6%, compared to last year's ratio of 25.1%.

Performance in the Commercial Property Development segment was as follows. In the Nagareyama Otakanomori area (Chiba Prefecture), Toshin Development Co., Ltd. ("**Toshin**") worked on ongoing development projects around commercial facilities such as Nagareyama Otakanomori Shopping Center. To accelerate the diversification of our asset portfolio, Toshin also worked on non-commercial development projects, such as obtaining residential properties. In Vietnam, Toshin continued its hub development and business development projects in Hanoi as a follow-up to Saigon Centre, which houses Ho Chi Minh City Takashimaya.

Performance in the Finance segment was as follows. In June 2022, we launched Takashimaya NEOBANK, a financial services app based on SBI Sumishin Net Bank, Ltd.'s NEOBANK®. The app features SUGO-TSUMI,*1 a money saving service that can be used when shopping at Takashimaya department stores. In September, we launched another service, Takashimaya Investment Trust. This service allows users to invest their Takashimaya loyalty points in various investment trusts. The service is creating more opportunities for our customers to use Takashimaya loyalty points, stimulating both our department store business and our finance business.

Regarding ESG management, we have committed to sustainable corporate development, balancing business growth with engagement in social issues, to realize a sustainable 21st-century world in which everyone prospers. As well as switching to renewable energy in five group facilities, we worked on environmental initiatives with our supply chain partners. These initiatives included introducing material

recycling^{*2} for PVC clothing covers and using reusable packaging during deliveries. In October, which was the Food Loss Reduction Month, ten of our facilities (seven department stores and three shopping centers) organized a food drive.^{*3}

As part of our engagement in social issues, we updated our childcare leave program following the amendment in October 2022 to Japan's Child Care and Family Care Leave Act. Our updated program exceeds the requirements in the amended law. Its purpose is to create a diverse and inclusive workplace, where individual differences are respected and where new value is created. We also decided to stop using the store uniform for sales staff in order to make the workplace more employee friendly.

To support sustainability on the financial front, we signed an agreement for a sustainability-linked loan.^{*4} In these and other ways, we continue to improve our ESG management.

Consolidated Results

Our consolidated performance was as follows: We recorded a consolidated operating revenue of 443,443 million yen (compared to 761,124 million yen in the previous fiscal year), a consolidated operating profit of 32,519 million yen (compared to 4,110 million yen in the previous fiscal year), a consolidated ordinary profit of 34,520 million yen (compared to 6,903 million yen in the previous fiscal year), and a consolidated profit attributable to owners of parent of 27,838 million yen (compared to 5,360 million yen in the previous fiscal year). As a result of applying the Accounting Standard for Revenue Recognition, operating revenue decreased 438,319 million yen, operating profit increased 1,525 million yen, and ordinary profit and a profit before income taxes increased 2,468 million yen.

ROE was 6.9%, EBITDA^{*5} to total assets ratio was 4.8%, and ratio of net interest-bearing debt to EBITDA was 2.2. In these three items, we achieved our three-year targets one year ahead of the end-year of 2023. Equity ratio was 35.1% and the SG&A to total operating revenue ratio was 25.9%.

Non-Consolidated Results

The non-consolidated performance was as follows: We recorded net sales of 284,067 million yen (compared to 597,951 million yen in the previous fiscal year), an operating profit of 10,291 million yen (compared to an operating loss of 7,760 million yen in the previous fiscal year), an ordinary profit of 15,908 million yen (compared to 2,620 million yen in the previous fiscal year), and a profit of 17,036 million yen (compared to 6,949 million yen in the previous fiscal year). As a result of applying the Accounting Standard for Revenue Recognition, net sales decreased 407,753 million yen, operating profit increased 891 million yen, and ordinary profit and a profit before income taxes increased 2,031 million yen.

***1 SUGO-TSUMI**

Shorthand for Takashimaya no Sugoi Tsumitate (“Takashimaya’s amazing savings scheme”), SUGO-TSUMI is one of the financial services included in Takashimaya NEOBANK, a financial services app. Users who deposit fixed monthly amounts for a whole year receive a one-month bonus to their Shopping Balance, which can be spent at Takashimaya stores.

***2 Material recycling**

Material recycling, often known as mechanical recycling, involves processing waste so that it can easily be reused as new materials in products.

***3 Food drive**

In a food drive, consumers donate their unused, unexpired food. The donated food is then distributed to nonprofits and local welfare centers so that the food does not go to waste.

***4 Sustainability-linked loans**

A sustainability-linked loan requires the borrower to commit to sustainability performance targets (SPTs). The interest rate and other loan terms are tied to the borrower’s performance in the SPTs. This linkage incentivizes the borrower to achieve the SPTs, thereby stimulating socially and environmentally sustainable business activities and economic development.

***5 EBITDA**

EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) measures a company’s capacity to generate cash. As used in our financial reporting, EBITDA adds back consolidated depreciation (other than depreciation of overseas subsidiaries’ right-of-use assets recognized under the IFRS 16 requirements) to consolidated operating profit.