

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2022 (Based on Japanese GAAP)

December 26, 2022

Company name: Takashimaya Company, Limited
 Stock exchange listing: Tokyo
 Stock code: 8233 URL <https://www.takashimaya.co.jp>
 Representative: President Yoshio Murata
 Inquiries: General Manager, Public and Investor Yoshiyuki Nishikata TEL 03(3211)4111
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 Scheduled date to file Quarterly Securities Report: January 12, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended November 30, 2022 (from March 1, 2022 to November 30, 2022)

(1) Consolidated operating results (cumulative)

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	%
Nine months ended November 30, 2022	317,752	–	22,856	–	24,471	–	22,910	–
Nine months ended November 30, 2021	537,289	12.0	(1,096)	–	1,342	–	(3,715)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended November 30, 2022	138.15		118.40	
Nine months ended November 30, 2021	(22.28)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2022	1,214,726	435,350	33.9
As of February 28, 2022	1,144,335	420,489	34.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 28, 2022	–	12.00	–	12.00	24.00
Year ending February 28, 2023	–	12.00	–		
Year ending February 28, 2023 (Forecast)				12.00	24.00

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

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
Full year	450,000	(40.9)	28,500	593.3	28,000	305.6	26,000	385.0	158.57

4. Notes

- (1) Changes in significant subsidiaries during the nine months ended November 30, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of November 30, 2022	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 November 30, 2022	20,027,455 shares	As of February 28, 2022	11,027,076 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended November 30, 2022	165,832,271 shares	Nine months ended November 30, 2021	166,733,115 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Assets		
Current assets		
Cash and deposits	90,672	82,844
Notes and accounts receivable - trade	96,120	–
Notes and accounts receivable - trade, and contract assets	–	162,256
Merchandise and finished goods	37,867	44,410
Work in process	324	465
Raw materials and supplies	1,107	873
Other	44,424	36,199
Allowance for doubtful accounts	(687)	(745)
Total current assets	269,828	326,304
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	188,758	188,825
Land	418,387	419,887
Leased assets, net	2,569	1,922
Right-of-use assets, net	75,291	81,638
Other, net	21,299	22,405
Total property, plant and equipment	706,306	714,679
Intangible assets		
Goodwill	2,380	2,645
Leasehold interests in land	10,603	11,585
Right-of-use assets	5,973	6,956
Other	16,973	17,084
Total intangible assets	35,931	38,271
Investments and other assets		
Investment securities	74,563	76,564
Guarantee deposits	27,926	27,538
Other	31,989	33,590
Allowance for doubtful accounts	(2,210)	(2,223)
Total investments and other assets	132,269	135,469
Total non-current assets	874,507	888,421
Total assets	1,144,335	1,214,726

(Millions of yen)

	As of February 28, 2022	As of November 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	93,698	130,453
Short-term borrowings	18,160	11,160
Current portion of bonds payable	55	–
Lease obligations	8,942	10,603
Income taxes payable	1,040	1,766
Advances received	118,105	–
Contract liabilities	–	106,046
Gift certificates	58,206	44,731
Provision for point card certificates	944	2,349
Other	53,663	87,913
Total current liabilities	352,815	395,023
Non-current liabilities		
Bonds payable	80,203	80,180
Long-term borrowings	116,345	125,292
Lease obligations	78,529	85,002
Asset retirement obligations	5,451	5,735
Retirement benefit liability	51,556	49,618
Provision for retirement benefits for directors (and other officers)	256	233
Provision for environmental measures	82	20
Other	38,605	38,268
Total non-current liabilities	371,030	384,351
Total liabilities	723,846	779,375
Net assets		
Shareholders' equity		
Share capital	66,025	66,025
Capital surplus	54,790	54,790
Retained earnings	271,973	290,209
Treasury shares	(15,994)	(32,689)
Total shareholders' equity	376,795	378,335
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,429	8,587
Deferred gains or losses on hedges	(0)	(3)
Revaluation reserve for land	2,945	2,964
Foreign currency translation adjustment	10,995	21,910
Remeasurements of defined benefit plans	403	2
Total accumulated other comprehensive income	21,773	33,461
Non-controlling interests	21,919	23,553
Total net assets	420,489	435,350
Total liabilities and net assets	1,144,335	1,214,726

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Operating revenue	537,289	317,752
Net sales	488,642	262,235
Cost of sales	370,466	128,836
Gross profit	118,176	133,398
Other operating revenue	48,646	55,517
Operating gross profit	166,823	188,916
Selling, general and administrative expenses		
Advertising expenses	17,887	6,805
Provision for point card certificates	135	1,476
Provision of allowance for doubtful accounts	378	517
Remuneration, salaries and allowances for directors (and other officers)	44,252	44,477
Retirement benefit expenses	1,065	835
Rent expenses on real estate	16,319	17,104
Other	87,880	94,842
Total selling, general and administrative expenses	167,920	166,059
Operating profit (loss)	(1,096)	22,856
Non-operating income		
Interest income	252	425
Dividend income	1,047	1,015
Subsidy income	1,895	378
Share of profit of entities accounted for using equity method	960	1,516
Foreign exchange gains	717	1,185
Other	1,251	1,355
Total non-operating income	6,125	5,876
Non-operating expenses		
Interest expenses	3,455	3,856
Other	230	405
Total non-operating expenses	3,686	4,262
Ordinary profit	1,342	24,471
Extraordinary income		
Gain on sale of investment securities	136	2,857
Gain on forgiveness of debts	313	–
Subsidy income	1,089	83
Other	7	3
Total extraordinary income	1,547	2,945
Extraordinary losses		
Loss on retirement of non-current assets	1,205	1,169
Impairment losses	13	467
Loss related to COVID-19	2,188	42
Other	26	237
Total extraordinary losses	3,433	1,917

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Profit (loss) before income taxes	(543)	25,499
Income taxes - current	1,952	2,224
Income taxes - deferred	676	(500)
Total income taxes	2,629	1,724
Profit (loss)	(3,172)	23,775
Profit attributable to non-controlling interests	542	864
Profit (loss) attributable to owners of parent	(3,715)	22,910

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Profit (loss)	(3,172)	23,775
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,582)	1,013
Deferred gains or losses on hedges	(1)	(3)
Foreign currency translation adjustment	2,968	7,833
Remeasurements of defined benefit plans, net of tax	(327)	(287)
Share of other comprehensive income of entities accounted for using equity method	1,154	4,715
Total other comprehensive income	2,211	13,271
Comprehensive income	(961)	37,046
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,093)	34,579
Comprehensive income attributable to non-controlling interests	1,132	2,467

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(543)	25,499
Depreciation	23,317	24,980
Impairment losses	13	467
Amortization of goodwill	178	208
Increase (decrease) in allowance for doubtful accounts	(428)	70
Increase (decrease) in retirement benefit liability	(1,852)	(2,351)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(64)	(22)
Increase (decrease) in provision for point card certificates	(1,690)	1,396
Increase(decrease) in provision for loss on repair construction of building	(3,661)	–
Interest and dividend income	(1,300)	(1,440)
Interest expenses	3,455	3,856
Share of loss (profit) of entities accounted for using equity method	(960)	(1,516)
Loss on retirement of non-current assets	617	1,169
Subsidy income	(1,089)	(83)
Loss related to COVID-19	2,188	42
Loss (gain) on sale of investment securities	(136)	(2,857)
Decrease (increase) in trade receivables	(24,074)	(66,056)
Decrease (increase) in inventories	(3,556)	(6,060)
Increase (decrease) in trade payables	30,749	35,598
Increase (decrease) in advances received	12,434	(118,470)
Increase (decrease) in accounts payable - other	(10,553)	730
Increase (decrease) in contract liabilities	–	105,771
Other, net	(3,996)	18,710
Subtotal	19,045	19,642
Interest and dividends received	2,507	2,661
Interest paid	(3,449)	(3,814)
Subsidies received	1,089	83
Loss related to COVID-19 paid	(1,639)	(65)
Income taxes refund (paid)	(7,202)	(561)
Net cash provided by (used in) operating activities	10,351	17,946
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(11)	(12)
Proceeds from sale and redemption of short-term and long-term investment securities	244	11,334
Purchase of property, plant and equipment and intangible assets	(26,283)	(18,617)
Proceeds from sale of property, plant and equipment and intangible assets	3	698
Purchase of shares of subsidiaries and associates	(456)	(733)
Net decrease (increase) in short-term loans receivable	(2,703)	1,063
Long-term loan advances	–	(2,014)
Other, net	(829)	1,015
Net cash provided by (used in) investing activities	(30,038)	(7,265)

(Millions of yen)

	Nine months ended November 30, 2021	Nine months ended November 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(10,000)
Proceeds from long-term borrowings	18,185	12,000
Repayments of long-term borrowings	(12,120)	(120)
Net increase (decrease) in commercial papers	14,000	–
Redemption of bonds	(10,069)	(60)
Repayments of lease obligations	(6,221)	(6,998)
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	(597)	(26,264)
Effect of exchange rate change on cash and cash equivalents	2,917	7,417
Net increase (decrease) in cash and cash equivalents	(17,366)	(8,166)
Cash and cash equivalents at beginning of period	105,320	88,996
Cash and cash equivalents at end of period	87,953	80,830

1. Qualitative Information about Consolidated Operating Results

(1) Summary of Operating Results

Effective from the start of the year ending February 2023, we have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). Consequently, the method we used to calculate revenues pertaining to the period under review (March 1 to November 30, 2022) differs from the one we used for revenues pertaining to the equivalent nine-month period in the previous fiscal year. For this reason, this document omits year-on-year changes (both numerical and percentage changes).

During the cumulative consolidated third quarter (March 1 to November 30, 2022), the Japanese economy experienced mixed fortunes. Although GDP growth turned negative in the July–September quarter, marking the first negative growth for four quarters, consumer confidence remained strong. On the other hand, rising costs of raw materials and the yen’s sharp decline drove inflation. The economic outlook remains murky, with fears that consumers will increasingly tighten their belts amid a cost-of-living squeeze.

Against that backdrop, we (Takashimaya Group) continued our pursuit of sustained growth through our groupwide Machi-dukuri Strategy, and worked on our program for reforming the earnings structure of department stores and maximizing group profits. For our core business, department stores, we have placed top priority on establishing a structure that will deliver stable profits in this business. To that end, we launched a program to boost department stores’ sales power and reshape the cost structure. This program covers our five large department stores: Osaka Store, Kyoto Store, Nihombashi Store, Yokohama Store, and Shinjuku Store. Regarding our growing online business, our online store offers the kind of attractive and original products that are the hallmarks of department stores. We have also leveraged our forte in gift items to attract customers to the online store. Additionally, the online store runs seasonal campaigns (midsummer, end-of-year, and so on) linked with offline store campaign.

Toshin Development, our commercial property developer, continued to spearhead the Machi-dukuri Strategy. In the Nagareyama Otakanomori area (Chiba Prefecture), Toshin has been developing the vicinity of Nagareyama Otakanomori Shopping Center, which celebrated its 15th anniversary in March 2022. In June, the shopping center opened a new wing, Annex 2 and Green Path. Future Machi-dukuri Strategy projects within Japan include a project to develop the Kyoto Store into the Kyoto Takashimaya Shopping Center, which will combine a department store and specialty stores. As part of this, the existing store will be enlarged in autumn 2023 to create a specialty store zone featuring new amenities and services. As for overseas projects, Toshin is focusing on sectors in Vietnam with bright growth prospects. Currently, Toshin is working on Starlake Project, a township development in Hanoi, as a follow-up to Saigon Centre, which houses Ho Chi Minh City Takashimaya.

In the finance business, we launched a Takashimaya Neobank, a financial services app based on SBI Sumishin Net Bank Ltd.’s Neobank® in June. The app includes Sugotsumi, a money saving service used when making bank transactions or shopping at Takashimaya department stores. In September, we launched a service that allows users

to invest their Takashimaya loyalty points in a financial brokerage app, Takashimaya Investment Trust. The service, provided in collaboration with SBI Securities, will expand the economic scope of 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, with a view to building a sustainable 21st-century world in which everyone prospers. For environmental sustainability, we have launched new initiatives that extend across our supply chains. Examples include a switch to renewable energy in five group facilities, material recycling for PVC clothing materials, and the use of reusable packaging when delivering products. October was Food Loss Reduction Month, and during that month we helped pilot mottECO, a government scheme to reduce food loss. The project involved encouraging diners at our commercial facilities to take leftover food home. Alongside this, seven of our stores participated in a food drive by collecting food donations and distributing them to nonprofits and local welfare centers. During the current fiscal year, we fully launched Tsunagu Action, a promotional campaign in department stores that focuses on building a sustainable future in collaboration with customers. As part of this campaign, we are developing products and services in line with our concept of eco-friendly and ethically conscious lifestyles. We are also exploring other ways to encourage customers to actively engage in sustainability action.

Our consolidated performance for the cumulative consolidated third quarter was as follows: We recorded a total consolidated operating revenue of 317,752 million yen (compared to 537,289 million yen in the same period of the previous fiscal year), a consolidated operating income of 22,856 million yen (compared to a consolidated operating loss of 1,096 million yen in the same period of the previous fiscal year), a consolidated ordinary income of 24,471 million yen (compared to 1,342 million yen in the same period of the previous fiscal year), and a consolidated profit attributable to owners of parent of 22,910 million yen (compared to a loss of 3,715 million yen in the same period of the previous fiscal year). As a result of applying the Accounting Standard for Revenue Recognition, operating revenue decreased 314,413 million yen, operating income increased 1,048 million yen, and ordinary income and a profit before income taxes increased 1,744 million yen.