

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Year Ended February 28, 2013

1. Qualitative Information about Consolidated Operating Results

(1) Summary of Operating Results

Consolidated sales and other operating revenue for the Takashimaya Group increased 1.4% from the previous fiscal year, to 870,333 million yen. Operating income increased 20.7%, to 25,476 million yen, ordinary income rose 22.6%, to 29,866 million yen, and net income climbed 51.8%, to 16,540 million yen.

During the fiscal year, the Japanese economy recovered from the impact of the Great East Japan Earthquake, and corporate earnings also improved, albeit moderately. In addition, in the second half of the fiscal year, as share prices followed an upward trend due to expectations for the recovery of corporate earnings associated with the correction of the excessive appreciation of the yen, the Japanese economy began to show encouraging prospects. However, the future remained uncertain, given concerns about the resurgence of the financial crisis in Europe and the adverse effect of the consumption tax hike after next year.

In this environment, the Takashimaya Group steadily increased its sales capabilities, including its merchandising power, and improved its management efficiency, resulting in a strong showing for the group, which consists of highly profitable companies. As a result of these efforts, the Takashimaya Group was able to achieve consolidated operating income growth for the third consecutive fiscal year.

(2) Segment Information

Operating performance by segment is discussed below.

Department Stores

In the Department Stores segment, sales and other operating revenue increased 1.0% from the previous fiscal year, to 770,089 million yen. Operating income rose 19.9%, to 11,880 million yen, as Takashimaya worked on its “Higher Revenues Challenge” by offering new product lineups, environments, and services to meet customer expectations in local communities, with a focus on sales activities. To exploit its unique characteristics, Takashimaya also worked to provide original products and respond to changing lifestyles. Efforts in this area included “Carmina Campus,” a brand based on the “ethical” theme, consisting of caring for people and the environment; Kenko no Niwa (“Health Garden”), a sales area promoting a certain kind of lifestyle under the theme of beauty and health; and cashmere knit products, sales of which remained strong as a Takashimaya brand. Based on customer feedback, Takashimaya also endeavored to improve its services, including introducing a terminal where customers can see their Takashimaya card points and Tomonokai shopping card balances.

In March 2012, partly thanks to rising share prices and the recovery from the negative effects of the earthquake two years ago, Takashimaya was off to a smooth start for the year. With the increasing trend toward finding goods of real value, sales of high-ticket items such as select apparel and household goods and jewelry, areas of strength for the department stores, exhibited strong performance, while sales of artwork, where Takashimaya excels, remained firm. After May, however, the consumption environment became increasingly uncertain again, reflecting the financial crisis in Europe, the strong yen, and falling share prices. In particular, sales of apparel goods, including women’s clothing, ended up with poor results, falling below their year-ago level due to fierce competition with other business categories, bad weather, and the extended time period for summer clearance sales.

With respect to store efforts, the Yokohama store implemented a series of renovations to solidify its status as the best store in the area, and renovated its sales areas for women's and men's clothing and home goods on the upper floors.

The Osaka store increased its sales from the previous fiscal year for the third consecutive year, due to focusing on a variety of measures, including countering the effects of the floor expansion of other department stores in the Umeda area by holding the first Minna de Minami, an event to increase sales in conjunction with other commercial facilities in the Shinsaibashi area. The Kyoto store renovated its men's clothing floor and took steps to increase sales in conjunction with other retailers in the Shijo Kawaramachi area. Small and medium-size stores also promoted community-based sales, including the Kashiwa store, which held a Chi-san Chi-shou Fair, selling products made locally in Chiba Prefecture. Takashimaya held several newsworthy events, including "East Meets West – Commemorating the 125th Anniversary of the Birth of Bernard Leach" and other special cultural events unique to Takashimaya. Takashimaya also promoted itself as a department store that has left an imprint on the Japanese folk art movement by holding "The Essence of Style and Beauty" and a folk art exhibition at the same time. Takashimaya also held an exhibition of Takaki Yamamoto's Showa Era Landscapes Dioramas, showing most of his works featuring Showa-era streetscape themes.

Overseas, Takashimaya Singapore Ltd. posted growth in revenues and earnings thanks to sales efforts including events to pull in more customers and appealing to tourists from neighboring countries.

Contract & Design

The Contract & Design segment contributed 19,010 million yen in sales and other operating revenue, an increase of 11.2% from the previous fiscal year, and operating income of 868 million yen, an increase of 300.1% compared with the previous fiscal year.

Takashimaya Space Create Co., Ltd. enjoyed a significant increase in revenue and earnings due to the orders it received for the renovation of luxury brands and large properties in the Osaka Umeda redevelopment area.

Real Estate

The Real Estate segment's sales and other operating revenue increased 5.0% from the previous fiscal year, to 33,863 million yen. Operating income totaled 7,757 million yen, an increase of 8.0%.

Toshin Development Co., Ltd. posted an increase in both revenues and earnings due to its efforts to improve sales efficiency, in addition to sound results at the Tamagawa Takashimaya Shopping Center, Nagareyama Ootaka no Mori Shopping Center, and Kashiwa Takashimaya Station Mall.

Finance

Sales and other operating revenue in the Finance segment increased 1.2% from the previous fiscal year, to 11,655 million yen, while operating income rose 12.3%, to 3,625 million yen.

Takashimaya Credit Co., Ltd. posted an increase in revenues and earnings, reflecting an increase in the volume of credit card transactions due to redoubled efforts to acquire new members and promote the use of credit cards, and reduce credit and outsourcing costs.

Other

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, increased 3.7% from the previous fiscal year, to 35,714 million yen. The segment posted an operating profit of 1,261 million yen, an increase of 407.0% from the previous fiscal year. In the Cross Media Division, the Internet business enjoyed increased revenues due to higher food sales, the result of appointing full-time buyers, and strong growth in gift promotion, an area in which Takashimaya is strong.

Takashimaya Service Co., Ltd. worked to improve its operating efficiency, posting a smaller operating loss than the previous fiscal year.

2. Qualitative Information about Consolidated Financial Status

Assets, Liabilities, and Net Assets

Consolidated assets at the end of the fiscal year (February 28, 2013) totaled 790,687 million yen, down 13,230 million yen from the end of the previous fiscal year (February 29, 2012), mainly due to a decline in accounts receivable. Liabilities decreased by 41,192 million yen from the end of the previous fiscal year, to 455,243 million yen. Net assets totaled 335,443 million yen, up 27,962 million yen from the end of the previous fiscal year, as a result of an increase in retained earnings.

Cash Flows

Consolidated cash and cash equivalents at the end of the fiscal year (February 28, 2013) totaled 63,980 million yen, down 12,097 million yen from the end of the previous fiscal year (February 29, 2012).

Net cash provided by operating activities was 44,141 million yen, an increase of 12,220 million yen from the previous fiscal year. This mainly reflected an increase of 24,724 million yen in notes and accounts receivable-trade, and an increase of 6,904 million yen in income before income taxes and minority interests, as well as a decrease of 13,197 million yen in accrued revenue, a decrease of 3,990 million yen in allowance for employees' retirement benefits, and a decrease of 1,843 million yen in allowance for doubtful accounts.

Net cash used in investment activities was 28,470 million yen, an increase of 12,113 million yen from the previous fiscal year. This was mainly due to a 4,799 million yen increase in purchases of time deposits maturing after three months, a 4,065 million yen increase in the purchase of tangible and intangible fixed assets, and a 2,503 million yen increase in the purchase of stocks of subsidiaries and affiliates.

Net cash used in financing activities was 32,931 million yen, a 24,720 million yen increase from the previous fiscal year. This was mainly due to a 25,832 million yen increase in the repayment of long-term bank loans and a 1,300 million yen increase in proceeds from long-term loans.

Consolidated Financial Statements
Balance Sheets

(million yen)

	As of February 29, 2012	As of February 28, 2013
Assets		
Current assets		
Cash and deposits	61,124	69,495
Notes and accounts receivable	121,414	98,978
Marketable securities	15,000	
Merchandise and products	36,765	37,270
Work in process	508	443
Raw materials and supplies	590	521
Deferred tax assets	6,989	6,601
Other	20,880	23,529
Allowance for doubtful accounts	(877)	(577)
Total current assets	262,394	236,263
Fixed assets		
Tangible fixed assets		
Buildings and structures	155,348	154,003
Machinery, equipment and vehicles, net	98	110
Tools, furniture and fixtures, net	8,259	8,050
Land	208,682	213,057
Lease assets, net	2,611	2,939
Construction in progress	748	594
Total tangible fixed assets	375,748	378,755
Intangible fixed assets		
Leasehold right	11,404	11,414
Goodwill	669	745
Other	17,725	16,819
Total intangible fixed assets	29,799	28,979
Investments and other assets		
Investment securities	77,474	96,100
Long-term guarantee deposits	42,082	41,288
Deferred tax assets	13,467	7,131
Other	7,357	4,962
Allowance for doubtful accounts	(4,406)	(2,794)
Total investments and other assets	135,975	146,688
Total fixed assets	541,522	554,423
Total assets	803,917	790,687

(million yen)

	As of February 29, 2012	As of February 28, 2013
Liabilities		
Current liabilities		
Notes and account payable	87,297	87,883
Short-term bank loans	39,811	19,172
Lease obligations	652	856
Accrued income taxes	4,177	4,045
Advances received	75,713	77,022
Gift certificates outstanding	63,070	57,174
Deposits received	26,178	25,545
Allowance for point gift certificates	3,517	3,136
Provision for directors' bonuses	16	16
Asset retirement obligations	34	
Other	22,441	19,793
Total current liabilities	322,910	294,645
Fixed liabilities		
Corporate bonds	30,000	30,000
Long-term debt	57,667	49,674
Lease obligations	1,967	2,109
Asset retirement obligations	1,122	1,301
Allowance for employees' retirement benefits	49,763	43,648
Allowance for directors' and corporate auditors' retirement benefits	242	207
Allowance for environmental measures	660	651
Deferred tax liabilities	103	109
Deferred tax liabilities for land revaluation	8,630	8,721
Other	23,366	24,174
Total fixed liabilities	173,525	160,597
Total liabilities	496,436	455,243
Net assets		
Shareholders' equity		
Common stock	56,025	56,025
Additional paid-in capital	45,085	45,085
Retained earnings	193,362	206,440
Treasury stock	(531)	(536)
Total shareholders' capital	293,941	307,014
Accumulated other comprehensive income		
Net unrealized gains/losses on other securities	4,799	12,106
Net deferred gains/losses on hedge contracts	11	1
Land revaluation difference	8,373	8,537
Foreign currency translation adjustments	(4,974)	1,767
Total valuation and translation adjustments	8,211	22,413
Minority interests	5,328	6,015
Total net assets	307,481	335,443
Total liabilities and net assets	803,917	790,687

Statements of Operations

(million yen)

	Year ended February 29, 2012	Year ended February 28, 2013
Net sales	805,757	815,387
Cost of sales	597,511	605,687
Gross profit	208,245	209,700
Other operating revenue	52,366	54,945
Gross operating income	260,611	264,646
Selling, general and administrative expenses		
Advertising expenses	23,779	22,835
Provision for point card certificates	3,517	3,136
Distribution and operational expense	26,061	26,519
Supplies expenses	3,714	3,371
Provision of allowance for doubtful accounts	698	385
Directors' compensations, salaries and allowances	67,614	66,686
Retirement benefit expenses	7,406	6,814
Provision for directors' bonuses	16	16
Provision for directors' retirement benefits	69	74
Welfare expenses	13,183	13,464
Heating and lighting expenses	11,083	12,031
Commission fee	1,778	2,842
Rent expenses on real estates	37,616	37,157
Rent expenses on machines	1,355	1,093
Depreciation	17,281	18,405
Amortization of goodwill	187	206
Other	24,148	24,127
Total selling, general and administrative expenses	239,512	239,169
Operating income	21,099	25,476
Non-operating income		
Interest income	344	370
Dividend income	868	856
Gain on adjustment of account payable	974	711
Equity in gains of affiliated companies	1,943	2,228
Foreign exchange gains		1,159
Gain on donation of noncurrent assets	510	387
Other	598	442
Total non-operating income	5,239	6,157
Non-operating expense		
Interest expense	1,551	1,263
Foreign exchange losses	200	
Other	231	503
Total non-operating expense	1,983	1,766
Ordinary income	24,355	29,866

Statements of Operations

(million yen)

	Year ended February 29, 2012	Year ended February 28, 2013
Extraordinary gains		
Gain on sales of noncurrent assets	37	
Reversal of allowance for doubtful accounts	16	
Gain on sales of investment securities	80	
Gain on revision of retirement benefit plan	50	
Total extraordinary income	185	
Extraordinary losses		
Loss on sales of noncurrent assets	327	
Loss on retirement of noncurrent assets	1,709	2,751
Loss on valuation of investment securities	505	24
Early extra retirement payments	1,687	
Impairment loss		877
Loss on disaster	352	
Loss on adjustment for changes of accounting standard for asset retirement obligations	370	
Other	312	33
Total extraordinary losses	5,265	3,686
Net income before income taxes	19,276	26,180
Income taxes, inhabitants' tax, and enterprise taxes	5,516	5,890
Income tax adjustments	2,352	3,058
Total income taxes	7,868	8,949
Income before minority interests	11,407	17,230
Minority interests in earnings of consolidated subsidiaries	511	690
Net income	10,895	16,540

Statements of comprehensive income

(million yen)

	Year ended February 29, 2012	Year ended February 28, 2013
Consolidated statements of comprehensive income		
Income before minority interests	11,407	17,230
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,175)	6,772
Deferred gains or losses on hedges	8	(9)
Revaluation reserve for land	869	
Foreign currency translation adjustment	(235)	3,829
Share of other comprehensive income of associates accounted for using equity method	(1,144)	3,445
Total other comprehensive income	(1,678)	14,038
Comprehensive income	9,728	31,268
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,217	30,578
Comprehensive income attributable to minority interests	511	690

Statements of Cash Flows

(million yen)

	Year ended February 29, 2012	Year ended February 28, 2013
I Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	19,276	26,180
Depreciation and amortization	17,305	18,427
Impairment loss		877
Amortization of goodwill	95	113
Increase (decrease) in allowance for doubtful accounts	(68)	(1,912)
Increase (decrease) in provision for directors' bonuses	16	0
Increase (decrease) in provision for retirement benefits	(2,125)	(6,115)
Increase (decrease) in provision for directors' retirement benefits	(2)	(34)
Increase (decrease) in provision for point card certificates	(310)	(381)
Increase(decrease) in provision for loss on retirement of fixed assets	(341)	
Interest and dividends income	(1,212)	(1,227)
Interest expenses	1,551	1,263
Equity in (earnings) losses of affiliates	(1,943)	(2,228)
Loss (gain) on sales of noncurrent assets	289	
Loss on retirement of noncurrent assets	1,080	1,821
Loss (gain) on valuation of investment securities	505	24
Loss on adjustment for changes of accounting standard for asset retirement obligations	370	
Decrease (increase) in notes and accounts receivable-trade	(1,669)	23,054
Decrease (increase) in inventories	676	(249)
Increase (decrease) in notes and accounts payable-trade	519	(413)
Decrease (increase) in accounts receivable-other	10,195	(3,001)
Other, net	(8,520)	(6,466)
Subtotal	35,687	49,733
Interest and dividends income received	2,093	2,001
Interest expenses paid	(1,637)	(1,383)
Income taxes paid	(4,447)	(6,210)
Income taxes refund	225	
Net cash provided by (used in) operating activities	31,921	44,141
II Net cash provided by (used in) investing activities		
Payments into time deposits	(60)	(4,859)
Proceeds from withdrawal of time deposits	239	60
Purchase of short-term and long term investment securities	(217)	(13)
Proceeds from sales of short-term and long term investment securities	126	18
Purchase of stocks of subsidiaries and affiliates	(758)	(3,261)
Purchase of property, plant and equipment and intangible assets	(16,360)	(20,425)
Proceeds from sales of property, plant and equipment and intangible assets	651	
Payments of long-term loans receivable	(19)	(26)
Collection of long-term loans receivable	16	22
Other, net	25	15
Net cash provided by (used in) investing activities	(16,356)	(28,470)

(million yen)

	Year ended February 29, 2012	Year ended February 28, 2013
III Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	4,000	5,300
Repayment of long-term loans payable	(8,283)	(34,116)
Proceeds from sales of treasury stock	0	0
Cash dividends paid	(3,299)	(3,298)
Other, net	(628)	(816)
Net cash provided by (used in) financing activities	(8,210)	(32,931)
IV Effect of exchange rate change on cash and cash equivalents	(1,555)	5,162
V Net increase (decrease) in cash and cash equivalents	5,798	(12,097)
VI Cash and cash equivalents at beginning of period	70,279	76,077
VII Cash and cash equivalents at end of period	76,077	63,980