

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2015

Tokyo, Japan Jun 26, 2015—Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated sales and other operating revenue of 219,392 million yen for the first quarter (ended May 31, 2015) of the fiscal year ending February 29, 2016, and net income of 6,319 million yen, or 15.72 yen per diluted share.

Qualitative Information about Consolidated Operating Results

Summary of Operating Results

During the cumulative consolidated first quarter (March 1 – May 31, 2015), the Japanese economy showed good growth prospects amid a recovery one year after the consumption tax hike. There was also an increase in inbound demand reflecting the rising numbers of foreign visitors, and department stores and other business made efforts to raise the level of consumption.

Against this backdrop, the Takashimaya Group took steps to improve its business performance by enhancing its sales capabilities, but its sales results fell short of those for the previous year, when there was a last-minute surge in demand before the consumption tax hike.

Consequently, total consolidated sales and other operating revenue for the Takashimaya Group was 219,392 million yen (down 2.2% compared with the corresponding period of the previous fiscal year). Consolidated operating income was 7,451 million yen (down 1.1% compared with the corresponding period of the previous fiscal year), consolidated ordinary income was 8,347 million yen (down 2.4% compared with the corresponding period of the previous fiscal year), and consolidated net income for this quarter was 6,319 million yen (up 38.9% compared with the corresponding period of the previous fiscal year).

Operating performance by segment is discussed below.

Department Stores

Sales results in the Department Stores segment fell short of those for the previous year, which saw a last-minute surge in demand before the consumption tax hike. However, thanks to measures taken to capitalize on the growing inbound demand, duty-free sales trebled compared with the previous year, and out-of-store sales were strong.

In terms of merchandise, the Group expanded its range of unique products based on the key words of high quality, topicality, and profit. For example, on April 29, the Tamagawa Store opened Utsuwa Hyakusen and WAGOTO, which emphasize traditional production centers and handicraft. The Group plans to expand these outlets to other department stores. The Group also targeted overseas visitors by developing high-quality products based on home-grown materials and production techniques that exemplify Japan's world-renowned manufacturing. As an example of these efforts, a lineup of products featuring Okayama denim was launched in April as part of NIPPON MONOGATARI, a Japanese tradition and culture-themed sales promotion project.

As for attracting customers, the Group drew a broad range of customers to its stores by holding cultural and topical events unique to Takashimaya. For example, it held a Kyoto Hosomi Bijutsukan Museum exhibition, an event commemorating the 400th anniversary of the establishment of the Rimpa school, and during the Golden Week holiday period, it held a mascot character event that appealed to three generations.

Regarding the situation overseas, Takashimaya Singapore Ltd. failed to attract as many customers as last year owing to the rise in the Singapore dollar, and sales to international tourists were down also. On the other hand, the store benefited from the Chinese New Year shopping spree, and there were also satisfactory sales among card-carrying customers thanks to the success of customer retention measures, including a strengthening of the Takashimaya loyalty card privilege system and improved treatment to VIP customers. Revenue and earnings were also buoyed by a favorable exchange rate due to the weakening yen.

Shanghai Takashimaya endeavored to rebuild its product structure on the theme of family and lifestyle and strengthened customer services, and it achieved strong sales for ladies goods, children's clothing, and food products. The store also contributed toward the strengthening of exhibitions held in event spaces, increasing revenue yield. Operating loss was down significantly compared to last year owing to a cut in sales and administration expenses.

Consequently, sales and other operating revenue were 193,344 million yen (down 2.6% compared with the corresponding period of the previous fiscal year), and operating income was 3,236 million yen (down 17.4% compared with the corresponding period of the previous fiscal year).

Contract & Design

In the Contract & Design segment, revenue was down. This was due to the fact that Takashimaya Space Create Co., Ltd. received fewer orders for commercial facilities and other large buildings during the slump that followed the surge in demand ahead of the consumption tax in March last year. However, operating income was increased thanks to the acquisition of highly profitable orders from hotels and similar facilities.

Consequently, sales and other operating revenue were 4,980 million yen (down 10.3% compared with the corresponding period of the previous fiscal year), and operating income was 112 million yen (up 41.8% compared with the corresponding period of the previous fiscal year).

Real Estate

In the Real Estate segment, Toshin Development Co., Ltd. reported robust revenue and earnings among its existing shopping centers, notwithstanding the slump that followed the surge in demand ahead of the consumption tax in March last year. It endeavored in particular to strengthen the Tamagawa area in anticipation of increased visitors following the second-phase development of Rise, peripheral high-rise commercial facilities, and it endeavored to increase its rent income in this area. Hakata Riverain also saw a significant increase in income, attributable to the continued strong performance of the family-oriented tenants which opened last year. As for Toshin Development Singapore Pte., Ltd., revenue and earnings were positive thanks to an increase in rent income and a favorable exchange rate.

Consequently, sales and other operating revenue were 9,719 million yen (up 3.1% compared with the corresponding period of the previous fiscal year), and operating income was 2,607 million yen (up 16.4% compared with the corresponding period of the previous fiscal year).

Finance

In the Finance segment, Takashimaya Credit Co., Ltd. increased its card membership through an acquisition strengthening program and a members' services improvement program, which were enacted as part of a program to commemorate the thirtieth anniversary of the company's foundation. Accordingly, it increased its annual fee income. Revenue and earnings were further strengthened by satisfactory income from handling fees for affiliate cards.

Consequently, sales and other operating revenue were 3,316 million yen (up 2.7% compared with the corresponding period of the previous fiscal year), and operating income was 1,146 million yen (up 0.9% compared with the corresponding period of the previous fiscal year).

Other

The Cross Media Division reported a strong performance, which met targets. Catalogue media saw increased sales owing in part to the success of new measures such as partnerships with mail order companies. Net media also expanded sales significantly compared to the previous year.

The R. T. Corporation Co., Ltd. achieved satisfactory sales in its existing stores and its new stores, which include the Ginza store of Din Tai Fung and the Toranomom store of Sweet Dynasty. It increased revenue and earnings further by slashing costs.

Consequently, sales and other operating revenue were 8,032 million yen (up 7.5% compared with the corresponding period of the previous fiscal year), and operating income was 100 million yen (up 38.8% compared with the corresponding period of the previous fiscal year).

Qualitative Information about Consolidated Financial Status

Summary of Financial Status

Assets at the end of the consolidated first quarter of the fiscal year totaled 978,459 million yen, down 1,152 million yen compared with the corresponding period of the previous fiscal year. This was mainly due to a decrease in cash, savings, and short-term securities. Liabilities totaled 563,527 million yen, down 7,606 million yen compared to the corresponding period of the previous year. This was mainly due to a decline in short term loans payable. Net assets totaled 414,931 million yen, up 6,453 million yen compared to the corresponding period of the previous year due to a rise in retained earnings.

Regarding cash flows provided by operating activities, income totaled 3,733 million yen, down 11,670 million yen compared to the corresponding period of the previous fiscal year. This was mainly due to a 4,197 million yen increase in loss on the sale of short-term investment securities and investment securities, and a 1,834 million yen increase in corporation tax payments and other tax payments.

Net cash used in investment activities was 1,903 million yen, a decrease of 109,488 million yen compared to the corresponding period of the previous fiscal year. This was mainly due to a 102,340 million yen decrease in the purchase of property, plant and equipment and intangible assets, and an 8,397 million yen increase in gain on the sale of short-term investment securities and investment securities.

Net cash used in financing activities was 10,690 million yen (it was 17,807 million yen in the corresponding period of the previous fiscal year). This was mainly due to a 15,000 million yen increase in repayments of long-term loans, and a 13,400 million yen decrease in proceeds from long-term loans payable.

Accordingly, the cash and cash equivalents at the end of the consolidated first quarter of the fiscal year totaled 75,385 million yen, a decrease of 11,112 million yen from the corresponding period of the previous fiscal year.

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2015

	(million yen)	
	As of February 28, 2015	As of May 31, 2015
Consolidated quarterly balance sheets		
Assets		
Current assets		
Cash and deposits	87,887	76,719
Notes and accounts receivable-trade	120,380	121,528
Short-term investment securities	2,000	3,004
Merchandise and finished goods	39,067	41,059
Work in process	2,572	2,948
Raw materials and supplies	759	797
Other	35,925	39,390
Allowance for doubtful accounts	(446)	(443)
Total current assets	288,147	285,003
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	173,110	172,341
Land	225,209	230,947
Other, net	14,154	14,565
Total property, plant and equipment	412,474	417,854
Intangible assets		
Land leasehold right	93,712	93,712
Goodwill	518	489
Other	15,275	14,886
Total intangible assets	109,505	109,088
Investments and other assets		
Investment securities	127,040	123,997
Guarantee deposits	34,045	34,453
Other	11,077	10,762
Allowance for doubtful accounts	(2,679)	(2,700)
Total investments and other assets	169,483	166,513
Total noncurrent assets	691,464	693,455
Total assets	979,611	978,459

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2015

	As of February 28, 2015	As of May 31, 2015
(million yen)		
Liabilities		
Current liabilities		
Notes and accounts payable-trade	101,558	105,582
Short-term loans payable	37,292	17,309
Income taxes payable	9,784	5,848
Advances received	79,321	81,602
Gift certificates	53,184	52,238
Provision for point card certificates	3,252	3,416
Other	52,309	52,410
Total current liabilities	336,703	318,407
Noncurrent liabilities		
Bonds payable	75,405	75,381
Long-term loans payable	50,820	62,240
Asset retirement obligations	1,536	1,482
Net defined benefit liability	62,983	61,873
Provision for directors' retirement benefits	311	315
Provision for environmental measures	623	623
Other	42,751	43,204
Total noncurrent liabilities	234,430	245,120
Total liabilities	571,133	563,527
Net assets		
Shareholders' equity		
Capital stock	66,025	66,025
Capital surplus	55,085	55,085
Retained earnings	229,185	233,732
Treasury stock	(562)	(566)
Total shareholders' equity	349,733	354,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,998	31,939
Deferred gains or losses on hedges	(1)	12
Revaluation reserve for land	6,454	6,907
Foreign currency translation adjustment	16,467	13,869
Remeasurements of defined benefit plans	(545)	(304)
Total accumulated other comprehensive income	51,374	52,423
Minority interests	7,370	8,230
Total net assets	408,477	414,931
Total liabilities and net assets	979,611	978,459

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2015

	(million yen)	
	Three months ended May 31, 2014	Three months ended May 31, 2015
Consolidated quarterly statements of (comprehensive) income		
Net sales	209,100	203,899
Cost of sales	155,990	152,160
Gross profit	53,109	51,739
Other operating revenue	15,169	15,493
Operating gross profit	68,279	67,232
Selling, general and administrative expenses		
Advertising expenses	6,578	6,916
Provision for point card certificates	898	977
Provision of allowance for doubtful accounts	328	104
Directors' compensations, salaries and allowances	16,313	15,966
Retirement benefit expenses	1,132	1,172
Rent expenses on real estates	10,190	9,066
Other	25,300	25,577
Total selling, general and administrative expenses	60,743	59,781
Operating income	7,535	7,451
Non-operating income		
Interest income	104	126
Dividends income	103	89
Equity in earnings of affiliates	1,000	771
Other	269	199
Total non-operating income	1,477	1,187
Non-operating expenses		
Interest expenses	272	223
Foreign exchange losses	0	—
Other	187	67
Total non-operating expenses	460	291
Ordinary income	8,552	8,347
Extraordinary income		
Gain on sales of investment securities	—	4,197
Total extraordinary income	—	4,197
Extraordinary loss		
Loss on retirement of noncurrent assets	590	736
Other	17	38
Total extraordinary losses	608	775
Income before income taxes and minority interests	7,944	11,769
Income taxes-current	5,224	4,556
Income taxes-deferred	(2,062)	691
Total income taxes	3,162	5,247
Income before minority interests	4,781	6,521
Minority interests in income	230	201
Net income	4,551	6,319

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2015

	(million yen)	
	Three months ended May 31, 2014	Three months ended May 31, 2015
Consolidated quarterly statements of comprehensive income		
Income before minority interests	4,781	6,521
Other comprehensive income		
Valuation difference on available-for-sale securities	588	2,989
Deferred gains or losses on hedges	(0)	13
Revaluation reserve for land	—	452
Foreign currency translation adjustment	(590)	(1,717)
Remeasurements of defined benefit plans	211	240
Share of other comprehensive income of associates accounted for using equity method	(392)	(927)
Total other comprehensive income	(182)	1,051
Comprehensive income	4,599	7,572
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,366	7,369
Comprehensive income attributable to minority interests	233	203

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2015

	(million yen)	
	Three months ended May 31, 2014	Three months ended May 31, 2015
Consolidated quarterly statements of cash flows		
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,944	11,769
Depreciation and amortization	4,818	5,045
Amortization of goodwill	28	28
Increase (decrease) in allowance for doubtful accounts	199	18
Increase (decrease) in net defined benefit liability	(552)	(691)
Increase (decrease) in provision for directors' retirement benefits	8	4
Increase (decrease) in provision for point card certificates	83	164
Interest and dividends income	(207)	(216)
Interest expenses	272	223
Equity in (earnings) losses of affiliates	(1,000)	(771)
Loss on retirement of noncurrent assets	267	352
Loss (gain) on sales of short-term and long term investment securities	-	(4,197)
Decrease (increase) in notes and accounts receivable-trade	(2,327)	(1,008)
Decrease (increase) in inventories	(822)	(2,444)
Increase (decrease) in notes and accounts payable-trade	(402)	4,231
Other, net	12,153	(1,927)
Subtotal	20,462	10,581
Interest and dividends income received	1,467	1,526
Interest expenses paid	(156)	(170)
Income taxes paid	(6,369)	(8,204)
Net cash provided by (used in) operating activities	15,403	3,733
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	167	-
Purchase of short-term and long term investment securities	(2)	(1,767)
Proceeds from sales of short-term and long term investment securities	1,000	9,397
Purchase of property, plant and equipment and intangible assets	(112,642)	(10,301)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	-	741
Other, net	85	27
Net cash provided by (used in) investing activities	(111,391)	(1,903)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	25,000	11,600
Repayment of long-term loans payable	(5,162)	(20,163)
Cash dividends paid	(1,649)	(1,772)
Other, net	(380)	(354)
Net cash provided by (used in) financing activities	17,807	(10,690)
Effect of exchange rate change on cash and cash equivalents	(662)	(2,251)
Net increase (decrease) in cash and cash equivalents	(78,843)	(11,112)
Cash and cash equivalents at beginning of period	145,108	86,497
Cash and cash equivalents at end of period	66,265	75,385