

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2015

Tokyo, Japan December 25, 2015 - Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated sales and other operating revenue of 669,539 million yen for the third quarter (ended November 30, 2015) of the fiscal year ending February 29, 2016, and net income of 16,249 million yen, or 40.72 yen per diluted share.

Qualitative Information about Consolidated Operating Results

During the cumulative consolidated third quarter (March 1 - November 30, 2015), the Japanese economy experienced continuing, albeit gradual, recovery. There was also an increase in inbound demand reflecting the rising numbers of foreign visitors, and department stores saw an increase in sales. However, there has recently been a slowdown in domestic consumer spending in some areas, prompting increasing uncertainty about the outlook.

Against this backdrop, the Takashimaya Group took steps to improve its business performance by enhancing its sales capabilities.

Consequently, total consolidated sales and other operating revenue for the Takashimaya Group was 669,539 million yen (up 2.1% compared with the corresponding period of the previous fiscal year). Consolidated operating income was 21,276 million yen (up 19.3% compared with the corresponding period of the previous fiscal year), consolidated ordinary income was 25,052 million yen (up 21.8% compared with the corresponding period of the previous fiscal year), and consolidated net income was 16,249 million yen (up 24.7% compared with the corresponding period of the previous fiscal year).

Operating performance by segment is discussed below.

Department Stores

In the Domestic Department Store segment, new efforts were made to capture a share in growing markets and thereby achieve further revenue-increase. As part of Nihombashi redevelopment plan, Takashimaya Watch Maison opened for business on October 7. This new store boasts one of the largest watch selections in the world with 83 watch brands. After gaining a good reputation primarily among domestic customers, the store worked to attract overseas visitors. As a result of these efforts, the store posted significantly higher-than-expected sales. Efforts were also made to expand existing retail areas. Specifically, Takashimaya Style Maison, which opened in Ebina City, Kanagawa Prefecture on October 29, has attracted a customer base primarily among suburban parents in their 30s and 40s, and many of these customers also visit the Yokohama store.

Inbound sales remained strong. The inbound sales from October on, which is more than a year since the expansion of tax-free items in October 2014, were up 80% compared to the previous year. VIP customers sales were also strong, particularly in large-size stores, and this was a major driving force behind the overall sales growth.

Regarding the Omni-channel retail strategy, the online store website was redesigned in October to make it easier for customers to use. In addition, efforts were made to forge new relationships with customers among the next generation and to reach out more effectively to customers living in remote areas. As part of these efforts, the Takashimaya e-Salon was launched to attract our VIP customers. New initiatives were also pioneered. For example, in response to customer demand, the Showroom Store was opened in six regional suburban stores in order to exhibit for a limited period brands that are not usually handled.

As for attracting customers, the segment drew a broad range of customers to its stores by holding cultural events with a high customer attraction effect. Examples include the “Tetsuko no Heya (Tetsuko’s Room) Exhibition: Celebrating 10,000 episodes of Tetsuko no Heya since its first broadcast 40 years ago,” and “Toyoko Yamasaki Memorial Exhibition: A life of unyielding coverage and passion for writing.”

As a result of the above initiatives, the Domestic Department Store business reported increased revenue and earnings.

Regarding the situation overseas, Takashimaya Singapore Ltd. achieved excellent sales among card-carrying customers thanks to domestic demand remaining robust and the success of measures such as a strengthening of the privilege system enjoyed by Takashima credit card holders. Its performance was further buoyed by a favorable exchange rate due to the weak 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 further contributed to its success by strengthening exhibitions held in event spaces and promoting sales in newly-introduced bonded products.

Operating loss was down significantly compared to last year owing to a cut in sales and administration expenses, including rent.

Consequently, sales and other operating revenue were 587,858 million yen (up 1.8% compared with the corresponding period of the previous fiscal year), and operating income was 8,846 million yen (up 25.3% compared with the corresponding period of the previous fiscal year).

Contract & Design

Revenue was up in the Contract & Design segment thanks to Takashimaya Space Create Co., Ltd.’s favorable performance with regard to construction work orders for commercial facilities and other large buildings. Operating income was increased due to the successful acquisition of highly profitable orders from hotels and similar facilities.

Consequently, sales and other operating revenue were 17,405 million yen (up 3.5% compared with the corresponding period of the previous fiscal year), and operating income was 808 million yen (up 45.6% 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 hike in March last year. In particular, it stepped up efforts in the Tamagawa area in anticipation of increased visitors following the second-phase development of Futako Tamagawa Rise (peripheral high-rise commercial facilities). It also undertook various other initiatives aimed at expanding revenue; for example, it re-opened Marronnier Court, a shopping center annex of Tamagawa Takashimaya. It also took measures to cater to inbound demand, particularly in the Shinjuku and Namba areas in order to increase revenue. Hakata Riverain also saw a significant increase in revenue. The new opening of the “Takashimaya Kinds’ Patio” gave rise to a multiplier effect with the family-oriented tenants, which opened last year, leading to increased use among three generations. 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 29,716 million yen (up 5.2% compared with the corresponding period of the previous fiscal year), and operating income was 7,784 million yen (up 16.0% compared with the corresponding period of the previous fiscal year).

Finance

In the Finance segment, revenue and earnings were strengthened thanks to the success of Takashimaya Credit Co., Ltd.’s acquisition strengthening program and members’ services improvement program, which were enacted as part of a program to commemorate the thirtieth anniversary of the launch of the card, and also because of the satisfactory income from handling fees for affiliate cards.

Consequently, sales and other operating revenue were 9,450 million yen (up 3.8% compared with the corresponding period of the previous fiscal year), and operating income was 3,231 million yen (up 6.6% compared with the corresponding period of the previous fiscal year).

Other

The Cross Media Division reported a strong performance. Catalogue media saw increased sales thanks to the success of new measures such as partnerships with mail order companies, and net and television media also expanded sales compared to the previous year. On the other hand, the division’s proactive sales strategy entailed an increase in advertising expenses and other expenses, resulting in an increase in operating loss.

The R. T. Corporation Co., Ltd. achieved satisfactory sales in its restaurants “Din Tai Fung” and “Sweet Dynasty.” It increased revenue and earnings further by pursuing cost-cutting measures. Consequently, sales and other operating revenue were 25,108 million yen (up 5.1% compared with the corresponding period of the previous fiscal year), and operating income was 577 million yen (down 3.7% compared with the corresponding period of the previous fiscal year).

Summary of Financial Status

Assets at the end of the consolidated third quarter of the fiscal year totaled 994,879 million yen, up 15,267 million yen compared with the corresponding period of the previous fiscal year. This was mainly due to an increase in accounts receivable. Liabilities totaled 579,331 million yen, up 8,197 million yen compared to the corresponding period of the previous year. This was mainly due to an increase in accounts payable. Net assets totaled 415,548 million yen, up 7,070 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 11,951 million yen, down 13,157 million yen compared to the corresponding period of the previous fiscal year. This was mainly due to a 4,197 million yen decrease in loss on the sale of short-term investment securities and investment securities, a 2,790 million yen decrease in purchase liabilities, a 2,486 million yen decrease in inventory assets, and a 3,351 million yen increase in corporation tax payments and other tax payments.

Net cash used in investment activities was 12,912 million yen, a decrease of 99,770 million yen compared to the corresponding period of the previous fiscal year. This was mainly due to a 101,388 million yen decrease in the purchase of property, plant and equipment and intangible assets, an 8,397 million yen increase in gain on the sale of short-term investment securities and investment securities, and a 5,719 million yen decrease in gain on the sale of property, plant and equipment and intangible assets.

Net cash used in financing activities was 19,011 million yen (it was 15,398 million yen in the corresponding period of the previous fiscal year). This was mainly due to a 25,006 million yen increase in repayments of long-term loans, a 3,400 million yen decrease in proceeds from long-term loans payable, and a 5,577 million yen increase in purchase of treasury stock.

Accordingly, the cash and cash equivalents at the end of the consolidated second quarter of the fiscal year totaled 62,939 million yen, a decrease of 23,558 million yen from the corresponding period of the previous fiscal year.

This document is not subject of quarterly review procedures based on the Financial Instruments and Exchange Law.

In the time of disclosure of this document, review procedures of quarterly consolidated financial statements based on the Financial Instruments and Exchange Act had not been completed.

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2015

	As of February 28, 2015	(million yen) As of November 30, 2015
Consolidated quarterly balance sheets		
Assets		
Current assets		
Cash and deposits	87,887	65,451
Notes and accounts receivable - trade	120,380	135,830
Securities	2,000	2,004
Merchandise and finished goods	39,067	47,530
Work in process	2,572	3,584
Raw materials and supplies	759	917
Other	35,925	36,719
Allowance for doubtful accounts	(446)	(417)
Total current assets	288,147	291,621
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	173,110	171,493
Land	225,209	230,893
Other, net	14,154	14,608
Total property, plant and equipment	412,474	416,995
Intangible assets		
Leasehold right	93,712	93,712
Goodwill	518	432
Other	15,275	14,015
Total intangible assets	109,505	108,160
Investments and other assets		
Investment securities	127,040	125,093
Guarantee deposits	34,045	33,999
Other	11,077	21,629
Allowance for doubtful accounts	(2,679)	(2,619)
Total investments and other assets	169,483	178,102
Total non-current assets	691,464	703,258
Total assets	979,611	994,879

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2015

	As of February 28, 2015	(million yen) As of November 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	101,558	118,940
Short-term loans payable	37,292	12,187
Income taxes payable	9,784	2,849
Advances received	79,321	88,706
Gift certificates	53,184	53,197
Provision for point card certificates	3,252	3,532
Other	52,309	53,020
Total current liabilities	336,703	332,435
Non-current liabilities		
Bonds payable	75,405	75,332
Long-term loans payable	50,820	67,150
Asset retirement obligations	1,536	1,434
Net defined benefit liability	62,983	60,277
Provision for directors' retirement benefits	311	354
Provision for environmental measures	623	560
Other	42,751	41,786
Total non-current liabilities	234,430	246,895
Total liabilities	571,133	579,331
Net assets		
Shareholders' equity		
Capital stock	66,025	66,025
Capital surplus	55,085	55,085
Retained earnings	229,185	241,564
Treasury shares	(562)	(6,150)
Total shareholders' equity	349,733	356,525
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,998	32,068
Deferred gains or losses on hedges	(1)	1
Revaluation reserve for land	6,454	6,907
Foreign currency translation adjustment	16,467	11,217
Remeasurements of defined benefit plans	(545)	231
Total accumulated other comprehensive income	51,374	50,426
Minority interests	7,370	8,596
Total net assets	408,477	415,548
Total liabilities and net assets	979,611	994,879

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2015

(million yen)

	Nine months ended November 30, 2014	Nine months ended November 30, 2015
Consolidated quarterly statements of (comprehensive) income		
Net sales	610,318	622,252
Cost of sales	455,585	466,731
Gross profit	154,732	155,521
Other operating revenue	45,179	47,286
Operating gross profit	199,911	202,807
Selling, general and administrative expenses		
Advertising expenses	18,448	18,829
Provision for point card certificates	2,682	2,719
Provision of allowance for doubtful accounts	302	139
Directors' compensations, salaries and allowances	49,661	48,754
Retirement benefit expenses	3,622	3,596
Rent expenses on real estates	29,034	27,572
Other	78,319	79,917
Total selling, general and administrative expenses	182,070	181,531
Operating income	17,841	21,276
Non-operating income		
Interest income	312	409
Dividend income	816	774
Share of profit of entities accounted for using equity method	2,147	1,963
Other	751	1,380
Total non-operating income	4,028	4,528
Non-operating expenses		
Interest expenses	763	605
Other	545	147
Total non-operating expenses	1,309	752
Ordinary income	20,560	25,052
Extraordinary income		
Gain on sales of non-current assets	2,951	-
Gain on sales of investment securities	-	4,197
Other	98	-
Total extraordinary income	3,050	4,197
Extraordinary losses		
Loss on retirement of non-current assets	1,909	2,729
Other	211	77
Total extraordinary losses	2,121	2,807
Income before income taxes and minority interests	21,489	26,442
Income taxes - current	9,106	7,962
Income taxes - deferred	(1,247)	1,642
Total income taxes	7,859	9,605
Income before minority interests	13,630	16,837
Minority interests in income	598	588
Net income	13,032	16,249

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2015

	(million yen)	
	Nine months ended November 30, 2014	Nine months ended November 30, 2015
Consolidated quarterly statements of comprehensive income		
Income before minority interests	13,630	16,837
Other comprehensive income		
Valuation difference on available-for-sale securities	7,510	3,171
Deferred gains or losses on hedges	16	2
Revaluation reserve for land	-	452
Foreign currency translation adjustment	1,258	(3,407)
Remeasurements of defined benefit plans, net of tax	746	778
Share of other comprehensive income of entities accounted for using equity method	847	(1,964)
Total other comprehensive income	10,380	(966)
Comprehensive income	24,011	15,870
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,403	15,301
Comprehensive income attributable to minority interests	607	568

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2015

	(million yen)	
	Nine months ended November 30, 2014	Nine months ended November 30, 2015
Consolidated quarterly statements of cash flows		
Cash flows from operating activities		
Income before income taxes and minority interests	21,489	26,442
Depreciation	14,476	14,773
Amortization of goodwill	85	85
Increase (decrease) in allowance for doubtful accounts	37	(87)
Increase (decrease) in net defined benefit liability	(1,394)	(1,451)
Increase (decrease) in provision for directors' retirement benefits	42	43
Increase (decrease) in provision for point card certificates	237	280
Interest and dividend income	(1,129)	(1,184)
Interest expenses	763	605
Share of (profit) loss of entities accounted for using equity method	(2,147)	(1,963)
Loss (gain) on sales of non-current assets	(2,951)	-
Loss on retirement of non-current assets	973	1,507
Loss (gain) on sales of short-term and long-term investment securities	-	(4,197)
Decrease (increase) in notes and accounts receivable - trade	(26,298)	(10,018)
Decrease (increase) in inventories	(7,226)	(9,712)
Increase (decrease) in notes and accounts payable - trade	21,043	18,252
Other	17,040	(8,371)
Subtotal	35,041	25,004
Interest and dividend income received	2,372	2,480
Interest expenses paid	(633)	(510)
Income taxes paid	(11,671)	(15,023)
Net cash provided by (used in) operating activities	25,108	11,951
Cash flows from investing activities		
Payments into time deposits	-	(1,249)
Proceeds from withdrawal of time deposits	167	-
Purchase of short-term and long-term investment securities	(372)	(4,093)
Proceeds from sales and redemption of short-term and long-term investment securities	3,000	11,397
Purchase of property, plant and equipment and intangible assets	(121,225)	(19,837)
Proceeds from sales of property, plant and equipment and intangible assets	5,719	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	741
Other	28	129
Net cash provided by (used in) investing activities	(112,683)	(12,912)

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2015

	(million yen)	
	Nine months ended November 30, 2014	Nine months ended November 30, 2015
Cash flows from financing activities		
Proceeds from long-term loans payable	25,000	21,600
Repayments of long-term loans payable	(5,369)	(30,375)
Proceeds from issuance of bonds	10,000	-
Redemption of bonds	(10,000)	-
Purchase of treasury shares	(9)	(5,587)
Cash dividends paid	(3,333)	(3,869)
Other	(888)	(779)
Net cash provided by (used in) financing activities	15,398	(19,011)
Effect of exchange rate change on cash and cash equivalents	1,569	(3,584)
Net increase (decrease) in cash and cash equivalents	(70,606)	(23,558)
Cash and cash equivalents at beginning of period	145,108	86,497
Cash and cash equivalents at end of period	74,502	62,939