

# Takashimaya Company, Limited

Takashimaya Reports Earnings for the Six Months Ended August. 31, 2015

Tokyo, Japan October 9, 2015—Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated sales and other operating revenue of 449,782 million yen for the second quarter (ended August 31, 2015) of the fiscal year ending February 29, 2016, and net income of 11,038 million yen, or 27.60 yen per diluted share.

## Qualitative Information about Consolidated Operating Results

### Summary of Operating Results

During the cumulative consolidated second quarter (March 1 - August 31, 2015), the Japanese economy showed signs of recovery, albeit modest. A major beneficiary of this economic recovery was the department stores industry, which saw increased sales thanks to an increase in inbound demand reflecting the rising numbers of foreign visitors. However, the economic outlook has become pessimistic following lower-than-expected personal consumption in Japan and a marked decline in global commodity prices and stock prices.

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 449,782 million yen (up 1.8% compared with the corresponding period of the previous fiscal year). Consolidated operating income was 13,820 million yen (up 13.1% compared with the corresponding period of the previous fiscal year), consolidated ordinary income was 16,213 million yen (up 14.2% compared with the corresponding period of the previous fiscal year), and consolidated net income for this half was 11,038 million yen (up 15.2% compared with the corresponding period of the previous fiscal year).

Operating performance by segment is discussed below.

### Department Stores

The Department Stores segment reported a strong performance. As a result of measures taken to capitalize on the still-strong inbound demand, tax-free sales trebled compared with the previous year, and large stores achieved a near double-digit increase in out-of-store sales.

As part of the merchandise policy, the segment strengthened net sales promotion measures to accompany changes in the timing of clearance sales. It also enriched the seasonal merchandise in line with customer needs. For example, from June 17, the Group invested in best-selling items as part of the “Summer Wave” campaign, and from July 29, it bolstered the early autumn merchandise plan, focusing particularly one piece dresses, as part of the “Summer & Autumn” campaign. These measures bore fruit in the form of a significant increase in net sales.

The Omni-channel retail strategy was focused on developing sales in a way that plays to the company's strengths. As part of this strategy, efforts were made to drive forward the integration of store operations and net operations and to stock the Takashimaya Online Store with chugen (midsummer) gifts, Father's Day gifts, and other products such that it becomes one of the best stocked department store-owned online shopping sites. This strategy led to a double-digit increase in sales.

As for attracting customers, the Group drew a broad range of customers to its stores by holding family-oriented events during the summer vacation, examples of which include "Jackie and the twins Lulu and Lolo Go on Summer Vacation," "Chuggington Land Mini," and "The Dark Make-up House."

Regarding the situation overseas, Takashimaya Singapore Ltd. reported increased revenue and earnings. On top of the robust domestic demand, the Singapore store achieved excellent sales among card-carrying customers thanks to the success of customer retention measures, which including a strengthening of the privilege system enjoyed by Takashima loyalty card holders, and 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 392,852 million yen (up 0.9% compared with the corresponding period of the previous fiscal year), and operating income was 5,376 million yen (up 9.2% 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 14,004 million yen (up 17.6% compared with the corresponding period of the previous fiscal year), and operating income was 761 million yen (up 79.4% 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. The sector endeavored to increase revenue through a variety of initiatives. In the Tamagawa area, it strengthened measures to respond to an increase in the number of visitors following the second-phase development of Rise (peripheral high-rise commercial facilities), and it also took measures to cater to inbound demand, particularly in the Shinjuku and Namba areas. Hakata Riverain also saw a significant increase in income. Opening the “Takashimaya Kids’ 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 19,647 million yen (up 4.5% compared with the corresponding period of the previous fiscal year), and operating income was 5,021 million yen (up 14.2% 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 6,353 million yen (up 3.8% compared with the corresponding period of the previous fiscal year), and operating income was 2,184 million yen (up 5.8% compared with the corresponding period of the previous fiscal year).

### **Other**

The Cross Media Division reported a strong performance. Catalogue media saw increased sales owing in part 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.

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 16,924 million yen (up 9.6% compared with the corresponding period of the previous fiscal year), and operating income was 381 million yen (up 2.1% compared with the corresponding period of the previous fiscal year).

### **Summary of Financial Status**

Assets at the end of the consolidated second quarter of the fiscal year totaled 972,881 million yen, down 6,730 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 558,551 million yen, down 12,582 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 414,329 million yen, up 5,852 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 8,061 million yen, down 12,633 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 2,390 million yen decrease in inventory assets, and a 1,891 million yen increase in corporation tax payments and other tax payments.

Net cash used in investment activities was 6,342 million yen, a decrease of 100,538 million yen compared to the corresponding period of the previous fiscal year. This was mainly due to a 101,567 million yen decrease in the purchase of property, plant and equipment and intangible assets, a 6,397 million yen increase in gain on the sale of short-term investment securities and investment securities, and a 5,717 million yen decrease in gain on the sale of property, plant and equipment and intangible assets.

Net cash used in financing activities was 19,500 million yen (it was 17,526 million yen in the corresponding period of the previous fiscal year). This was mainly due to a 25,004 million yen increase in repayments of long-term loans, a 6,400 million yen decrease in proceeds from long-term loans payable, and a 5,580 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 68,407 million yen, a decrease of 18,089 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 Six Months Ended August. 31, 2015

	As of February 28, 2015	(million yen) As of August 31, 2015
Consolidated quarterly balance sheets		
Assets		
Current assets		
Cash and deposits	87,887	70,440
Notes and accounts receivable - trade	120,380	118,799
Securities	2,000	3,004
Merchandise and finished goods	39,067	38,732
Work in process	2,572	3,575
Raw materials and supplies	759	908
Other	35,925	36,420
Allowance for doubtful accounts	(446)	(448)
Total current assets	288,147	271,433
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	173,110	171,299
Land	225,209	230,958
Other, net	14,154	15,176
Total property, plant and equipment	412,474	417,433
Intangible assets		
Leasehold right	93,712	93,712
Goodwill	518	461
Other	15,275	14,435
Total intangible assets	109,505	108,608
Investments and other assets		
Investment securities	127,040	121,340
Guarantee deposits	34,045	34,063
Other	11,077	22,629
Allowance for doubtful accounts	(2,679)	(2,627)
Total investments and other assets	169,483	175,405
Total non-current assets	691,464	701,447
Total assets	979,611	972,881

Takashimaya Reports Earnings for the Six Months Ended August. 31, 2015

	As of February 28, 2015	(million yen) As of August 31, 2015
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	101,558	104,761
Short-term loans payable	37,292	9,307
Income taxes payable	9,784	7,183
Advances received	79,321	82,211
Gift certificates	53,184	53,481
Provision for point card certificates	3,252	3,326
Other	52,309	50,203
Total current liabilities	336,703	310,475
Non-current liabilities		
Bonds payable	75,405	75,356
Long-term loans payable	50,820	67,195
Asset retirement obligations	1,536	1,524
Net defined benefit liability	62,983	61,150
Provision for directors' retirement benefits	311	336
Provision for environmental measures	623	560
Other	42,751	41,951
Total non-current liabilities	234,430	248,075
Total liabilities	571,133	558,551
Net assets		
Shareholders' equity		
Capital stock	66,025	66,025
Capital surplus	55,085	55,085
Retained earnings	229,185	238,450
Treasury shares	(562)	(6,148)
Total shareholders' equity	349,733	353,413
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,998	29,161
Deferred gains or losses on hedges	(1)	(1)
Revaluation reserve for land	6,454	6,907
Foreign currency translation adjustment	16,467	16,424
Remeasurements of defined benefit plans	(545)	(36)
Total accumulated other comprehensive income	51,374	52,455
Minority interests	7,370	8,461
Total net assets	408,477	414,329
Total liabilities and net assets	979,611	972,881

Takashimaya Reports Earnings for the Six Months Ended August. 31, 2015

	(million yen)	
	Six months ended August 31, 2014	Six months ended August 31, 2015
Consolidated quarterly statements of (comprehensive) income		
Net sales	411,493	418,289
Cost of sales	307,477	314,150
Gross profit	104,016	104,139
Other operating revenue	30,179	31,492
Operating gross profit	134,196	135,631
Selling, general and administrative expenses		
Advertising expenses	11,663	12,490
Provision for point card certificates	1,533	1,700
Provision of allowance for doubtful accounts	255	101
Directors' compensations, salaries and allowances	33,133	32,579
Retirement benefit expenses	2,293	2,385
Rent expenses on real estates	19,525	18,312
Other	53,577	54,241
Total selling, general and administrative expenses	121,982	121,811
Operating income	12,214	13,820
Non-operating income		
Interest income	212	280
Dividend income	672	645
Share of profit of entities accounted for using equity method	1,544	1,255
Other	499	752
Total non-operating income	2,929	2,933
Non-operating expenses		
Interest expenses	530	426
Foreign exchange losses	1	-
Other	408	114
Total non-operating expenses	941	540
Ordinary income	14,202	16,213
Extraordinary income		
Gain on sales of non-current assets	2,951	-
Gain on sales of investment securities	-	4,197
Total extraordinary income	2,951	4,197
Extraordinary losses		
Loss on retirement of non-current assets	1,033	1,629
Other	210	39
Total extraordinary losses	1,243	1,668
Income before income taxes and minority interests	15,910	18,741
Income taxes - current	7,667	6,624
Income taxes - deferred	(1,744)	679
Total income taxes	5,922	7,304
Income before minority interests	9,988	11,437
Minority interests in income	408	399
Net income	9,579	11,038

Takashimaya Reports Earnings for the Six Months Ended August. 31, 2015

	(million yen)	
	Six months ended August 31, 2014	Six months ended August 31, 2015
Consolidated quarterly statements of comprehensive income		
Income before minority interests	9,988	11,437
Other comprehensive income		
Valuation difference on available-for-sale securities	4,192	166
Deferred gains or losses on hedges	1	0
Revaluation reserve for land	—	452
Foreign currency translation adjustment	(929)	(101)
Remeasurements of defined benefit plans, net of tax	422	509
Share of other comprehensive income of entities accounted for using equity method	(562)	88
Total other comprehensive income	3,124	1,115
Comprehensive income	13,113	12,552
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,698	12,119
Comprehensive income attributable to minority interests	414	433



Takashimaya Reports Earnings for the Six Months Ended August. 31, 2015

	(million yen)	
	Six months ended August 31, 2014	Six months ended August 31, 2015
Consolidated quarterly statements of cash flows		
Cash flows from operating activities		
Income before income taxes and minority interests	15,910	18,741
Depreciation	9,663	9,885
Amortization of goodwill	56	56
Increase (decrease) in allowance for doubtful accounts	82	(50)
Increase (decrease) in net defined benefit liability	(1,138)	(997)
Increase (decrease) in provision for directors' retirement benefits	25	25
Increase (decrease) in provision for point card certificates	(96)	74
Interest and dividend income	(884)	(925)
Interest expenses	530	426
Share of (profit) loss of entities accounted for using equity method	(1,544)	(1,255)
Loss (gain) on sales of non-current assets	(2,951)	-
Loss on retirement of non-current assets	506	808
Loss (gain) on sales of short-term and long-term investment securities	-	(4,197)
Decrease (increase) in notes and accounts receivable - trade	(12,227)	1,649
Decrease (increase) in inventories	1,574	(816)
Increase (decrease) in notes and accounts payable - trade	2,019	3,114
Other, net	14,706	(11,238)
Subtotal	26,232	15,301
Interest and dividend income received	2,124	2,230
Interest expenses paid	(444)	(359)
Income taxes paid	(7,219)	(9,110)
Net cash provided by (used in) operating activities	20,694	8,061
Cash flows from investing activities		
Payments into time deposits	-	(633)
Proceeds from withdrawal of time deposits	165	-
Purchase of short-term and long-term investment securities	(161)	(1,834)
Proceeds from sales of short-term and long-term investment securities	3,000	9,397
Purchase of property, plant and equipment and intangible assets	(115,624)	(14,056)
Proceeds from sales of property, plant and equipment and intangible assets	5,717	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	741
Other, net	22	43
Net cash provided by (used in) investing activities	(106,880)	(6,342)

Takashimaya Reports Earnings for the Six Months Ended August. 31, 2015

	(million yen)	
	Six months ended August 31, 2014	Six months ended August 31, 2015
Cash flows from financing activities		
Proceeds from long-term loans payable	25,000	18,600
Repayments of long-term loans payable	(5,205)	(30,210)
Proceeds from issuance of bonds	10,000	-
Redemption of bonds	(10,000)	-
Purchase of treasury shares	(5)	(5,585)
Cash dividends paid	(1,649)	(1,772)
Other, net	(613)	(532)
Net cash provided by (used in) financing activities	<u>17,526</u>	<u>(19,500)</u>
Effect of exchange rate change on cash and cash equivalents	(1,049)	(307)
Net increase (decrease) in cash and cash equivalents	<u>(69,709)</u>	<u>(18,089)</u>
Cash and cash equivalents at beginning of period	145,108	86,497
Cash and cash equivalents at end of period	<u>75,398</u>	<u>68,407</u>