

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Year Ended February 29, 2016

Tokyo, Japan April 12, 2016—Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated sales and other operating revenue of 929,588 million yen for the fiscal year ending February 29, 2016, and net income of 32,972 million yen, or 59.81 yen per diluted share.

Qualitative Information about Consolidated Operating Results

During the consolidated fiscal year under review, the Japanese economy showed signs of a moderate 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, it is impossible to predict whether this trend will continue in the future given the uncertain outlook for the global economy. Against this backdrop, the Takashimaya Group made efforts to improve its performance. For example, with a view to fully utilizing the appeal of shopping districts, it advanced the Machi-dukuri Strategy by leveraging the expertise of Toshin Development Co., Ltd., a group company that manages co-creation projects with local communities and the group's real estate, particularly with respect to department stores. These efforts reflected in the group's consolidated results, which showed an increase in ordinary income for the sixth consecutive year.

Concerning the consolidated results for the current period, as a consequence of the initiatives described below, total consolidated sales and other operating revenue for the Takashimaya Group was 929,588 million yen (up 1.9% compared with the previous fiscal year), consolidated operating income was 32,972 million yen (up 3.0% compared with the previous fiscal year), consolidated ordinary income was 37,785 million yen (up 5.2% compared with the previous fiscal year), and consolidated net income was 23,829 million yen (up 5.5% compared with the previous fiscal year).

Operating performance by segment is discussed below.

Department Stores

Last October, Takashimaya Watch Maison was opened across the road from Takashimaya Nihombashi Store as part of the Nihombashi redevelopment plan. Boasting one of the largest watch selections in the world, the store engaged a wide range of customers, including VIP customers, and achieved solid results with sales of approximately 2.4 billion yen (37% higher than the target). Shinjuku Store and Tamagawa Store collaborated with Toshin Development Co., Ltd. to advance the Machi-dukuri Strategy. In anticipation of an increase in visitors following the redevelopment of Shinjuku Station's New South Gate, Shinjuku Store refurbished its sales floors, focusing on food products, and it also refurbished its restaurant floor.

Tamagawa Store completed a series of refurbishment projects together with its specialty stores to coincide with the second-phase development of Futako Tamagawa Rise (peripheral high-rise commercial facilities). Regarding Yokohama Store, the store finished work on its food floor marking the completion of its store-wide renewal. In October last year, the Store embarked on a new type of business venture by opening Takashimaya Style Maison (Ebina City, Kanagawa Prefecture), a small store focusing on ladies' goods, and it steered efforts to expand Takashimaya's customer base by working synergistically with Konandai Store and specialist food store Takashimaya Food Maison Shin-Yokohama Store.

Regarding merchandise, aiming to provide merchandise that reflects the attributes of the local area, the segment made improvements to the deployment of buying agents, and developed merchandise lines and sales areas in such a way as to emphasize the particular identities of each store. Regarding ladies' clothing, the segment introduced the Excellounge brand in Nihombashi Store and Shinjuku Store in order to cater to women's needs in business settings, and it introduced in stores, particularly large stores, Denim Style Lab, a casualwear brand targeting adult women. The segment endeavored to strengthen sales performance by streamlining business operations; for example, it established the Food PB Administration Department to coordinate the various processes from procurement to sale with respect to Takashimaya's characteristic brands such as Fauchon, Peck, and Dallmayr.

In terms of attracting customers, the segment attracted a wide range of customers by holding highly topical cultural events.

Regarding inbound sales, the segment strengthened sales promotion with respect to campaigns such as Nippon Monogatari, which is designed to showcase products with a Japanese touch, and it streamlined tax-free sales at shopping centers. It also issued a VIP Card for overseas visitors as part of an effort to retain loyalty among such visitors. As a result of these efforts, the stores achieved total tax-free sales of approximately 30 billion yen, twice that of the previous year. Most notably, Osaka Store's tax-free sales were 138% up from the previous year. Regarding the promotion of omni-channels, the segment worked to increase customer convenience. For example, it established the Showroom Store and the Takashimaya e-Salon. The former exhibits product samples inside stores and encourages customers to purchase the products through the online store, and the latter is a website exclusive to VIP customers.

Regarding the situation overseas, Takashimaya Singapore Ltd. made extensive efforts to improve sales performance. For example, it refurbished its sales area in response to customer feedback, and pursued a house card strategy. Shanghai Takashimaya made efforts to improve sales performance and attract more visitors by opening the Japanese-Goods Store, which sells Japanese-made products.

Consequently, sales and other operating revenue were 814,095 million yen (up 1.4% compared with the previous fiscal year). On the other hand, operating income was 14,975 million yen (down 3.5% compared with the previous fiscal year), reflecting the decline in the ratio of highly profitable apparel.

Real Estate

In the Real Estate segment, Toshin Development Co., Ltd. maintained robust revenue and earnings thanks to strong sales in its shopping centers. It made efforts to expanding revenue by re-opening Marronnier Court, a shopping center annex of Tamagawa Takashimaya, in September as part of the Machi-dukuri Strategy. Regarding Hakata Riverain, last year, the segment changed the name of the mall to “Hakata Riverain Mall by Takashimaya,” and launched Takashima Kids’ Patio. The opening of Takashima Kids’ Patio, coupled with the presence of “Fukuoka Anpanman Children’s Museum in Mall,” attracted greater numbers of three-generation families to “Hakata Riverain Mall by Takashimaya,” leading in turn to strong results. Toshin Development Co., Ltd. also performed well overseas owing to factors such as an increase in rent after Takashimaya Singapore Ltd. completed its renewal of its third and fourth floors.

Consequently, sales and other operating revenue were 39,942 million yen (up 4.8% compared with the previous fiscal year), and operating income was 10,294 million yen (up 8.0% compared with the previous fiscal year).

Finance

In the Finance segment, revenue and earnings were strengthened thanks to Takashimaya Credit Co., Ltd. achieving a strong amount of card transactions, and implementing initiatives to expand revenue and earnings by acquiring new members and promoting use of the card.

Consequently, sales and other operating revenue were 12,865 million yen (up 3.9% compared with the previous fiscal year), and operating income was 4,376 million yen (up 4.8% compared with the previous fiscal year).

Contract & Design

Revenue was up in the Contract & Design segment thanks to Takashimaya Space Create Co., Ltd.’s performing favorably with regard to construction work orders for hotels and commercial facilities and other large buildings, and expanding its home renovation business in collaboration with department stores.

Consequently, sales and other operating revenue were 26,710 million yen (up 8.3% compared with the previous fiscal year), and operating income was 1,898 million yen (up 31.9% compared with the previous fiscal year).

Other

The Cross Media Division reported higher revenue but lower earnings. While the online business achieved steady growth, the catalogue business, which constituted a key part of the sales strategy, failed to expand sales as planned, particularly with respect to highly profitable fashion items.

Consequently, sales and other operating revenue were 35,974 million yen (up 4.5% compared with the previous fiscal year), and operating income was 1,496 million yen (down 5.9% compared with the previous fiscal year).

Summary of Financial Status

Assets, Liabilities and Net Assets

Consolidated assets at the end of the fiscal year (February 29, 2016) totaled 974,421 million yen, down 5,190 million yen compared to the previous fiscal year end. This result was primarily attributable to a decline in investment securities. Liabilities totaled 567,034 million yen, down 4,099 million yen compared to the previous fiscal year end. This result was primarily attributable to a decline in interest-bearing debt. Net assets totaled 407,386 million yen, down 1,091 million yen compared to the previous fiscal year end, due to a decline in the valuation difference on available-for-sale securities.

Cash Flows

Net cash provided by operating activities totaled 25,638 million yen, down 15,380 million yen compared to the previous fiscal year end. This result was primarily attributable to a 13,733 million yen decrease in loss on the sale of short-term investment securities and investment securities, a 3,061 million yen decrease in inventory assets, a 2,321 million yen decrease in purchase liabilities, and a 3,151 million yen increase in corporation tax payments and other tax payments.

Net cash used in investment activities was 16,081 million yen, a decrease of 99,967 million yen compared to the previous fiscal year end. This result was primarily attributable to the fact that while there was a 101,023 million yen decrease in the purchase of property, plant and equipment and intangible assets, an 8,419 million yen increase in gain on the sale of short-term investment securities and investment securities, there was also a 5,677 million yen decrease in gain on the sale of property, plant and equipment and intangible assets, and a 3,695 million yen increase in acquisitions of short-term investment securities and investment securities.

Net cash used in financing activities was 19,239 million yen (it was 11,619 million yen at the end of the previous fiscal year). This results was primarily attributable to a 20,007 million yen increase in repayments of long-term loans, a 4,900 million yen decrease in proceeds from long-term loans payable, and a 5,576 million yen increase in purchase of treasury stock.

Takashimaya Reports Earnings for the Year Ended February 29, 2016

Accordingly, consolidated cash and cash equivalents at the end of the fiscal year (February 29, 2016) totaled 73,536 million yen, a decrease of 12,960 million yen from the previous fiscal year end.

This document is not subject of audit procedures based on the Financial Instruments and Exchange Act.

At the time of disclosure of this document, audit procedures of financial statements based on the Financial Instruments and Exchange Act had not been completed.

Takashimaya Reports Earnings for the Year Ended February 29, 2016

	As of February 28, 2015	(million yen) As of February 29, 2016
Consolidated balance sheets		
Assets		
Current assets		
Cash and deposits	87,887	75,487
Notes and accounts receivable - trade	120,380	119,174
Securities	2,000	2,003
Merchandise and finished goods	39,067	41,168
Work in process	2,572	3,947
Raw materials and supplies	759	1,036
Deferred tax assets	8,501	9,309
Other	27,424	38,929
Allowance for doubtful accounts	(446)	(430)
Total current assets	288,147	290,625
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	173,110	171,610
Machinery, equipment and vehicles, net	146	130
Tools, furniture and fixtures, net	9,191	9,308
Land	225,209	231,174
Leased assets, net	2,233	1,929
Other, net	2,582	3,153
Total property, plant and equipment	412,474	417,307
Intangible assets		
Leasehold right	93,712	93,712
Goodwill	518	404
Other	15,275	14,210
Total intangible assets	109,505	108,327
Investments and other assets		
Investment securities	127,040	102,550
Guarantee deposits	34,045	33,151
Deferred tax assets	6,133	9,771
Other	4,944	15,268
Allowance for doubtful accounts	(2,679)	(2,579)
Total investments and other assets	169,483	158,161
Total non-current assets	691,464	683,795
Total assets	979,611	974,421

Takashimaya Reports Earnings for the Year Ended February 29, 2016

	As of February 28, 2015	(million yen) As of February 29, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	101,558	103,363
Short-term loans payable	37,292	17,187
Lease obligations	795	698
Income taxes payable	9,784	10,045
Advances received	79,321	82,954
Gift certificates	53,184	52,299
Deposits received	23,384	27,069
Provision for point card certificates	3,252	3,233
Provision for directors' bonuses	33	35
Allowance for loss on repair construction of building	-	581
Other	28,096	27,614
Total current liabilities	336,703	325,082
Non-current liabilities		
Bonds payable	75,405	75,307
Long-term loans payable	50,820	62,105
Lease obligations	1,458	1,250
Asset retirement obligations	1,536	1,804
Net defined benefit liability	62,983	61,875
Provision for directors' retirement benefits	311	371
Provision for environmental measures	623	366
Allowance for loss on repair construction of building	-	5,273
Deferred tax liabilities	2,235	49
Deferred tax liabilities for land revaluation	7,570	7,117
Other	31,487	26,431
Total non-current liabilities	234,430	241,951
Total liabilities	571,133	567,034
Net assets		
Shareholders' equity		
Capital stock	66,025	66,025
Capital surplus	55,085	55,085
Retained earnings	229,185	249,145
Treasury shares	(562)	(6,153)
Total shareholders' equity	349,733	364,102
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,998	17,277
Deferred gains or losses on hedges	(1)	(14)
Revaluation reserve for land	6,454	6,907
Foreign currency translation adjustment	16,467	11,883
Remeasurements of defined benefit plans	(545)	(1,229)
Total accumulated other comprehensive income	51,374	34,824
Minority interests	7,370	8,458
Total net assets	408,477	407,386
Total liabilities and net assets	979,611	974,421

Takashimaya Reports Earnings for the Year Ended February 29, 2016

	(million yen)	
	Year ended February 28, 2015	Year ended February 29, 2016
Consolidated statements of (comprehensive) income		
Net sales	851,374	865,889
Cost of sales	636,881	651,010
Gross profit	214,492	214,878
Other operating revenue	61,148	63,698
Operating gross profit	275,641	278,577
Selling, general and administrative expenses		
Advertising expenses	24,186	25,501
Provision for point card certificates	3,252	3,233
Distribution expenses and business consignment expenses	27,226	28,055
Supplies expenses	3,268	3,820
Provision of allowance for doubtful accounts	309	119
Directors' compensations, salaries and allowances	67,103	65,893
Retirement benefit expenses	4,979	4,821
Provision for directors' bonuses	33	35
Provision for directors' retirement benefits	67	64
Welfare expenses	13,965	13,822
Utilities expenses	13,484	12,751
Commission fee	3,791	4,301
Rent expenses on real estates	36,836	36,589
Rent expenses on machines	836	793
Depreciation	19,326	19,749
Amortization of goodwill	206	206
Other	24,743	25,845
Total selling, general and administrative expenses	243,618	245,605
Operating income	32,022	32,972
Non-operating income		
Interest income	429	579
Dividend income	1,081	1,164
Gain on adjustment of account payable	151	23
Share of profit of entities accounted for using equity method	2,906	2,990
Foreign exchange gains	13	-
Gain on donation of noncurrent assets	474	744
Other	479	481
Total non-operating income	5,536	5,982
Non-operating expenses		
Interest expenses	988	777
Other	665	392
Total non-operating expenses	1,653	1,169
Ordinary income	35,904	37,785

Takashimaya Reports Earnings for the Year Ended February 29, 2016

	Year ended February 28, 2015	(million yen) Year ended February 29, 2016
Extraordinary income		
Gain on sales of non-current assets	2,910	-
Gain on sales of investment securities	-	13,733
Other	139	0
Total extraordinary income	<u>3,049</u>	<u>13,734</u>
Extraordinary losses		
Loss on retirement of non-current assets	2,501	3,911
Loss on repair construction of building	-	6,040
Other	234	115
Total extraordinary losses	<u>2,736</u>	<u>10,068</u>
Income before income taxes and minority interests	<u>36,217</u>	<u>41,451</u>
Income taxes - current	13,669	15,494
Income taxes - deferred	△860	1,686
Total income taxes	<u>12,808</u>	<u>17,181</u>
Income before minority interests	<u>23,408</u>	<u>24,270</u>
Minority interests in income	827	441
Net income	<u>22,581</u>	<u>23,829</u>

Takashimaya Reports Earnings for the Year Ended February 29, 2016

	Year ended February 28, 2015	(million yen) Year ended February 29, 2016
Consolidated statements of comprehensive income		
Income before minority interests	23,408	24,270
Other comprehensive income		
Valuation difference on available-for-sale securities	11,958	(11,588)
Deferred gains or losses on hedges	(0)	(12)
Revaluation reserve for land	—	452
Foreign currency translation adjustment	3,850	(3,076)
Remeasurements of defined benefit plans, net of tax	3,068	(600)
Share of other comprehensive income of entities accounted for using equity method	2,464	(1,733)
Total other comprehensive income	21,341	(16,559)
Comprehensive income	44,750	7,711
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	43,898	7,280
Comprehensive income attributable to minority interests	851	431

Takashimaya Reports Earnings for the Year Ended February 29, 2016

	Year ended February 28, 2015	(million yen) Year ended February 29, 2016
Consolidated statements of cash flows		
Cash flows from operating activities		
Income before income taxes and minority interests	36,217	41,451
Depreciation	19,344	19,767
Amortization of goodwill	113	113
Increase (decrease) in allowance for doubtful accounts	(86)	(112)
Increase (decrease) in net defined benefit liability	(1,984)	(1,874)
Increase (decrease) in provision for directors' retirement benefits	56	60
Increase (decrease) in provision for point card certificates	(8)	(18)
Increase (decrease) in allowance for loss on repair construction of building	-	5,854
Interest and dividend income	(1,510)	(1,743)
Interest expenses	988	777
Share of (profit) loss of entities accounted for using equity method	(2,906)	(2,990)
Loss (gain) on sales of non-current assets	(2,910)	-
Loss on retirement of non-current assets	1,212	1,750
Loss (gain) on sales of short-term and long-term investment securities	-	(13,733)
Decrease (increase) in notes and accounts receivable - trade	(13,978)	1,726
Decrease (increase) in inventories	(760)	(3,821)
Increase (decrease) in notes and accounts payable - trade	4,989	2,668
Other	12,374	(11,506)
Subtotal	51,151	38,371
Interest and dividend income received	2,739	3,120
Interest expenses paid	(983)	(813)
Income taxes paid	(11,889)	(15,040)
Net cash provided by (used in) operating activities	41,018	25,638
Cash flows from investing activities		
Payments into time deposits	-	(1,913)
Proceeds from withdrawal of time deposits	172	1,237
Purchase of short-term and long-term investment securities	(383)	(4,079)
Proceeds from sales and redemption of short-term and long-term investment securities	3,000	11,419
Purchase of property, plant and equipment and intangible assets	(124,670)	(23,646)
Proceeds from sales of property, plant and equipment and intangible assets	5,677	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	741
Other	154	159
Net cash provided by (used in) investing activities	(116,049)	(16,081)

Takashimaya Reports Earnings for the Year Ended February 29, 2016

	Year ended February 28, 2015	(million yen) Year ended February 29, 2016
Cash flows from financing activities		
Proceeds from long-term loans payable	27,500	22,600
Repayments of long-term loans payable	(11,413)	(31,420)
Proceeds from issuance of bonds	10,000	-
Redemption of bonds	(10,000)	-
Purchase of treasury shares	(13)	(5,590)
Cash dividends paid	(3,333)	(3,869)
Other	(1,120)	(958)
Net cash provided by (used in) financing activities	11,619	(19,239)
Effect of exchange rate change on cash and cash equivalents	4,800	(3,278)
Net increase (decrease) in cash and cash equivalents	(58,610)	(12,960)
Cash and cash equivalents at beginning of period	145,108	86,497
Cash and cash equivalents at end of period	86,497	73,536