

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2017

Tokyo, Japan December 25, 2017—Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated operating revenue of 678,894 million yen for the second quarter (nine months ended November 30, 2017) of the fiscal year ending February 28, 2018, and profit attributable to owners of parent of 14,477 million yen, or 36.43 yen per diluted share.

Summary of Operating Results

Department Stores

The Department Stores segment posted sales and operating revenue of 596,765 million yen (up 4.3% compared with the corresponding period of the previous year), and operating income of 8,075 million yen (up 15.4% compared with the corresponding period of the previous fiscal year).

The Department Stores segment saw higher earnings amid the increasingly stable personal consumption and the continually favorable inbound demand. Sales of expensive goods continued to be particularly strong, and high-volume products like clothing and general goods performed well too.

Regarding stores and facilities, following in the footsteps of larger stores, Tamagawa Store opened Hello Baby Salon, a sales space dedicated to uniquely curated merchandise that caters to the needs and sensibilities of customers who are raising children. Similarly, the Osaka Store and Shinjuku Store rearranged their children's goods areas to create a new sales space, Dear Kids Square, which offers childrearing lifestyle options in a holistic manner. Through these efforts, we will extend our customer base to parents and, by extension, their children, and thus gain next generation customers.

In addition, the Shinjuku Store and Yokohama Store opened Suit Closet, a business attire sales space for working women. As for menswear, with a view to attracting next generation customers, the Osaka Store opened Takashimaya Style Order Salon, a bespoke menswear area that emphasizes individuality.

Regarding cultural transmission, to offer our customers culturally enriching experiences, we held cultural events on themes that are close to our customers' hearts.

Regarding alliances with other companies, we continued to work with NTT DOCOMO and Loyalty Marketing, Inc. in a joint marketing campaign directed at both companies' customers and loyalty scheme membership.

In October this year, we teamed up with Sony Bank Inc. to launch the first department store debit card, Takashimaya Platinum, with a view to enhancing convenience for customers and capturing new customers. As for our efforts to capture inbound demand, in addition to our existing efforts in this area, we enlarged the tax-refund counter in the Osaka Store in November this year and made various other efforts to upgrade our tourist-related services. As a result, sales and visitor numbers once again increased significantly from the previous year. Also, in April this year, an airport-style duty-free shop was opened in Takashimaya Times Square, Shinjuku, by A&S Takashimaya Duty Free, a joint venture with ANA Trading and Hotel Shilla (Head office: Seoul, South Korea). We endeavored to integrate the airport-style duty-free shop with Shinjuku Store as part of our strategy to attract international customers.

The corporate business division's aggressive sales efforts paid off, resulting in a significant increase in revenue.

Regarding overseas stores, amid signs of an upturn in Singapore economy, Takashimaya Singapore Ltd. stepped up its sales approaches toward its card-carrying customers, and it also achieved steady sales among tourists, resulting in increased revenue from August onward.

Shanghai Takashimaya Co., Ltd. saw growing sales buoyed by strong personal consumption. The store continued to differentiate itself by promoting its Japanese-Goods Store, a retail space devoted to showcasing Japanese culture and selling Japanese goods, and by opening a new sales area for directly imported high-quality Japanese goods. It also expanded its loyalty membership base by strengthening its loyalty card policies and improved its customer retention, resulting in increased earnings.

Since it opened in July last year, Takashimaya Ho Chi Minh City has proved popular among locals and made steady progress in developing its loyalty card membership. The store jointly organized promotional events with specialty stores and undertook various other initiatives, all of which proved successful and contributed to strong performance.

Real Estate

The Real Estate segment posted sales and other operating revenue of 29,800 million yen (down 4.3% compared with the corresponding period of the previous fiscal year) and operating income of 7,544 million yen (down 4.7% compared with the corresponding period of the previous fiscal year).

In this segment, Toshin Development worked together with department stores to advance the Machi-dukuri Strategy.

To mark the 10-year anniversary of Nagareyama Otakanomori Shopping Center, which Toshin Development operates, the developer built a kids' zone in the shopping center featuring children's goods and a childcare facility (a crèche and breastfeeding area) in an effort to highlight the local area as a great place to raise a family. Consequently, the shopping center saw a year-on-year increase in sales and number of visitors. Toshin Development also actively engaged in developing surrounding areas. For example, it worked with Tsukuba Express (TX) operator, Metropolitan Intercity Railway Company, to develop Nagareyama Otakanomori Shopping Center, a commercial facility that utilizes the space of an elevated walkway connecting to TX Nagareyama Otakanomori Station.

To mark the 25-year anniversary of Kashiwa Takashimaya Station Mall, Toshin Development enriched the fashion area, which targets working people in their 30s and 40s, and created a large bookshop floor catering to a broad range of customers. The developer will continue to gradually renew the mall, taking advantage of the fact that it adjoins the station.

As for overseas real estate, Saigon Centre, which opened for business in Ho Chi Minh City July last year, has provided a shopping environment with a high standard of quality, safety, and peace of mind, and thus increased its popularity among customers. In March this year, we acquired a portion of the property rights for A & B Tower, which we intend to use to further our Machi-dukuri Strategy in the Ho Chi Minh City.

Finance

The Finance segment posted sales and other operating revenue of 10,572 million yen (up 6.1% compared with the corresponding period of the previous fiscal year) and operating income of 3,268 million yen (down 2.8% compared with the corresponding period of the previous fiscal year).

In this segment, Takashimaya Credit Co., Ltd. marked the tenth anniversary of the “gold” Takashimaya card by conducting a campaign to acquire new members and promote use of the card. It also endeavored to improve commission revenue by increasing the number of members and the amount of card transactions. These efforts yielded an increase in earnings.

Contract & Design

The Contract & Design segment posted sales and other operating revenue of 18,244 million yen (down 15.3% compared with the corresponding period of the previous fiscal year) and operating income of 568 million yen (down 58.9% with the corresponding period of the previous fiscal year).

In this segment, Takashimaya Space Create Co., Ltd. made steady progress in construction work for large hotels and department stores, but with a reactionary decline following last year’s large project, the segment posted a decrease in revenue and profits.

Other

The Other segment, including Cross Media Division, posted sales and operating revenue of 23,511 million yen (down 1.8% compared with the corresponding period of the previous fiscal year) and operating income of 2,042 million yen (up 91.4% compared with the corresponding period of the previous fiscal year).

Regarding the Cross Media Division specifically, the segment’s efforts to improve profitability by revising its catalogue media policies contributed significantly to the above results.

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

At 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.

(million yen)

Consolidated quarterly balance sheets

	As of February 28, 2017	As of November 30, 2017
Assets		
Current assets		
Cash and deposits	107,159	104,153
Notes and accounts receivable - trade	122,728	149,510
Securities	2,000	-
Merchandise and finished goods	41,191	49,097
Work in process	2,746	4,331
Raw materials and supplies	1,112	1,054
Other	48,899	43,997
Allowance for doubtful accounts	(336)	(327)
Total current assets	325,500	351,816
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	164,940	163,935
Land	230,386	358,430
Other, net	18,375	16,571
Total property, plant and equipment	413,703	538,937
Intangible assets		
Leasehold right	93,725	4,937
Goodwill	193	121
Other	13,254	12,848
Total intangible assets	107,172	17,907
Investments and other assets		
Investment securities	89,114	97,109
Guarantee deposits	31,892	29,719
Other	21,535	17,160
Allowance for doubtful accounts	(2,454)	(1,935)
Total investments and other assets	140,087	142,053
Total non-current assets	660,963	698,898
Total assets	986,464	1,050,714

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2017

(million yen)

	As of February 28, 2017	As of November 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	101,320	122,160
Short-term loans payable	9,007	5,820
Income taxes payable	5,597	2,799
Advances received	91,852	102,481
Gift certificates	51,702	53,627
Provision for point card certificates	2,509	2,792
Allowance for loss on repair construction of building	2,160	1,896
Other	55,641	56,060
Total current liabilities	319,793	347,638
Non-current liabilities		
Bonds payable	75,210	75,136
Long-term loans payable	71,045	93,334
Asset retirement obligations	1,867	1,993
Net defined benefit liability	58,251	55,932
Provision for directors' retirement benefits	265	282
Provision for environmental measures	419	413
Allowance for loss on repair construction of building	3,767	3,152
Other	33,954	33,186
Total non-current liabilities	244,780	263,432
Total liabilities	564,574	611,070
Net assets		
Shareholders' equity		
Capital stock	66,025	66,025
Capital surplus	55,085	55,025
Retained earnings	265,033	275,140
Treasury shares	(6,160)	(6,168)
Total shareholders' equity	379,984	390,022
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,921	19,620
Deferred gains or losses on hedges	1	(0)
Revaluation reserve for land	7,145	7,145
Foreign currency translation adjustment	8,510	10,431
Remeasurements of defined benefit plans	661	2,319
Total accumulated other comprehensive income	32,240	39,516
Non-controlling interests	9,665	10,105
Total net assets	421,890	439,643
Total liabilities and net assets	986,464	1,050,714

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2017

(million yen)

Consolidated quarterly statements of income

	Nine months ended November 30, 2016	Nine months ended November 30, 2017
Operating revenue	658,790	678,894
Net sales	611,641	632,376
Cost of sales	459,666	476,318
Gross profit	151,974	156,058
Other operating revenue	47,149	46,517
Operating gross profit	199,124	202,575
Selling, general and administrative expenses		
Advertising expenses	18,303	18,975
Provision for point card certificates	2,297	2,164
Provision of allowance for doubtful accounts	171	427
Directors' compensations, salaries and allowances	48,491	49,551
Retirement benefit expenses	2,988	2,863
Rent expenses on real estates	27,327	25,971
Other	78,993	80,910
Total selling, general and administrative expenses	178,573	180,865
Operating income	20,551	21,710
Non-operating income		
Interest income	467	539
Dividend income	805	757
Share of profit of entities accounted for using equity method	1,536	1,952
Other	799	647
Total non-operating income	3,609	3,896
Non-operating expenses		
Interest expenses	497	485
Foreign exchange losses	405	203
Loss on adjustment of account payable	18	382
Other	195	158
Total non-operating expenses	1,116	1,230
Ordinary income	23,044	24,376
Extraordinary income		
Gain on sales of investment securities	-	385
Gain on liquidation of affiliated companies	876	3
State subsidy	126	-
Other	110	0
Total extraordinary income	1,113	389
Extraordinary losses		
Loss on retirement of non-current assets	2,365	3,609
Loss on sales of shares of subsidiaries and associates	892	-
Other	126	2
Total extraordinary losses	3,384	3,611
Profit before income taxes	20,773	21,154
Income taxes - current	5,714	6,169
Income taxes - deferred	1,288	271
Total income taxes	7,002	6,441
Profit	13,770	14,712
Profit attributable to non-controlling interests	545	234
Profit attributable to owners of parent	13,225	14,477

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2017

Consolidated quarterly statements of comprehensive income	(million yen)	
	Nine months ended November 30, 2016	Nine months ended November 30, 2017
Profit	13,770	14,712
Other comprehensive income		
Valuation difference on available-for-sale securities	66	3,661
Deferred gains or losses on hedges	21	(1)
Revaluation reserve for land	237	-
Foreign currency translation adjustment	(6,159)	1,281
Remeasurements of defined benefit plans, net of tax	442	1,606
Share of other comprehensive income of entities accounted for using equity method	(2,937)	756
Total other comprehensive income	(8,327)	7,304
Comprehensive income	5,443	22,017
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,981	21,753
Comprehensive income attributable to non-controlling interests	461	263

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2017

(million yen)

Consolidated quarterly statements of cash flows

	Nine months ended November 30, 2016	Nine months ended November 30, 2017
Cash flows from operating activities		
Profit before income taxes	20,773	21,154
Depreciation	14,676	14,260
Amortization of goodwill	85	71
Increase (decrease) in allowance for doubtful accounts	(5)	(528)
Increase (decrease) in net defined benefit liability	(639)	(25)
Increase (decrease) in provision for directors' retirement benefits	(121)	17
Increase (decrease) in provision for point card certificates	(127)	282
Increase(decrease) allowance for loss on repair construction of building	(543)	(879)
Interest and dividend income	(1,272)	(1,296)
Interest expenses	497	485
Share of (profit) loss of entities accounted for using equity method	(1,536)	(1,952)
Loss (gain) on sales of non-current assets	(110)	(0)
Loss on retirement of non-current assets	1,085	2,020
Loss (gain) on sales of investment securities	-	(385)
Loss (gain) on sales of shares of subsidiaries and associates	892	-
Gain on liquidation of affiliated companies	(876)	(3)
Decrease (increase) in notes and accounts receivable - trade	(19,236)	(21,121)
Decrease (increase) in inventories	(8,470)	(9,405)
Increase (decrease) in notes and accounts payable - trade	15,332	20,971
Other, net	8,070	7,910
Subtotal	28,472	31,574
Interest and dividend income received	2,345	2,146
Interest expenses paid	(340)	(474)
Income taxes paid	(12,959)	(8,423)
Net cash provided by (used in) operating activities	17,518	24,822
Cash flows from investing activities		
Payments into time deposits	(2,667)	(4,133)
Proceeds from withdrawal of time deposits	1,387	3,524
Purchase of short-term and long-term investment securities	(1,224)	(1,677)
Proceeds from sales and redemption of short-term and long-term investment securities	13,078	11,071
Proceeds from sales of shares of subsidiaries and associates	1,609	-
Proceeds from liquidation of subsidiaries and associates	1,444	28
Purchase of property, plant and equipment and intangible assets	(14,776)	(53,319)
Proceeds from sales of property, plant and equipment and intangible assets	236	18
Other, net	(85)	(95)
Net cash provided by (used in) investing activities	(997)	(44,583)

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2017

	(million yen)	
	Nine months ended November 30, 2016	Nine months ended November 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	60	(147)
Proceeds from long-term loans payable	15,500	22,319
Repayments of long-term loans payable	(5,255)	(3,070)
Purchase of treasury shares	(4)	(7)
Cash dividends paid	(4,193)	(4,193)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(60)
Other, net	(648)	(532)
Net cash provided by (used in) financing activities	5,457	14,308
Effect of exchange rate change on cash and cash equivalents	(6,276)	1,365
Net increase (decrease) in cash and cash equivalents	15,703	(4,087)
Cash and cash equivalents at beginning of period	73,536	103,765
Increase in cash and cash equivalents from newly consolidated subsidiary	3,929	391
Cash and cash equivalents at end of period	93,169	100,069