

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2020 (Based on Japanese GAAP)

October 13, 2020

Company name: Takashimaya Company, Limited
 Stock exchange listing: Tokyo
 Stock code: 8233 URL <https://www.takashimaya.co.jp>
 Representative: President Yoshio Murata
 Inquiries: General Manager, Public and Investor Yoshiyuki Nishikata TEL (03)3211-4111
 Relations Office
 Scheduled date to file Quarterly Securities Report: October 15, 2020
 Scheduled date to commence dividend payments: November 20, 2020
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 31, 2020 (from March 1, 2020 to August 31, 2020)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2020	297,352	(34.4)	(10,217)	–	(10,914)	–	(23,284)	–
Six months ended August 31, 2019	453,144	2.6	13,424	0.0	12,659	(21.5)	12,404	41.2

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2020	(139.64)	–
Six months ended August 31, 2019	71.32	58.76

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2020	1,169,360	427,504	34.8
As of February 29, 2020	1,168,503	455,871	37.2

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 29, 2020	–	12.00	–	12.00	24.00
Year ending February 28, 2021	–	12.00			
Year ending February 28, 2021 (Forecast)			–	12.00	24.00

3. Forecast of consolidated financial results for the year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	682,000	(25.8)	(18,000)	–	(19,500)	–	(36,500)	–	(218.91)

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2020
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2020	177,759,481 shares	As of February 29, 2020	177,759,481 shares
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Number of treasury shares at the end of the period

As of August 31, 2020	11,026,194 shares	As of February 29, 2020	11,026,113 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2020	166,733,337 shares	Six months ended August 31, 2019	173,912,457 shares
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Performance

During the cumulative consolidated second quarter (March 1 to August 31, 2020), the Japanese economy experienced its greatest postwar decline in GDP amid the severe impact of COVID-19. Personal spending was hit particularly hard as a result of businesses closing and people staying at home following the state-of-emergency declaration. The pandemic's impact was felt globally, with Western countries experiencing their worst ever decline in GDP.

With the global number of new cases remaining high, the pandemic shows no signs of abating anytime soon. Thus, the global economic outlook remains shrouded, and fears abound that the business impact will be long-lasting.

Against this backdrop, we seek to proceed with two strategic tasks for this year intended to grow our businesses: 1) expand the Machi-dukuri Strategy, our general group-wide strategy, and 2) proceed with a bold group-wide program of cost optimization. However, COVID-19 caused a large year-on-year decline in footfall and takings. Specifically, from the end of February to June, our stores in Japan and overseas had to close or operate with reduced hours in order to comply with anti-infection measures, and many people continued to stay at home even after the measures were lifted.

Our stores are now all open once again, having taken thorough measures to safeguard the health and safety of customers and staff—our first priority. With the stay-at-home trend persisting, our online store saw a sizeable year-on-year increase in sales, particularly in foods and daily goods that appealed to customers who were hunkering down at home. Gift items such as midsummer gifts sold well too. Meanwhile, we stepped up efforts in the digital sphere. We boosted our digital customer engagement and improved the digital customer experience. Additionally, we introduced a work-from-home program for staff employed at our head office and elsewhere. Furthermore, we introduced videoconferencing and other digital technology to boost productivity. We will continue the digitally driven process of transforming our organizational culture and work practices.

COVID-19 is transforming consumer behavior and lifestyles. To adapt to the new landscape, our commercial developer, Toshin Development Co., Ltd., will lead efforts to advance the Machi-dukuri Strategy and we restructure our department store business and other group businesses.

In addition to the above, we undertake sustainability initiatives with both short-term and mid- to long-term perspectives. In April, we took action to eliminate plastic waste by charging a fee for grocery bags and switching to bags made of more eco-friendly material. From April to June, we ran a crowdfunding campaign on our website to raise funds for healthcare workers at the frontlines of the fight against COVID-19. We will continue our contribution to addressing societal challenges in partnership with government and our trading partners.

Our consolidated performance was as follows: Total consolidated operating revenue for Takashimaya Group was 297,352 million yen (down 34.4% compared with the corresponding period of the previous fiscal year). We recorded a consolidated operating loss of 10,217 million yen (compared to a positive income of 13,424 million yen in the corresponding period of the previous fiscal year), a consolidated ordinary loss of 10,914 million yen (compared to a positive income of 12,659 million yen in the corresponding period of the previous fiscal year), and a consolidated loss attributable to owners of parent of 23,284 million yen (compared to a profit of 12,404 million yen in the corresponding period of the previous fiscal year).

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Assets		
Current assets		
Cash and deposits	89,820	119,432
Notes and accounts receivable - trade	115,919	102,554
Merchandise and finished goods	44,374	43,153
Work in process	323	410
Raw materials and supplies	1,276	1,307
Other	36,704	33,567
Allowance for doubtful accounts	(655)	(665)
Total current assets	287,764	299,760
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	193,471	190,815
Land	412,051	412,870
Leased assets, net	2,876	3,179
Right of use assets, net	88,429	80,531
Other, net	18,974	21,152
Total property, plant and equipment	715,804	708,548
Intangible assets		
Leasehold interests in land	10,567	10,378
Right of use assets	5,193	4,984
Goodwill	2,769	2,641
Other	19,409	18,446
Total intangible assets	37,939	36,450
Investments and other assets		
Investment securities	76,598	74,364
Guarantee deposits	27,733	26,905
Other	24,969	25,960
Allowance for doubtful accounts	(2,305)	(2,630)
Total investments and other assets	126,995	124,600
Total non-current assets	880,739	869,599
Total assets	1,168,503	1,169,360

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	102,626	88,051
Short-term borrowings	42,185	31,200
Current portion of bonds	25,118	25,059
Commercial papers	–	20,000
Lease obligations	7,733	7,651
Income taxes payable	5,076	5,815
Advances received	101,717	110,641
Gift certificates	53,037	55,098
Provision for point card certificates	2,796	2,315
Allowance for loss on repair construction of building	74	74
Other	57,548	59,788
Total current liabilities	397,915	405,697
Non-current liabilities		
Bonds payable	70,394	70,379
Long-term borrowings	55,344	84,586
Lease obligations	88,102	81,196
Asset retirement obligations	3,524	5,036
Retirement benefit liability	56,137	55,348
Provision for retirement benefits for directors (and other officers)	276	290
Provision for environmental measures	258	236
Allowance for loss on repair construction of building	3,516	3,516
Other	37,162	35,568
Total non-current liabilities	314,717	336,158
Total liabilities	712,632	741,855
Net assets		
Shareholders' equity		
Share capital	66,025	66,025
Capital surplus	55,026	54,790
Retained earnings	308,397	283,108
Treasury shares	(15,993)	(15,993)
Total shareholders' equity	413,456	387,931
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,990	6,124
Deferred gains or losses on hedges	(0)	(1)
Revaluation reserve for land	5,926	5,926
Foreign currency translation adjustment	8,948	6,217
Remeasurements of defined benefit plans	381	242
Total accumulated other comprehensive income	21,247	18,510
Non-controlling interests	21,168	21,062
Total net assets	455,871	427,504
Total liabilities and net assets	1,168,503	1,169,360

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Operating revenue	453,144	297,352
Net sales	417,630	268,559
Cost of sales	311,176	204,351
Gross profit	106,453	64,207
Other operating revenue	35,513	28,793
Operating gross profit	141,967	93,001
Selling, general and administrative expenses		
Advertising expenses	13,114	7,580
Provision for point card certificates	1,326	917
Provision of allowance for doubtful accounts	545	519
Remuneration, salaries and allowances for directors (and other officers)	34,253	27,715
Retirement benefit expenses	777	979
Rent expenses on real estate	12,205	9,275
Other	66,319	56,231
Total selling, general and administrative expenses	128,543	103,219
Operating profit (loss)	13,424	(10,217)
Non-operating income		
Interest income	609	376
Dividend income	860	929
Share of profit of entities accounted for using equity method	973	122
Other	548	892
Total non-operating income	2,992	2,322
Non-operating expenses		
Interest expenses	2,794	2,389
Foreign exchange losses	171	365
Other	791	264
Total non-operating expenses	3,757	3,019
Ordinary profit (loss)	12,659	(10,914)
Extraordinary income		
Gain on sales of non-current assets	9,677	–
Subsidy income	–	1,473
Gain on forgiveness of lease debts	–	970
Other	39	–
Total extraordinary income	9,717	2,444
Extraordinary losses		
Loss on retirement of non-current assets	3,431	1,189
Impairment loss	–	1,853
Loss related to COVID-19	–	10,336
Other	133	953
Total extraordinary losses	3,564	14,333
Profit (loss) before income taxes	18,811	(22,804)
Income taxes - current	3,697	1,658
Income taxes - deferred	2,395	(1,691)
Total income taxes	6,093	(32)
Profit (loss)	12,718	(22,771)
Profit attributable to non-controlling interests	313	512
Profit (loss) attributable to owners of parent	12,404	(23,284)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Profit (loss)	12,718	(22,771)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,194)	183
Deferred gains or losses on hedges	(3)	(0)
Foreign currency translation adjustment	(572)	(2,106)
Remeasurements of defined benefit plans, net of tax	(383)	(142)
Share of other comprehensive income of entities accounted for using equity method	(405)	(918)
Total other comprehensive income	(4,558)	(2,984)
Comprehensive income	8,159	(25,756)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,858	(26,021)
Comprehensive income attributable to non-controlling interests	300	264

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	18,811	(22,804)
Depreciation	15,467	12,528
Impairment loss	–	1,853
Amortization of goodwill	107	76
Increase (decrease) in allowance for doubtful accounts	293	339
Increase (decrease) in retirement benefit liability	(1,103)	(997)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(29)	13
Increase (decrease) in provision for point card certificates	109	(478)
Increase(decrease) allowance for loss on repair construction of building	(807)	–
Interest and dividend income	(1,470)	(1,306)
Interest expenses	2,794	2,389
Share of loss (profit) of entities accounted for using equity method	(973)	(122)
Loss (gain) on sales of non-current assets	(9,677)	–
Loss on retirement of non-current assets	968	383
Subsidy income	–	(1,473)
Gain on forgiveness of lease debts	–	(970)
Loss related to COVID-19	–	10,336
Decrease (increase) in trade receivables	(15,646)	13,272
Decrease (increase) in inventories	(434)	436
Increase (decrease) in trade payables	4,694	(13,816)
Increase (decrease) in advances received	2,670	8,949
Other, net	648	12,568
Subtotal	16,425	21,177
Interest and dividends received	2,617	2,114
Interest paid	(2,715)	(2,366)
Proceeds from subsidy income	–	1,473
Loss related to COVID-19 paid	–	(7,174)
Income taxes paid	(2,403)	(1,921)
Net cash provided by (used in) operating activities	13,924	13,302

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from investing activities		
Payments into time deposits	(316)	–
Proceeds from withdrawal of time deposits	974	2
Proceeds from sales and redemption of short-term and long-term investment securities	615	32
Purchase of shares of subsidiaries and associates	(1,272)	–
Proceeds from sales of shares of subsidiaries and associates	–	378
Purchase of property, plant and equipment and intangible assets	(19,734)	(12,646)
Proceeds from sales of property, plant and equipment and intangible assets	10,429	0
Proceeds from withdrawal of investment securities	4,003	–
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	–	(638)
Other, net	(133)	(11)
Net cash provided by (used in) investing activities	(5,434)	(12,882)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(800)	7,500
Proceeds from long-term borrowings	5,800	41,334
Repayments of long-term borrowings	(5,010)	(30,585)
Increase (decrease) in commercial papers	–	20,000
Repayments of lease obligations	(3,727)	(3,981)
Purchase of treasury shares	(4,945)	(0)
Dividends paid	(2,096)	(2,000)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(200)
Other, net	(399)	(386)
Net cash provided by (used in) financing activities	(11,180)	31,679
Effect of exchange rate change on cash and cash equivalents	(955)	(2,421)
Net increase (decrease) in cash and cash equivalents	(3,645)	29,678
Cash and cash equivalents at beginning of period	94,692	88,411
Cash and cash equivalents at end of period	91,046	118,090