

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2022 (Based on Japanese GAAP)

October 11, 2022

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 13, 2022
 Scheduled date to commence dividend payments: November 22, 2022
 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, 2022 (from March 1, 2022 to August 31, 2022)

(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, 2022	209,012	–	12,812	–	14,597	–	13,522	–
Six months ended August 31, 2021	347,189	16.8	(2,014)	–	(559)	–	(4,375)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2022	81.10	69.55
Six months ended August 31, 2021	(26.24)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2022	1,185,441	442,213	35.4
As of February 28, 2022	1,144,335	420,489	34.8

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 28, 2022	–	12.00	–	12.00	24.00
Year ending February 28, 2023	–	12.00			
Year ending February 28, 2023 (Forecast)			–	12.00	24.00

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

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	439,000	(42.3)	25,500	520.3	25,500	269.4	20,000	273.1	119.95

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2022
(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: Yes
- 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, 2022	177,759,481 shares	As of February 28, 2022	177,759,481 shares
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Number of treasury shares at the end of the period

As of August 31, 2022	11,027,289 shares	As of February 28, 2022	11,027,076 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, 2022	166,732,331 shares	Six months ended August 31, 2021	166,733,120 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	90,672	90,193
Notes and accounts receivable - trade	96,120	–
Notes and accounts receivable - trade, and contract assets	–	133,057
Merchandise and finished goods	37,867	38,305
Work in process	324	341
Raw materials and supplies	1,107	1,136
Other	44,424	30,617
Allowance for doubtful accounts	(687)	(721)
Total current assets	269,828	292,931
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	188,758	189,963
Land	418,387	418,425
Leased assets, net	2,569	2,076
Right-of-use assets, net	75,291	81,587
Other, net	21,299	22,160
Total property, plant and equipment	706,306	714,213
Intangible assets		
Goodwill	2,380	2,615
Leasehold interests in land	10,603	11,412
Right of use assets	5,973	6,792
Other	16,973	16,291
Total intangible assets	35,931	37,112
Investments and other assets		
Investment securities	74,563	80,827
Guarantee deposits	27,926	27,502
Other	31,989	35,160
Allowance for doubtful accounts	(2,210)	(2,305)
Total investments and other assets	132,269	141,184
Total non-current assets	874,507	892,510
Total assets	1,144,335	1,185,441

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	93,698	105,636
Short-term borrowings	18,160	11,160
Current portion of bonds payable	55	–
Lease obligations	8,942	10,213
Income taxes payable	1,040	2,285
Advances received	118,105	–
Contract liabilities	–	98,293
Gift certificates	58,206	44,942
Provision for point card certificates	944	2,537
Other	53,663	82,048
Total current liabilities	352,815	357,118
Non-current liabilities		
Bonds payable	80,203	80,187
Long-term borrowings	116,345	125,339
Lease obligations	78,529	84,983
Asset retirement obligations	5,451	5,680
Retirement benefit liability	51,556	50,359
Provision for retirement benefits for directors (and other officers)	256	220
Provision for environmental measures	82	6
Other	38,605	39,332
Total non-current liabilities	371,030	386,109
Total liabilities	723,846	743,227
Net assets		
Shareholders' equity		
Share capital	66,025	66,025
Capital surplus	54,790	54,790
Retained earnings	271,973	282,822
Treasury shares	(15,994)	(15,994)
Total shareholders' equity	376,795	387,643
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,429	8,694
Deferred gains or losses on hedges	(0)	2
Revaluation reserve for land	2,945	2,964
Foreign currency translation adjustment	10,995	19,828
Remeasurements of defined benefit plans	403	101
Total accumulated other comprehensive income	21,773	31,591
Non-controlling interests	21,919	22,978
Total net assets	420,489	442,213
Total liabilities and net assets	1,144,335	1,185,441

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, 2021	Six months ended August 31, 2022
Operating revenue	347,189	209,012
Net sales	315,080	172,896
Cost of sales	238,861	85,985
Gross profit	76,218	86,911
Other operating revenue	32,108	36,116
Operating gross profit	108,327	123,027
Selling, general and administrative expenses		
Advertising expenses	9,429	4,251
Provision for point card certificates	864	789
Provision of allowance for doubtful accounts	247	326
Remuneration, salaries and allowances for directors (and other officers)	28,963	29,208
Retirement benefit expenses	698	544
Rent expenses on real estate	10,935	11,389
Other	59,202	63,703
Total selling, general and administrative expenses	110,341	110,214
Operating profit (loss)	(2,014)	12,812
Non-operating income		
Interest income	155	209
Dividend income	410	902
Subsidy income	1,567	361
Share of profit of entities accounted for using equity method	434	960
Foreign exchange gains	605	1,171
Other	743	1,010
Total non-operating income	3,918	4,615
Non-operating expenses		
Interest expenses	2,280	2,510
Other	182	320
Total non-operating expenses	2,463	2,830
Ordinary profit (loss)	(559)	14,597
Extraordinary income		
Gain on sale of investment securities	136	248
Gain on forgiveness of debts	313	–
Subsidy income	534	83
Other	7	3
Total extraordinary income	991	335
Extraordinary losses		
Loss on retirement of non-current assets	810	811
Impairment losses	13	467
Loss related to COVID-19	2,044	181
Other	9	212
Total extraordinary losses	2,878	1,672

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit (loss) before income taxes	(2,446)	13,260
Income taxes - current	1,317	1,427
Income taxes - deferred	228	(2,272)
Total income taxes	1,546	(845)
Profit (loss)	(3,992)	14,105
Profit attributable to non-controlling interests	382	583
Profit (loss) attributable to owners of parent	(4,375)	13,522

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit (loss)	(3,992)	14,105
Other comprehensive income		
Valuation difference on available-for-sale securities	(347)	1,148
Deferred gains or losses on hedges	(1)	2
Foreign currency translation adjustment	2,924	6,321
Remeasurements of defined benefit plans, net of tax	(218)	(191)
Share of other comprehensive income of entities accounted for using equity method	1,092	3,826
Total other comprehensive income	3,449	11,107
Comprehensive income	(543)	25,212
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,502)	23,320
Comprehensive income attributable to non-controlling interests	959	1,891

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(2,446)	13,260
Depreciation	15,357	16,425
Impairment losses	13	467
Amortization of goodwill	117	134
Increase (decrease) in allowance for doubtful accounts	25	128
Increase (decrease) in retirement benefit liability	(1,247)	(1,472)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(78)	(36)
Increase (decrease) in provision for point card certificates	(353)	1,584
Interest and dividend income	(566)	(1,111)
Interest expenses	2,280	2,510
Share of loss (profit) of entities accounted for using equity method	(434)	(960)
Loss on retirement of non-current assets	360	811
Subsidy income	(534)	(83)
Loss related to COVID-19	2,044	181
Loss (gain) on sale of investment securities	(136)	(248)
Decrease (increase) in trade receivables	10,776	(36,864)
Decrease (increase) in inventories	1,638	(175)
Increase (decrease) in trade payables	664	11,005
Increase (decrease) in advances received	4,627	(118,420)
Increase (decrease) in accounts payable - other	(7,921)	(1,763)
Increase (decrease) in contract liabilities	–	98,018
Other, net	(12,424)	21,488
Subtotal	11,762	4,880
Interest and dividends received	1,775	2,394
Interest paid	(2,290)	(2,473)
Subsidies received	534	83
Loss related to COVID-19 paid	(1,606)	(64)
Income taxes refund (paid)	(6,337)	598
Net cash provided by (used in) operating activities	3,837	5,420
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(8)	(9)
Proceeds from sale and redemption of short-term and long-term investment securities	234	3,261
Purchase of property, plant and equipment and intangible assets	(14,669)	(11,531)
Proceeds from sale of property, plant and equipment and intangible assets	1	698
Purchase of shares of subsidiaries and associates	(448)	(733)
Net decrease (increase) in short-term loans receivable	(2,704)	2,807
Long-term loan advances	(1)	(2,014)
Other, net	(1,419)	823
Net cash provided by (used in) investing activities	(19,017)	(6,697)

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(10,000)
Proceeds from long-term borrowings	8,188	12,000
Repayments of long-term borrowings	(12,080)	(80)
Net increase (decrease) in commercial papers	9,000	–
Redemption of bonds	(10,045)	(58)
Repayments of lease obligations	(4,214)	(4,734)
Dividends paid	(2,000)	(2,000)
Other, net	(369)	(388)
Net cash provided by (used in) financing activities	(11,522)	(5,262)
Effect of exchange rate change on cash and cash equivalents	2,774	5,926
Net increase (decrease) in cash and cash equivalents	(23,926)	(613)
Cash and cash equivalents at beginning of period	105,320	88,996
Cash and cash equivalents at end of period	81,393	88,383

1. Qualitative Information about Consolidated Operating Results

(1) Summary of Operating Results

Effective from the start of the year ending February 2023, we have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). Consequently, the method we used to calculate revenues pertaining to the period under review (March 1 to August 31, 2022) differs from the one we used for revenues pertaining to the equivalent six-month period in the previous fiscal year. For this reason, this document omits year-on-year changes (both numerical and percentage changes).

During the cumulative consolidated second quarter (March 1 to August 31, 2022), the Japanese economy experienced mixed fortunes. GDP growth turned positive in the April–June quarter, buoyed by a recovery in consumer spending. The recovery followed the lifting of pre-emergency measures in late March and a rise in travel during the first restriction-free Golden Week holiday in three years. On the other hand, toward the end of the six months, rising costs of raw materials and the yen's sharp decline drove inflation. The economic outlook appears murky, with fears that consumers will increasingly tighten their belts amid a cost-of-living squeeze.

Against that backdrop, we (Takashimaya Group) continued our pursuit of sustained growth through our groupwide Machi-dukuri Strategy, and worked on our program for reforming the earnings structure of department stores and maximizing group profits. For our core business, department stores, we have placed top priority on establishing a structure that will deliver stable profits in this business. In March 2022, we launched a program of full-scale business transformation to boost department stores' sales power and streamline business processes. The program began in Osaka Store, but from September the model will be rolled out to the four other large department stores: Kyoto Store, Nihombashi Store, Yokohama Store, and Shinjuku Store. For our growing online business, we aim to achieve 50 billion yen in ecommerce sales in FY2023. To that end, our online store offers the kind of attractive and original products that are the hallmarks of department stores. We have also leveraged our forte in gift items to attract customers to the online store. Additionally, the online store runs seasonal campaigns (midsummer, end-of-year, and so on) linked with offline store campaigns.

Toshin Development, our commercial property developer, continued to spearhead the Machi-dukuri Strategy. In the Nagareyama Otakanomori area (Chiba Prefecture), Toshin has been developing the vicinity of Nagareyama Otakanomori Shopping Center, which celebrated its 15th anniversary in March 2022. In June, the shopping center opened a new wing, Annex 2 and Green Path. In Vietnam, Toshin focuses on sectors with bright growth prospects. Toshin is working on Starlake Project, a township development in Hanoi, as a follow-up to Saigon Centre, which houses Ho Chi Minh City Takashimaya.

In the finance business, we are working to add banking services to our financial goods and services to maximize customer lifetime value. In June, we launched a Takashimaya Neobank, a financial services app based on SBI Sumishin Net Bank Ltd.'s Neobank®. The app includes Sugotsumi, a money saving service used when making bank transactions or shopping at Takashimaya department stores.

Regarding ESG management, we have committed to sustainable corporate development, balancing business growth with engagement in social issues, with a view to building a sustainable 21st-century world in which everyone prospers. For environmental sustainability, we have launched new initiatives that extend across our supply chains. Examples include a switch to renewable energy in five group facilities, material recycling for PVC clothing materials, and the use of reusable packaging when delivering products. The year under review also saw the full launch of Tsunagu Action, a promotional campaign in department stores that focuses on building a sustainable future in collaboration with customers. As part of this campaign, we are developing products and services in line with our concept of eco-friendly and ethically conscious lifestyles.

Our consolidated performance for the cumulative consolidated second quarter was as follows: We recorded a total consolidated operating revenue of 209,012 million yen (compared to 347,189 million yen in the same period of the previous fiscal year), a consolidated operating income of 12,812 million yen (compared to a consolidated operating loss of 2,014 million yen in the same period of the previous fiscal year), a consolidated ordinary income of 14,597 million yen (compared to a consolidated ordinary loss of 559 million yen in the same period of the previous fiscal year), and a consolidated profit attributable to owners of parent of 13,522 million yen (compared to a loss of 4,375 million yen in the same period of the previous fiscal year). As a result of applying the Accounting Standard for Revenue Recognition, operating revenue decreased 204,489 million yen, operating income increased 488 million yen, and ordinary income and a profit before income taxes increased 997 million yen.