

# Takashimaya Company, Limited

Takashimaya Reports Earnings for the First Six Months Ended August 31, 2009

## 1. Qualitative Information about Consolidated Operating Results

### (1) Review of operations

The Japanese economy for the first half (March 1, 2009 to August 31, 2009) under review remained weak as the global financial and economic crisis continued, although some observers were claiming that the nadir had been passed. To achieve the targets defined in the Takashimaya Group's Long-Term Business Plan (= New Strategies for Growth), the Group sought to boost sales strength through structural reforms. Despite these efforts, however, operating results in the core department store business in Japan and at Group companies for the first half were poor, a reflection of the difficult economic environment. Specifically, consolidated operating revenue was 428,864 million yen (down 12.2% year on year); consolidated operating income was 5,213 million yen (down 63.0% year on year); consolidated ordinary income was 7,244 million yen (down 55.2% year on year); and consolidated net income was 3,073 million yen (down 65.0% year on year).

### (2) Operating results by business segment

An overview of operations by business segment is as follows:

#### **Department Store**

Our Department Store business in Japan emphasized careful responses to customer needs by focusing on merchandise that balanced price with quality or that boasted outstanding characteristics, and took steps to accommodate the needs of price-conscious consumers through clearance sale events and other means. In addition, the Yokohama Store aimed to attract more visitors and increase sales by celebrating the completion of its first-stage renovation with anniversary events, coinciding with the 150th anniversary of Yokohama Port and the 50th anniversary of the store. Moreover, with full operations (March 2009) commencing at the new Kashiwa Takashimaya Station Mall building, managed by Toshin Development Co., Ltd., the Company endeavored to build on overall sales at the station mall, including the Takashimaya Kashiwa store. However, sales of high-end items, such as clothing, import bands, and jewelry, remained weak. Although sales from department stores in Japan came close to projections the Company faced a significant fall in operating revenue and operating income.

Overseas, although the Singaporean economy bottomed out, Takashimaya Singapore Ltd. recorded declines in operating revenue and operating income, due primarily to the impact of the stronger yen.

As a result, operating revenue was 385,927 million yen (down 12.2% year on year), while operating income was 1,101 million yen (down 87.1% year on year).

#### **Contract & Design**

In the Contract & Design business, Takashimaya Space Create Co., Ltd. bolstered its efforts to win orders and reduce expenses. However, shrinking capital expenditure stemming from the worsening business environment and tougher price competition with competitors in the industry resulted in a fall in operating revenue and operating income.

As a result, operating revenue was 6,622 million yen (down 42.0% year on year), while the operating loss was 460 million yen.

### **Real Estate**

In the Real Estate business, Toshin Development Co., Ltd. achieved an increase in operating revenue thanks to the favorable performance achieved by the Kashiwa Takashimaya Station Mall New Building, which opened in October 2008 (the second stage was completed and operations started in March 2009). However, operating income fell, primarily because of the adverse impact of the stronger yen on Singapore Takashimaya Shopping Center and the fall in rents that Tamagawa Takashimaya Shopping Center experienced due to renovations.

As a result, operating revenue stood at 14,828 million yen (up 0.6% year on year), whereas operating income was 3,344 million yen (down 12.7% year on year).

### **Finance**

In the Finance business, although Takashimaya Credit Co., Ltd. registered a fall in handling fees from the major department stores, operating revenue increased with a rise in external handling fees, following an increasing number of members and an increase in annual membership fees. However, operating income fell with additional allowances for doubtful accounts, reflecting an increase in delinquent receivables given the economic recession.

As a result, operating revenue stood at 5,551 million yen (up 6.8% year on year), whereas operating income was 804 million yen (down 11.0% year on year).

### **Other**

In the Other business, sales fell below the year-ago level. However, operating income improved thanks to initiatives to achieve greater efficiency in SG&A expenses, for instance by reexamining catalog measures to ensure profit in our mail order business.

As a result, operating revenue remained at 15,933 million (down 7.3% year on year), while operating income stood at 402 million yen (down 24.0% year on year).

\* Percentage increases and decreases compared to the corresponding period in the previous year, shown in the "Qualitative Information about Consolidated Operating Results," are provided for reference only.

## 2. Qualitative Information about Consolidated Financial Status

Assets at the end of the second quarter rose 15,838 million yen from the end of the previous fiscal year, to 766,796 million yen. Key factors included increases in cash and deposits and other current assets. Liabilities increased 8,251 million yen, to 477,298 million yen, from the end of the previous fiscal year. The increase is ascribed chiefly to an increase in long-term loans. Net assets stood at 289,498 million yen, up 7,586 million yen from the end of the previous fiscal year.

Net cash provided by operating activities totaled 16,464 million yen, an increase of 4,464 million yen from the corresponding period of the previous year. The main components of this figure were a fall of 9,596 million yen in net income before income taxes and minority interests and a decrease of 21,230 million yen in notes and accounts receivable.

Net cash used in investment activities was 8,329 million yen, down 911 million yen from the corresponding period of the previous year. The major factor was an increase of 3,453 million yen in cash from the refund of time deposits.

Net cash provided by financing activities was 7,463 million yen, rising 11,141 million yen from the year-ago period. This was attributable primarily to 25,000 million yen in proceeds from long-term loans and a decrease of 13,000 million yen in commercial paper.

As a result, cash and cash equivalents at the end of the second quarter rose 16,197 million yen from the end of the previous consolidated fiscal year, to 43,947 million yen.

\* Percentage increases and decreases compared to the corresponding period in the previous year, shown in the "Qualitative Information about Consolidated Financial Status," are provided for reference only.

## 3. Qualitative Information about Consolidated Performance Forecasts

With respect to performance forecasts, the consolidated full-year forecast for operating revenue, announced in June 26, 2009, was lowered 10 billion yen, to reflect the impact of the stronger yen on Takashimaya Singapore Ltd. in the Department Store business as well as a decrease in orders received by Takashimaya Space Create Co., Ltd. in the Contract & Design business.

The Company has been aggressively promoting Group-wide cuts in SG&A expenses. As a consequence, it does not foresee any revisions in the forecasts of consolidated operating income, consolidated ordinary income, and consolidated net income at this time.

**Consolidated Financial Statements**  
**Balance Sheets**

(million yen)

	<b>As of August 31, 2009</b>	As of February 28, 2009
	<b>Amount</b>	Amount
<b>Assets</b>		
Current assets	<b>218,010</b>	206,617
Cash and deposits	<b>36,008</b>	31,165
Notes and accounts receivable	<b>87,929</b>	98,960
Marketable securities	<b>11,020</b>	20
Inventories	<b>39,687</b>	42,409
Work in process	<b>2,278</b>	1,958
Materials and stored goods	<b>495</b>	521
Other	<b>41,638</b>	32,485
Allowance for doubtful accounts	<b>(1,047)</b>	(902)
Fixed assets	<b>548,785</b>	544,340
Tangible fixed assets	<b>385,729</b>	382,808
Buildings and structures	<b>158,909</b>	160,854
Land	<b>202,359</b>	202,165
Other	<b>24,460</b>	19,788
Intangible fixed assets	<b>18,770</b>	19,273
Goodwill	<b>907</b>	954
Other	<b>17,862</b>	18,318
Investments and other assets	<b>144,286</b>	142,257
Investment securities	<b>80,598</b>	74,854
Long-term guarantee deposits	<b>43,587</b>	43,787
Other	<b>24,090</b>	27,169
Allowance for doubtful accounts	<b>(3,990)</b>	(3,553)
Total assets	<b>766,796</b>	750,957

(million yen)

	<b>As of August 31, 2009</b>	As of February 28, 2009
	<b>Amount</b>	Amount
<b>Liabilities</b>		
Current liabilities	<b>309,131</b>	313,830
Notes and account payable	<b>89,961</b>	89,188
Short-term bank loans	<b>23,901</b>	14,249
Current portion of long-term debt	<b>11,231</b>	11,231
Accrued income taxes	<b>3,885</b>	3,571
Advances received	<b>77,497</b>	73,536
Gift certificates outstanding	<b>50,615</b>	49,572
Allowance for point gift certificates	<b>3,945</b>	4,177
Allowance for loss on disposal of buildings and structures	-	810
Other	<b>48,093</b>	67,491
Fixed liabilities	<b>168,166</b>	155,215
Corporate bonds	<b>10,000</b>	10,000
Long-term debt	<b>66,289</b>	53,755
Allowance for employees' retirement benefits	<b>56,416</b>	56,639
Allowance for directors' and corporate auditors' retirement benefits	<b>251</b>	283
Other	<b>35,209</b>	34,537
Total liabilities	<b>477,298</b>	469,046
<b>Net assets</b>		
Common stock	<b>56,025</b>	56,025
Additional paid-in capital	<b>45,085</b>	45,084
Retained earnings	<b>171,171</b>	169,704
Treasury stock	<b>(508)</b>	(501)
Total shareholders' capital	<b>271,773</b>	270,312
Net unrealized gains/losses on other securities	<b>6,965</b>	2,296
Net deferred gains/losses on hedge contracts	<b>10</b>	(38)
Land revaluation difference	<b>8,572</b>	8,624
Foreign currency translation adjustments	<b>(1,472)</b>	(2,795)
Total valuation and translation adjustments	<b>14,075</b>	8,086
Minority interests	<b>3,649</b>	3,511
Total net assets	<b>289,498</b>	281,911
Total liabilities and net assets	<b>766,796</b>	750,957

**Statements of Operations**

(million yen)

	Six months ended August 31, 2009
	Amount
Net sales	403,630
Cost of sales	296,097
Gross profit	107,532
Other operating revenue	25,234
Gross operating income	132,766
Selling, general and administrative expenses	127,553
Operating income	5,213
Interest income	192
Dividend income	513
Equity in gains of affiliated companies	644
Other non-operating income	1,936
Total non-operating income	3,285
Interest expense	854
Other non-operating expense	400
Total non-operating expense	1,254
Ordinary income	7,244
Extraordinary gains	309
Extraordinary losses	2,178
Net income before income taxes	5,375
Income taxes, inhabitants' tax, and enterprise taxes	2,646
Income tax adjustments	(514)
Minority interests in earnings of consolidated subsidiaries	169
Net income	3,073

**Statements of Cash Flows**

(million yen)

	Six months ended August 31, 2009
	Amount
<b>I Cash flows from operating activities:</b>	
Income before income taxes and minority interests	5,375
Depreciation	7,901
Amortization of goodwill	47
Allowance for doubtful accounts	581
Allowance for employees' retirement benefits	(223)
Allowance for directors' and corporate auditors' retirement benefits	(32)
Allowance for point gift certificates	(241)
Allowance for loss on disposal of buildings and structures	(810)
Interest and dividend income	(705)
Interest expenses	854
Equity in gain of affiliated companies	(644)
Loss on disposal of property and equipment	613
Notes and accounts receivable	12,968
Inventories	2,468
Notes and accounts payable	730
Other	(11,365)
Subtotal	17,518
Interest and dividend income received	1,336
Interest expense paid	(484)
Income taxes paid	(1,906)
<b>Net cash provided by operating activities</b>	<b>16,464</b>
<b>II Cash flows from investing activities:</b>	
Purchase of time deposits maturing after three months	(37)
Repayment of time deposits maturing after three months	3,453
Purchase of securities	(6)
Purchase of property and equipment	(11,613)
Other	(125)
<b>Net cash used in investing activities</b>	<b>(8,329)</b>
<b>III Cash flows from financing activities</b>	
Proceeds from long-term bank loans	25,000
Repayment of long-term bank loans	(2,814)
Redemption of bonds	(13,000)
Cash dividends paid	(1,649)
Other	(71)
<b>Net cash provided by financing activities</b>	<b>7,463</b>
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	<b>599</b>
<b>V Increase in cash and cash equivalents</b>	<b>16,197</b>
<b>VI Cash and cash equivalents at beginning of period</b>	<b>27,750</b>
<b>VII Cash and cash equivalents at end of period</b>	<b>43,947</b>

**Segment information (March 1, 2009 to August 31, 2009)**

(million yen)

	Department store	Contract & desing	Real estate	Finance	Other	Total	Elimination and corporate	Consolidated
Sales and other operating revenue:								
Outside customers	385,927	6,622	14,828	5,551	15,933	428,864	-	428,864
intersegment	2,873	1,849	2,871	2,119	15,926	25,641	(25,641)	-
Total	388,801	8,472	17,700	7,671	31,860	454,506	(25,641)	428,864
Operating income	1,101	(460)	3,344	804	402	5,192	21	5,213