Takashimaya Company, Limited

Takashimaya Reports Earnings for the Three Months ended May 31, 2011

Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group declined 5.6% from the year-ago first quarter to 194,755 million yen. Consolidated operating income was down 12.5% to 3,487 million yen and consolidated ordinary income decreased 8.4% to 4,337 million yen, while consolidated net income increased 26.6% to 1,711 million yen.

In the first three months (March 1 – May 31, 2011) of the fiscal year ending February 2012, the Japanese economy was heavily impacted by the Great East Japan Earthquake of March 11, 2011. While the disaster's effects linger, signs of a recovery are emerging. Still, many sources of concern remain, including power supply issues, necessitating continued caution.

Under its "Always by People," management philosophy, the Takashimaya Group is making steady progress in the post-disaster landscape, particularly with respect to the following three objectives.

- Consistently provide daily essentials, as well as other products and services that meet our customers' needs
- Proactively cooperate as a public institution to national and local requests, such as curbing our power consumption.
- Fulfill our societal responsibilities by protecting our employees' jobs and our suppliers' business operations through efforts to steadily carry out business operations and earn stable profits.

Factoring in the current situation, the Group updated its rolling long-term business plan, *New Strategies for Growth*, and undertook structural reforms and measures to bolster sales capabilities with a view to achieving the plan's new targets.

Amid this business environment, operating results recovered as the Group's core Department Stores segment gradually recovered from the impact of the disaster.

Segment Information

Department Stores

In the Department Stores segment, sales and other operating revenue declined 6.5% from the year-ago first quarter to 173,720 million yen. Operating income fell 62.0% to 1,137 million yen.

As priority tasks during the first quarter, the segment addressed tepid consumer sentiment in the wake of the recent disaster in Japan and worked to quickly restore operations at stores in the Kanto region, which were impacted particularly hard by the disaster. To this end, it endeavored to ensure stable product supply and supported restoration efforts. Additionally, from this fiscal year the segment assigned senior managers with purchasing authority to each store and instituted a purchasing framework to enable stores to accurately and quickly respond to customer needs in each region. This will better enable it to adapt product lineups to changing customer needs in the wake of the disaster.

The Osaka Store has steadily grown sales since its grand reopening in March 2011, following floor expansions and other renovations in March and September 2010. The Tachikawa Store welcomed Uniqlo as a new tenant in April, aiming to jointly manage operations in close cooperation with the specialty retailer. Combined with a full-store renovation, this has boosted its customer appeal. In April, the Okayama Store launched the Tamarun Card in collaboration with Ryobi Holdings Co., Ltd. This new loyalty point card can be used at both the Okayama Store and Ryobi Group stores. Such efforts are aimed at achieving steady development and growth as a store closely attuned to local needs. The highly profitable Kashiwa Store boosted sales capabilities by renovating its food products sales floor.

Overseas, Takashimaya Singapore Ltd. recorded growth in both revenue and earnings on the success of its sales efforts amid a Singaporean economic recovery.

Contract & Design

The Contract & Design segment's sales and other operating revenue was up 13.3% from the year-ago first quarter to 2,688 million yen, while it incurred an operating loss of 232 million yen, narrower than the year-ago quarter's operating loss of 396 million yen.

Takashimaya Space Create Co., Ltd. boosted revenues through proposal-based consultative sales. Combined with structural reforms, this lead to a year-on-year contraction of its operating loss.

Real Estate

The Real Estate segment's sales and other operating revenue was up 3.8% from the year-ago quarter to 7,829 million yen, and its operating income was up 14.7% to 1,848 million yen.

Toshin Development Co., Ltd.'s revenues expanded on the opening of new Futako Tamagawa Rise Dogwood Plaza. Additionally, efforts to streamline expenses to minimize the impact of the disaster helped boost both revenue and income versus the year-ago quarter.

Finance

The Finance segment's sales and other operating revenue declined 1.1% to 3,014 million yen, while it operating income increased 48.1% to 813 million yen.

Takashimaya Credit Co., Ltd.'s revenues as transaction volume declined following the disaster, but operating income increased as it further reduced expenses.

Other

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, edged up 0.2% from the year-ago quarter to 7,503 million yen. The segment incurred an operating loss of 340 million yen, narrower than the year-ago quarter's operating loss of 905 million yen.

The Cross Media Division took advantage of the unique nature of its Internet catalog business to quickly meet the changing needs of consumers, many of who refrained from going outside and looked online to buy items such as emergency supplies, water, and survival food. This contrasts with the Department Stores segment, where customer traffic dropped off in the wake of the disaster. As a result the Cross Media Division posted higher revenues, leading to a year-on-year contraction in operating loss.

Financial Condition

Assets, Liabilities, and Net Assets

Consolidated assets at the end of the first quarter (May 31, 2011) totaled 821,278 million yen, up 4,189 million yen from the end of the previous fiscal year (February 28, 2011), mainly due to an increase in notes and accounts receivable. Liabilities increased 4,061 million yen from the end of the previous fiscal year, to 520,049 million yen, chiefly due to an increase in notes and accounts payable. Net assets totaled 301,228 million yen, up 128 million yen from the end of the previous fiscal year.

Cash Flows

Consolidated cash and cash equivalents at the end of the first quarter (May 31, 2011) totaled 77,951 million yen, up 7,672 million yen from the end of the previous fiscal year (February 28, 2011).

Net cash provided by operating activities was 16,145 million yen, an increase of 17,936 million yen from the year-ago quarter. This mainly reflects decreases of 9,837 million yen in notes and accounts receivable and 5,373 million yen in other receivables, which were only partially offset by a decrease in notes and accounts payable of 2,568 million yen.

Net cash used in investment activities was 4,527 million yen, down 3,789 million yen from the year-ago quarter. The decrease was mainly due to a 6,462 million yen decline in outlays for the purchase of tangible and intangible fixed assets, while proceeds from the sale of securities were down 2,945 million yen.

Net cash used in financing activities was 4,955 million yen, a 19,118 million yen change from net cash provided in the year-ago quarter. This was mainly due to a 20,000 million yen decline in proceeds from the collection of long-term loans.

Consolidated Earnings Forecast

The business environment is gradually recovering toward pre-disaster levels. In the six months ending August 31, 2011, the Takashimaya Group expects efforts to reduce SG&A expenses to result in higher operating income, ordinary income, and net income than previously forecast, both on a consolidated and non-consolidated basis. The Group has accordingly revised its forecasts upwards.

With the consumption outlook still shrouded in uncertainty, the Group leaves its consolidated and non-consolidated forecasts for the full fiscal year ending February 29, 2012 unchanged.

For details, refer to the press release titled “Takashimaya Revises Earnings and Dividend Forecasts,” dated June 24, 2011.

Consolidated Financial Statements

Balance Sheets

(million yen)

	As of May 31, 2011	As of February 28, 2011
	Amount	Amount
Assets		
Current assets	273,858	265,878
Cash and deposits	58,004	55,503
Notes and accounts receivable	124,805	121,263
Marketable securities	20,000	15,000
Merchandise and products	38,735	37,211
Work in process	718	771
Raw materials and supplies	579	584
Other	31,584	36,105
Allowance for doubtful accounts	(570)	(562)
Fixed assets		
Tangible fixed assets	380,318	381,920
Buildings and structures, net	159,583	160,020
Land	208,736	208,772
Other, net	11,998	13,127
Intangible fixed assets	27,790	26,451
Goodwill	740	764
Other	27,050	25,686
Investments and other assets	139,310	142,838
Investment securities	75,784	79,528
Long-term guarantee deposits	42,965	43,613
Other	25,527	24,486
Allowance for doubtful accounts	(4,967)	(4,790)
Total assets	821,278	817,088

(million yen)

	As of May 31, 2011	As of February 28, 2011
	Amount	Amount
Liabilities		
Current liabilities	332,833	304,198
Notes and account payable	92,597	87,248
Short-term bank loans	32,033	14,083
Income taxes payable	2,060	3,035
Advances received	78,512	76,871
Gift certificates outstanding	77,092	77,174
Allowance for point gift certificates	3,817	3,828
Other	46,719	41,957
Fixed liabilities	187,216	211,789
Corporate bonds	30,000	30,000
Long-term debt	66,598	87,679
Allowance for employees' retirement benefits	52,138	51,889
Allowance for directors' and corporate auditors' retirement benefits	242	244
Reserve for environmental measures	693	693
Asset retirement obligations	1,264	-
Other	36,278	41,284
Total liabilities	520,049	515,988
Net assets		
Common stock	56,025	56,025
Additional paid-in capital	45,085	45,085
Retained earnings	185,336	185,272
Treasury stock	(528)	(528)
Total shareholders' capital	285,918	285,854
Net unrealized gains/losses on other securities	4,039	6,237
Net deferred gains/losses on hedge contracts	3	3
Land revaluation difference	7,980	7,998
Foreign currency translation adjustments	(1,685)	(3,856)
Total valuation and translation adjustments	10,338	10,383
Minority interests	4,971	4,861
Total net assets	301,228	301,099
Total liabilities and net assets	821,278	817,088

Statements of Operations

(million yen)

	Three months ended May 31, 2010	Three months ended May 31, 2011
	Amount	Amount
Net sales	193,501	181,727
Cost of sales	142,675	134,320
Gross profit	50,825	47,407
Other operating revenue	12,789	13,028
Gross operating income	63,615	60,435
Selling, general and administrative expenses		
Advertising expenses	6,183	6,232
Provision for point gift certificates	1,101	946
Provision for doubtful accounts	530	336
Directors' compensation and salaries	16,871	15,856
Retirement benefit expenses	1,937	1,836
Rental expenses	9,839	9,428
Other	23,166	22,310
Total selling, general and administrative expenses	59,631	56,948
Operating income	3,983	3,487
Interest income	58	74
Dividend income	82	92
Gain on adjustment of liabilities	298	320
Equity in gains of affiliated companies	437	519
Other non-operating income	383	459
Total non-operating income	1,261	1,466
Interest expenses	406	398
Foreign exchange gain or loss	-	156
Other non-operating expense	102	61
Total non-operating expenses	508	616
Ordinary income	4,735	4,337
Extraordinary gains		
Gain on sale of fixed assets	-	64
Gain on sales of investment securities	-	30
Total extraordinary gains	-	95
Extraordinary losses		
Loss on disposal of fixed assets	334	461
Additional early retirement benefits	241	-
Loss on change in equity interest	448	-
Loss on revaluation of investments in securities	-	482
Loss of disaster	-	281
Effect of adoption of accounting standard for asset retirement obligations	-	369
Other	582	206
Total extraordinary losses	1,606	1,801
Net income before income taxes	3,129	2,631
Income taxes, inhabitants' tax, and enterprise taxes	965	1,184
Income tax adjustments	704	(420)
Total income taxes	1,670	764
Interests before Minority Interests	-	1,866
Minority Interests in Income	106	154
Net income	1,352	1,711

Statements of Cash Flows

(million yen)

	Three months ended May 31, 2010	Three months ended May 31, 2011
	Amount	Amount
I Cash flows from operating activities:		
Income before income taxes and minority interests	3,129	2,631
Depreciation	4,136	4,309
Amortization of goodwill	23	23
Increase (decrease) in allowance for doubtful accounts	304	184
Increase (decrease) in allowance for directors' and corporate auditors' bonuses	-	20
Increase (decrease) in allowance for employees' retirement benefits	(2,033)	249
Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	(20)	(1)
Increase (decrease) in allowance for point gift certificates	165	(10)
Increase (decrease) in allowance for loss on disposal of buildings and structures	-	(341)
Interest and dividend income	(141)	(167)
Interest expenses	406	398
Equity in gain of affiliated companies	(437)	(519)
(Gain) loss on sale of fixed assets	-	(62)
Loss on disposal of fixed assets	161	413
(Gain) loss on revaluation of investment securities	-	482
Effect of adoption of accounting standard for asset retirement obligations	-	369
(Increase) decrease in notes and accounts receivable	(13,860)	(4,023)
(Increase) decrease in inventories	(1,942)	(1,436)
Increase (decrease) in trade account payable	7,842	5,273
(Increase) decrease in accrued revenue	-	5,373
Other	1,616	4,273
Subtotal	(648)	17,439
Interest and dividend income received	1,004	1,075
Interest expense paid	330	(421)
Income taxes paid	(1,816)	(1,948)
Net cash provided by operating activities	(1,790)	16,145
II Cash flows from investing activities:		
Purchase of time deposits maturing after three months	(12)	(6)
Repayment of time deposits maturing after three months	6	182
Purchase of securities	(2)	(2)
Proceeds from sale of securities	3,000	54
Purchase of tangible and intangible fixed assets	(11,328)	(4,865)
Proceeds from sale of tangible and intangible fixed assets		113
Other	20	(3)
Net cash used in investing activities	(8,316)	(4,527)
III Cash flows from financing activities		
Proceeds from long-term bank loans	20,000	-
Repayment of long-term bank loans	(4,293)	(3,130)
Cash dividends paid	(1,649)	(1,649)
Other	106	(175)
Net cash provided by financing activities	14,163	(4,955)
IV Effect of exchange rate changes on cash and cash equivalents	322	1,009
V Increase (decrease) in cash and cash equivalents	4,378	7,672
VI Cash and cash equivalents at beginning of period	55,963	70,279
VII Increase in cash and cash equivalents due to newly consolidated subsidiaries	235	-
VIII Cash and cash equivalents at end of period	60,577	77,951

Notes on the Going-concern Assumption

Not applicable

Segment information

Business segment information for March 1 – May 31, 2010

(million yen)

	Department Stores	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Sales and other operating revenue:								
Outside customers	185,837	2,372	7,540	3,049	7,490	206,290	-	206,290
Intersegment	1,496	701	1,360	1,018	6,626	11,203	(11,203)	-
Total	187,334	3,074	8,901	4,067	14,116	217,494	(11,203)	206,290
Operating income (loss)	2,991	(396)	1,612	549	(905)	3,851	131	3,983

Notes: 1. Business operations are categorized based on the type and use of merchandise and services involved into the Department Stores, Contract & Design, Real Estate, and Finance segments.

2. The Other segment mainly consists of the mail-order business, the wholesale business, and the sewing and processing business.

3. Effective the first quarter of the fiscal year ended February 28, 2011, the Company adopted the *Accounting Standard for Construction Contracts (ASBJ Statement No. 15)* and its associated *Guidance on the Accounting Standard for Construction Contracts (ASBJ Guidance No. 18)*. Due to this change, in the Contract & Design segment, operating income was 243 million yen higher and operating loss was 14 million yen lower than would have resulted with the previous accounting method.

Geographical segment information for March 1 – May 31, 2010

Geographical segment information is omitted from disclosure, as operating revenue in Japan exceeds 90% of the total operating revenue.

Overseas sales for March 1 – May 31, 2010

Overseas sales information is omitted from disclosure, as overseas sales account for less than 10% of the consolidated operating revenue.

Segment information

Additional information

Effective the first quarter of the fiscal year ending February 28, 2012, the Company adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information* (ASBJ Statement No.17 (Revised 2009)) and its accompanying *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Guidance No. 20, March 21, 2008).

1. Overview of reportable segments

The Company's reportable segments are components of the Company about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Group's business, consisting mainly of Department Stores operations, are classified into reportable segments based on service categories and service delivery methods. Reportable segments are the Department Stores segment, the Contract & Design segment, the Real Estate segment, and the Finance segment.

The Department Stores segment mainly sells apparel, personal items, household goods, utensils, food items, etc. The Contract & Design segment receives and undertakes orders for interior renovations and other such work. The Real Estate segment provides real estate management services and operates shopping malls and related facilities. The Finance segment issues credit cards and is engaged in the Takashimaya Group companies' financial business.

2. Sales and income/loss by reportable segment for March 1 – May 31, 2011

(million yen)

	Reportable segment					Other *1	Total	Adjust-ments *2	Amounts reported on the statements of income *3
	Depart-ment Stores	Contract & Design	Real Estate	Finance	Total				
Sales and other operating revenue:									
Outside customers	173,720	2,688	7,829	3,014	187,252	7,503	194,755	-	194,755
Intersegment	1,476	721	1,202	898	4,299	6,826	11,126	(11,126)	-
Total	175,196	3,410	9,031	3,913	191,552	14,329	205,881	(11,126)	194,775
Segment income (loss)	1,137	(232)	1,848	813	3,567	(340)	3,227	259	3,487

Notes:
1. "Other" represents business segments that are not included in the reportable segments and consists of the mail-order business, the whole sale business, and the sewing and processing business.
2. Segment income of 259 million yen under "Adjustments" is the amount resulting form eliminations of inter-segment transactions.
3. Segment income adjustments are based on operating income reported on the quarterly consolidated statements of income for the corresponding period.

3. Impairment loss on fixed assets or goodwill by reportable segment

Not applicable

Notes on significant changes in shareholders' capital

Not applicable