

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Three Months Ended May 31, 2013

1. Qualitative Information about Consolidated Operating Results

(1) Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group rose 3.2% from the previous fiscal year, to 214,007 million yen. Consolidated operating income was up 3.6%, to 6,094 million yen, and consolidated ordinary income increased 21.0%, to 7,715 million yen. Consolidated net income climbed 4.0%, to 4,016 million yen.

In the first three months of the fiscal year ending February 2014 (March 1, 2013–May 31, 2013), the Japanese economy began to look more hopeful, thanks to a recovery in corporate performance that accompanied the correction of the excessively strong yen and expectations for a business recovery caused by the end of deflation. However, the economic situation in Japan continues to require close observation in the period ahead, as there will likely be a correction in share prices, which have continued to rise.

In this environment, the Takashimaya Group continued to implement structural reforms and worked to enhance its sales capabilities. Making the most of its advantage of having highly profitable companies, the Group combined its comprehensive strengths to improve its results.

(2) Segment Information

Operating performance by segment is discussed below.

Department Stores

In the Department Stores segment, sales and other operating revenue increased 3.1% from the previous fiscal year, to 189,084 million yen. Operating income rose 8.0%, to 2,689 million yen.

The Takashimaya Group worked to bolster the sales base for its large stores, highlight their characteristics, and increase their ability to attract customers using “reforming the department store business in Japan” as its slogan. Among its large stores, the Yokohama store remodeled its sales floors for women’s clothing and general merchandise as part of a building-wide renovation project. Sales for the store grew steadily as a result. In the meantime, a new commercial facility that opened in the Umeda district added to the competition for the Osaka store. However, the Osaka store continued to increase revenues due to its renovation, along with the partial returning of the Nankai Kaikan Building and its community-based initiatives. The Nihonbashi store, which celebrated its 80th anniversary this year, also sustained strong results due to improving its ability to attract customers through cultural events linked to the “Art + Living: Takashimaya” exhibition held at the Setagaya Art Museum. In addition, sales increased for high-ticket items, such as select clothing, general merchandise, and jewelry, which had sustained steady results due to factors such as the asset effects of the share price hike. As a result of these developments, sales grew for all five large stores, allowing the department store business in Japan to post higher revenues and earnings.

Overseas, Takashimaya Singapore Ltd. posted additional growth in its revenues and earnings, reflecting strong sales from its seasonal campaigns for the Chinese New Year, Easter, and other holidays, and the exchange effects of the weaker yen.

Contract & Design

The Contract & Design segment contributed 4,307 million yen in sales and other operating revenue, a decrease of 8.5% from the previous fiscal year, and operating income of 15 million yen, a decrease of 56.0% compared with the previous fiscal year.

Takashimaya Space Create Co., Ltd. posted a decline in sales and operating revenue, due to receiving fewer orders from operators of commercial facilities and other customers. Earnings for the segment also fell, due to the higher business expenses required to expand the housing reform business.

Real Estate

The Real Estate segment's sales and other operating revenue increased 6.0% from the previous fiscal year, to 8,827 million yen. Operating income totaled 2,160 million yen, an increase of 10.3%.

Toshin Development Co., Ltd. posted higher revenues and earnings attributable to the strong results for the Tamagawa, Kashiwa, Nagareyama Otakanomori, and other shopping malls. Toshin Development Singapore Pte. Ltd. also posted an increase in revenues and earnings, reflecting greater rental income from specialty stores, which continued to experience good conditions, and the exchange effects of the weak yen.

Finance

Sales and other operating revenue in the Finance segment decreased 0.6% from the previous fiscal year, to 3,034 million yen, while operating income fell 1.1%, to 1,069 million yen.

Takashimaya Credit Co., Ltd. maintained its sales and operating revenue from the previous fiscal year, due to stable overall shopping transactions, supported by the recovery in consumption and lower interest income. However, earnings for the segment declined, reflecting an increase in operating expenses such as sales promotion expenses and prior investments to improve credit management.

Other

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, increased 12.3% from the previous fiscal year, to 8,753 million yen. The segment posted an operating profit of 63 million yen, compared with an operating loss of 123 million yen in the same period a year ago.

In the Cross Media Division, net media, catalog media, and television media performed solidly, allowing the segment to post a revenue increase.

2. Qualitative Information about Consolidated Financial Status

Consolidated assets at the end of the quarter under review (as of May 31, 2013) amounted to 816,832 million yen, up 26,145 million yen from the end of the previous fiscal year (February 28, 2013), mainly due to an increase in notes and accounts receivable and a rise in investment securities. Consolidated liabilities rose 16,378 million yen from the end of the previous fiscal year, to 471,622 million yen, primarily reflecting an increase in notes and accounts payable. Consolidated net assets reached 345,209 million yen, up 9,766 million yen from the end of the previous fiscal year.

Consolidated cash and cash equivalents at the end of the first quarter (May 31, 2013) totaled 69,021 million yen, up 5,041 million yen from the end of the previous fiscal year (February 28, 2013).

Net cash provided by operating activities came to 9,836 million yen, an increase of 5,408 million yen from the same period a year ago. The result mainly reflects an increase of 3,876 million yen in notes and accounts payable.

Net cash used in investment activities totaled 7,621 million yen, a decrease of 3,149 million yen from the first quarter of the previous fiscal year. The result is primarily due to a 1,894 million yen increase in purchases of tangible and intangible fixed assets, a 4,530 million yen fall in purchases of time deposits maturing after three months, and a 690 million yen decline in purchases of stocks in subsidiaries and affiliates.

Net cash provided by financing activities was 227 million yen (compared with net cash of 17,723 million yen used for financing activities in the first quarter of the previous fiscal year). These results were mainly attributable to a 20,230 million yen decrease in the repayment of long-term loans payable and a 2,300 million yen decline in the proceeds from long-term loans receivable.

Takashimaya Reports Earnings for the Three Months Ended May 31, 2013

	As of February 28, 2013	As of May 31, 2013
(million yen)		
Consolidated quarterly balance sheets		
Assets		
Current assets		
Cash and deposits	69,495	75,157
Notes and accounts receivable-trade	98,978	109,506
Short-term investment securities		999
Merchandise and finished goods	37,270	39,233
Work in process	443	519
Raw materials and supplies	521	567
Other	30,131	30,461
Allowance for doubtful accounts	(577)	(533)
Total current assets	<u>236,263</u>	<u>255,913</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	154,003	154,913
Land	213,057	213,721
Other, net	11,695	11,968
Total property, plant and equipment	<u>378,755</u>	<u>380,603</u>
Intangible assets		
Goodwill	745	716
Other	28,233	28,503
Total intangible assets	<u>28,979</u>	<u>29,220</u>
Investments and other assets		
Investment securities	96,100	102,242
Guarantee deposits	41,288	41,754
Other	12,094	9,761
Allowance for doubtful accounts	(2,794)	(2,662)
Total investments and other assets	<u>146,688</u>	<u>151,095</u>
Total noncurrent assets	<u>554,423</u>	<u>560,919</u>
Total assets	<u>790,687</u>	<u>816,832</u>

Takashimaya Reports Earnings for the Three Months Ended May 31, 2013

	As of February 28, 2013	As of May 31, 2013
(million yen)		
Liabilities		
Current liabilities		
Notes and accounts payable-trade	87,883	98,329
Short-term loans payable	19,172	23,561
Income taxes payable	4,045	2,906
Advances received	77,022	79,157
Gift certificates	57,174	56,446
Provision for point card certificates	3,136	3,370
Other	46,212	49,258
Total current liabilities	294,645	313,030
Noncurrent liabilities		
Bonds payable	30,000	30,000
Long-term loans payable	49,674	47,475
Asset retirement obligations	1,301	1,382
Provision for retirement benefits	43,648	43,450
Provision for directors' retirement benefits	207	216
Provision for environmental measures	651	647
Other	35,116	35,419
Total noncurrent liabilities	160,597	158,592
Total liabilities	455,243	471,622
Net assets		
Shareholders' equity		
Capital stock	56,025	56,025
Capital surplus	45,085	45,085
Retained earnings	206,440	208,806
Treasury stock	(536)	(540)
Total shareholders' equity	307,014	309,377
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,106	15,940
Deferred gains or losses on hedges	1	8
Revaluation reserve for land	8,537	8,537
Foreign currency translation adjustment	1,767	5,202
Total accumulated other comprehensive income	22,413	29,689
Minority interests	6,015	6,142
Total net assets	335,443	345,209
Total liabilities and net assets	790,687	816,832

Takashimaya Reports Earnings for the Three Months Ended May 31, 2013

	(million yen)	
	Three months ended May 31, 2012	Three months ended May 31, 2013
Consolidated quarterly statements of (comprehensive) income		
Net sales	193,702	199,848
Cost of sales	142,889	147,913
Gross profit	50,813	51,934
Other operating revenue	13,646	14,159
Operating gross profit	64,459	66,093
Selling, general and administrative expenses		
Advertising expenses	6,825	6,504
Provision for point card certificates	661	1,018
Provision of allowance for doubtful accounts	44	70
Directors' compensations, salaries and allowances	15,938	15,977
Retirement benefit expenses	1,671	1,113
Rent expenses on real estates	9,328	10,170
Other	24,104	25,143
Total selling, general and administrative expenses	58,574	59,999
Operating income	5,884	6,094
Non-operating income		
Interest income	75	89
Dividends income	93	103
Gain on adjustment of account payable	170	35
Equity in earnings of affiliates	555	650
Foreign exchange gains		735
Other	275	341
Total non-operating income	1,171	1,955
Non-operating expenses		
Interest expenses	325	275
Foreign exchange losses	190	
Other	166	59
Total non-operating expenses	682	334
Ordinary income	6,374	7,715
Extraordinary loss		
Loss on retirement of noncurrent assets	389	1,396
Total extraordinary losses	389	1,396
Income before income taxes and minority interests	5,984	6,318
Income taxes-current	1,401	1,650
Income taxes-deferred	485	452
Total income taxes	1,887	2,103
Income before minority interests	4,097	4,215
Minority interests in income	237	199
Net income	3,860	4,016

Takashimaya Reports Earnings for the Three Months Ended May 31, 2013

	(million yen)	
	Three months ended May 31, 2012	Three months ended May 31, 2013
Consolidated quarterly statements of comprehensive income		
Income before minority interests	4,097	4,215
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,479)	3,771
Deferred gains or losses on hedges	(12)	6
Foreign currency translation adjustment	1,734	2,051
Share of other comprehensive income of associates accounted for using equity method	1,476	1,446
Total other comprehensive income	1,718	7,276
Comprehensive income	5,816	11,491
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,579	11,292
Comprehensive income attributable to minority interests	237	199

Takashimaya Reports Earnings for the Three Months Ended May 31, 2013

	Three months ended May 31, 2012	Three months ended May 31, 2013
(million yen)		
Consolidated quarterly statements of cash flows		
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	5,984	6,318
Depreciation and amortization	4,791	4,620
Amortization of goodwill	23	28
Increase (decrease) in allowance for doubtful accounts	(206)	(175)
Increase (decrease) in provision for directors' bonuses	(16)	(16)
Increase (decrease) in provision for retirement benefits	(475)	(197)
Increase (decrease) in provision for directors' retirement benefits	(7)	9
Increase (decrease) in provision for point card certificates	(217)	234
Interest and dividends income	(169)	(192)
Interest expenses	325	275
Equity in (earnings) losses of affiliates	(555)	(650)
Loss (gain) on sales of noncurrent assets	0	
Loss on retirement of noncurrent assets	259	951
Decrease (increase) in notes and accounts receivable-trade	(7,306)	(10,154)
Decrease (increase) in inventories	(2,031)	(2,031)
Increase (decrease) in notes and accounts payable-trade	5,885	9,761
Other, net	480	2,644
Subtotal	6,763	11,426
Interest and dividends income received	955	1,257
Interest expenses paid	(308)	(168)
Income taxes paid	(2,982)	(2,678)
Net cash provided by (used in) operating activities	4,428	9,836
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,685)	(155)
Proceeds from withdrawal of time deposits		29
Purchase of short-term and long term investment securities	(2)	(203)
Proceeds from sales of short-term and long term investment securities		0
Purchase of stocks of subsidiaries and affiliates	(690)	
Purchase of property, plant and equipment and intangible assets	(5,396)	(7,291)
Proceeds from sales of property, plant and equipment and intangible assets	9	
Other, net	(5)	(2)
Net cash provided by (used in) investing activities	(10,770)	(7,621)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable		40
Proceeds from long-term loans payable	5,300	3,000
Repayment of long-term loans payable	(21,080)	(849)
Cash dividends paid	(1,649)	(1,649)
Other, net	(292)	(313)
Net cash provided by (used in) financing activities	(17,723)	227

Takashimaya Reports Earnings for the Three Months Ended May 31, 2013

	(million yen)	
	Three months ended May 31, 2012	Three months ended May 31, 2013
Effect of exchange rate change on cash and cash equivalents	2,356	2,598
Net increase (decrease) in cash and cash equivalents	(21,709)	5,041
Cash and cash equivalents at beginning of period	76,077	63,980
Cash and cash equivalents at end of period	54,368	69,021