

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Nine Months Ended Nov. 30, 2014

1. Qualitative Information about Consolidated Operating Results

(1) Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group rose 1.1% from the same period a year ago, to 655,497 million yen. Consolidated operating income was up 8.3%, to 17,841 million yen, and consolidated ordinary income increased 4.7%, to 20,560 million yen. Consolidated net income climbed 22.8%, to 13,032 million yen.

In the first nine months (March 1 – November 30, 2014) of the fiscal year ending February 2015, the Japanese economy faced unexpected difficult circumstances, largely reflecting the slower economic recovery and the adverse effects of the consumption tax hike on personal spending.

In this environment, the Takashimaya Group took steps to improve its business performance by seeking to enhance its sales capabilities and executing structural reforms at the same time.

(2) Segment Information

Operating performance by segment is discussed below.

Department Stores

In the Department Stores segment, sales and other operating revenue increased 0.8% from the same period a year ago, to 577,443 million yen. Operating income rose 7.2%, to 7,057 million yen.

The Group worked to build stores from a “machi-zukuri community development perspective.” As part of its efforts, the Tamagawa Store and the Kashiwa Store implemented renovations mainly in women’s wear, personal items and general merchandise to improve the customer’s ability to walk around the shopping centers. After renovating, the Yokohama Store opened a section for the specialty items floor and the food floor to solidify its position as the top store in the region.

In terms of merchandise, the Group just opened L’Éclair De Genie, a specialty éclair shop in France, at the Nihonbashi Store and the Yokohama Store to promote characterized merchandise. The Group also worked to develop sections that pursue the atmosphere of the time and newsworthiness by expanding Shoe Maison (imported women’s shoes) and Belle Naturelle (natural cosmetics) that sell products meeting today’s needs to cultivate the next main brands.

As for attracting customers, the Group enhanced its Omotenashi services by strengthening the development of its original merchandise at NIPPON Monogatari, a sales promotion project, and developing infrastructure to boost the number of foreign tourists in the stores using the expansion of tax-free items in October as an opportunity.

Overseas, revenues increased, partly due to the continued effects of the remodeling of all the floors of Takashimaya Singapore Ltd., as well as the impact of exchange rates due to the weakening yen. Earnings fell, however, chiefly reflecting provisions for the preparation of rising rental expenses.

Contract & Design

In the Contract & Design segment, sales and other operating revenue increased 24.4% from the same period a year ago, to 16,819 million yen. Operating income rose 53.0%, to 555 million yen. Revenues and earnings both increased, reflecting solid performance in existing business by Takashimaya Space Create Co., Ltd. and growth in orders received in the housing reform business as a result of the establishment of an operating structure in cooperation with department stores.

Real Estate

The Real Estate segment's sales and other operating revenue increased 5.6% from the same period a year ago, to 28,239 million yen. Operating income totaled 6,713 million yen, an increase of 8.5%. Toshin Development Co., Ltd. posted higher revenues and earnings, attributable to the strong results of existing shopping centers and contributions from newly opened peripheral commercial facilities at the Tamagawa Takashimaya Shopping Center and the Nagareyama Otakanomori Shopping Center, as well as the effects of the introduction of new tenants at Hakata Riverain - eeny meeny miny mo. Meanwhile, Toshin Development Singapore Pte. Ltd. posted increased revenues, reflecting greater rental income due to the strong results of specialty stores, as well as the impact of exchange rates due to the weakening yen. However, earnings fell, chiefly reflecting an increase in expenses in preparation for rising rental expenses.

Finance

Sales and other operating revenue in the Finance segment increased 4.0% from the same period a year ago, to 9,105 million yen, while operating income rose 11.0%, to 3,030 million yen. Takashimaya Credit Co., Ltd. increased its revenues and earnings due to growth in card transactions driven by a last-minute surge in demand ahead of the consumption tax hike and higher annual fee income, offsetting a rise in expenses.

Other

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, declined 8.6% from the same period a year ago, to 23,888 million yen, and operating income fell 11.9%, to 599 million yen.

In the Cross Media Division, net media steadily expanded sales as a result of the promotion of omni-channels but catalogue media saw a contraction in revenues. As expenses also increased, revenues and earnings both declined.

2. Qualitative Information about Consolidated Financial Status

Consolidated assets at the end of the third quarter (November 30, 2014) stood at 986,297 million yen, up 84,158 million yen from the end of the previous fiscal year (February 28, 2014), mainly reflecting increases in notes and accounts receivable-trade and land leasehold rights, offsetting decreases in cash and deposits and investment securities. Liabilities rose 61,327 million yen from the end of the previous fiscal year, to 598,554 million yen, chiefly due to increases in notes and accounts payable-trade and net defined benefit liability. Net assets totaled 387,742 million yen, up 22,830 million yen from the end of the previous fiscal year, mainly due to exercising stock conversion claims of Euro-yen convertible bonds issued by Takashimaya (maturity date: November 14, 2014).

Consolidated cash and cash equivalents at the end of the third quarter (November 30, 2014) totaled 74,502 million yen, down 70,606 million yen from the end of the previous fiscal year (February 28, 2014). Net cash provided by operating activities was 25,108 million yen, an increase of 726 million yen from the same period a year ago. This mainly reflects a year-on-year increase in income before income taxes and minority interests of 4,709 million yen and a rise in gain on sales of noncurrent assets of 2,741 million yen.

Net cash used in investment activities was 112,683 million yen, an increase of 99,410 million yen from the same period a year ago. This was mainly due to a 103,975 million yen increase in the purchase of property, plant and equipment and intangible assets and a 5,480 million yen increase in proceeds from the sale of property, plant and equipment and intangible assets.

Net cash provided by financing activities was 15,398 million yen, up 15,217 million yen from the same period a year ago. This was chiefly due to a 19,000 million yen increase in proceeds from long-term loans payable and a 3,593 million yen increase in repayment of long-term loans payable.

Takashimaya Reports Earnings for the Nine Months Ended Nov. 30, 2014

	As of February 28, 2014	(million yen) As of November 30, 2014
Consolidated quarterly balance sheets		
Assets		
Current assets		
Cash and deposits	106,451	75,815
Notes and accounts receivable-trade	106,671	137,577
Short-term investment securities	43,099	2,001
Merchandise and finished goods	38,490	45,539
Work in process	262	2,641
Raw materials and supplies	487	621
Other	37,098	36,370
Allowance for doubtful accounts	(439)	(426)
Total current assets	332,121	300,139
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	157,381	173,720
Land	223,296	225,201
Other, net	13,759	14,643
Total property, plant and equipment	394,436	413,565
Intangible assets		
Land leasehold right	11,414	93,702
Goodwill	631	546
Other	16,670	15,542
Total intangible assets	28,716	109,791
Investments and other assets		
Investment securities	105,890	117,794
Guarantee deposits	34,420	34,654
Other	9,321	13,172
Allowance for doubtful accounts	(2,768)	(2,820)
Total investments and other assets	146,864	162,800
Total noncurrent assets	570,017	686,158
Total assets	902,139	986,297

Takashimaya Reports Earnings for the Nine Months Ended Nov. 30, 2014

	As of February 28, 2014	As of November 30, 2014
(million yen)		
Liabilities		
Current liabilities		
Notes and accounts payable-trade	95,901	116,702
Short-term loans payable	17,301	42,296
Current portion of bonds	30,000	-
Income taxes payable	7,822	5,167
Advances received	78,125	85,273
Gift certificates	54,498	54,295
Provision for point card certificates	3,260	3,497
Other	48,690	55,966
Total current liabilities	335,599	363,198
Noncurrent liabilities		
Bonds payable	65,503	75,429
Long-term loans payable	54,724	49,360
Asset retirement obligations	1,514	1,473
Provision for retirement benefits	42,098	-
Net defined benefit liability	-	67,198
Provision for directors' retirement benefits	254	297
Provision for environmental measures	647	647
Other	36,884	40,949
Total noncurrent liabilities	201,627	235,356
Total liabilities	537,227	598,554
Net assets		
Shareholders' equity		
Capital stock	56,025	66,025
Capital surplus	45,085	55,085
Retained earnings	221,857	219,636
Treasury stock	(549)	(559)
Total shareholders' equity	322,418	340,188
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,815	24,372
Deferred gains or losses on hedges	(0)	16
Revaluation reserve for land	8,537	6,454
Foreign currency translation adjustment	10,422	12,455
Remeasurements of defined benefit plans	-	(2,871)
Total accumulated other comprehensive income	35,775	40,427
Minority interests	6,718	7,126
Total net assets	364,912	387,742
Total liabilities and net assets	902,139	986,297

Takashimaya Reports Earnings for the Nine Months Ended Nov. 30, 2014

(million yen)

	Nine months ended November 30, 2013	Nine months ended November 30, 2014
Consolidated quarterly statements of (comprehensive) income		
Net sales	605,017	610,318
Cost of sales	450,062	455,585
Gross profit	154,954	154,732
Other operating revenue	43,173	45,179
Operating gross profit	198,128	199,911
Selling, general and administrative expenses		
Advertising expenses	17,906	18,448
Provision for point card certificates	2,638	2,682
Provision of allowance for doubtful accounts	375	302
Directors' compensations, salaries and allowances	49,756	49,661
Retirement benefit expenses	3,426	3,622
Rent expenses on real estates	30,001	29,034
Other	77,550	78,319
Total selling, general and administrative expenses	181,655	182,070
Operating income	16,473	17,841
Non-operating income		
Interest income	336	312
Dividends income	776	816
Equity in earnings of affiliates	1,585	2,147
Other	1,486	751
Total non-operating income	4,185	4,028
Non-operating expenses		
Interest expenses	848	763
Other	166	545
Total non-operating expenses	1,015	1,309
Ordinary income	19,643	20,560
Extraordinary income		
Gain on sales of noncurrent assets	210	2,951
Gain on sales of investment securities	38	-
Other	28	98
Total extraordinary income	278	3,050
Extraordinary loss		
Loss on retirement of noncurrent assets	3,059	1,909
Other	81	211
Total extraordinary losses	3,141	2,121
Income before income taxes and minority interests	16,780	21,489
Income taxes-current	5,526	9,106
Income taxes-deferred	144	(1,247)
Total income taxes	5,670	7,859
Income before minority interests	11,109	13,630
Minority interests in income	500	598
Net income	10,609	13,032

Takashimaya Reports Earnings for the Nine Months Ended Nov. 30, 2014

	Nine months ended November 30, 2013	(million yen) Nine months ended November 30, 2014
Consolidated quarterly statements of comprehensive income		
Income before minority interests	11,109	13,630
Other comprehensive income		
Valuation difference on available-for-sale securities	7,173	7,510
Deferred gains or losses on hedges	3	16
Foreign currency translation adjustment	2,955	1,258
Remeasurements of defined benefit plans	-	746
Share of other comprehensive income of associates accounted for using equity method	2,040	847
Total other comprehensive income	12,172	10,380
Comprehensive income	23,282	24,011
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	22,782	23,403
Comprehensive income attributable to minority interests	500	607

Takashimaya Reports Earnings for the Nine Months Ended Nov. 30, 2014

	(million yen)	
	Nine months ended November 30, 2013	Nine months ended November 30, 2014
Consolidated quarterly statements of cash flows		
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	16,780	21,489
Depreciation and amortization	13,643	14,476
Amortization of goodwill	85	85
Increase (decrease) in allowance for doubtful accounts	(46)	37
Increase (decrease) in provision for retirement benefits	(873)	-
Increase (decrease) in net defined benefit liability	-	(1,394)
Increase (decrease) in provision for directors' retirement benefits	45	42
Increase (decrease) in provision for point card certificates	286	237
Interest and dividends income	(1,112)	(1,129)
Interest expenses	848	763
Equity in (earnings) losses of affiliates	(1,585)	(2,147)
Gain on sale of fixed assets	(210)	(2,951)
Loss on retirement of noncurrent assets	2,053	973
Decrease (increase) in notes and accounts receivable-trade	(21,495)	(26,298)
Decrease (increase) in inventories	(8,141)	(7,226)
Increase (decrease) in notes and accounts payable-trade	22,195	21,043
Other, net	6,510	17,040
Subtotal	28,982	35,041
Interest and dividends income received	2,160	2,372
Interest expenses paid	(665)	(633)
Income taxes paid	(6,094)	(11,671)
Net cash provided by (used in) operating activities	24,382	25,108
Net cash provided by (used in) investing activities		
Payments into time deposits	(585)	-
Proceeds from withdrawal of time deposits	5,008	167
Purchase of short-term and long term investment securities	(778)	(372)
Proceeds from sales of short-term and long term investment securities	56	3,000
Purchase of property, plant and equipment and intangible assets	(17,250)	(121,225)
Proceeds from sales of property, plant and equipment and intangible assets	238	5,719
Other, net	38	28
Net cash provided by (used in) investing activities	(13,272)	(112,683)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	40	-
Proceeds from long-term loans payable	6,000	25,000
Repayment of long-term loans payable	(1,775)	(5,369)
Proceeds from issuance of bonds	-	10,000
Redemption of bonds	-	(10,000)
Cash dividends paid	(3,298)	(3,333)
Other, net	(784)	(898)
Net cash provided by (used in) financing activities	181	15,398
Effect of exchange rate change on cash and cash equivalents	3,693	1,569
Net increase (decrease) in cash and cash equivalents	14,983	(70,606)
Cash and cash equivalents at beginning of period	63,980	145,108
Cash and cash equivalents at end of period	78,964	74,502