

# Takashimaya Company, Limited

Takashimaya Reports Earnings for the Year Ended Feb. 28, 2015

## 1. Qualitative Information about Consolidated Operating Results

### (1) Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group rose 0.9% from the previous fiscal year, to 912,523 million yen. Consolidated operating income was up 10.0%, to 32,022 million yen, and consolidated ordinary income increased 7.7%, to 35,904 million yen. Consolidated net income climbed 20.7%, to 22,581 million yen.

During the fiscal year, the Japanese economy remained on a modest recovery path. However, the recovery continued to be undermined by low consumer confidence as a result of the consumption tax hike. In this environment, the Takashimaya Group took steps to improve its business performance by seeking to enhance its sales capabilities, mainly in department stores, and executing structural reforms. Reflecting these initiatives, consolidated ordinary income rose for the fifth consecutive fiscal year.

### (2) Segment Information

Operating performance by segment is discussed below.

#### **Department Stores**

In the Department Stores segment, sales and other operating revenue increased 0.6% from the previous fiscal year, to 802,956 million yen. Operating income rose 11.1%, to 15,519 million yen.

The Group focused on delivering department stores from a “machi-dukuri community development perspective”, aiming to offer “spaces that are fun to visit” and “good times” tailored to regional characteristics, as well as on characterizing its product offerings to enhance the value of the Takashimaya brand.

By store, the Nihonbashi Store, which began renovation work associated with redevelopment, took steps to minimize the adverse impact of construction work on sales, remodeling the food floor, strengthening specialty items zones, and holding crowd-pulling events to increase the number of visitors to the store and generate sales. The Tamagawa Store and the Kashiwa Store, which are cooperating with Toshin Development Co., Ltd. to achieve “machi-dukuri” community development, implemented renovations to strengthen sections that sell products meeting today’s needs, mainly cosmetics and women’s wear, and demonstrate the strengths of department stores. The Okayama Store opened Takashimaya Food Maison Okayama, a small food store inside the shopping mall opened in December 2014, aiming to attract shoppers in the area in front of the station. The Sakai Store strengthened its service function by opening the Kids Support Center Sakai in cooperation with the government and other companies. The Osaka Store and Shinjuku Store, which have many foreign visitors, increased sales by seeking to improve convenience for foreign visitors, including increasing the number of tax-free counters and strengthening multi-lingual communication.

In terms of merchandise, the Group innovated the Salon Le Chic section that sells products meeting today’s needs, focusing on unique products sold overseas, and also began to develop Shoe Maison (imported women’s shoes), mainly at large stores. It also endeavored to strengthen sections that sell products meeting today’s needs, introducing Takashimaya Farm (natural foods) at the Yokohama Store and expanding and improving Belle Naturelle (natural cosmetics).

The Group also focused on the characterization of its food floors, introducing L'Éclair De Genie, Japan's first specialty éclair shop, at the Nihonbashi Store and the Yokohama Store. At five large stores and the Tamagawa Store, the Group also made the women's wear sections responsible for their own operations, to create more shopping-friendly sections. In addition to such characterization, the Group endeavored to strengthen its basic product offerings and region-based product offerings through the appointment of buyers to stores.

As for attracting customers, the Group drew a broad range of customers to its stores by holding cultural events unique to Takashimaya such as "120 Years Since the Birth of Designer Keisuke Serizawa" and "Hasui Kawase 130th Anniversary" as well as other special events such as an exhibition focusing on the career of special effects master Eiji Tsuburaya, an exhibition focusing on the career of 23-year old figure skater Mao Asada called "Smile", and the "Momoko Sakura 30th Anniversary Exhibition". In response to the increasing number of foreign visitors, the Group introduced more convenient payment methods and developed the communication environment, and also held NIPPON Monogatari, a Japanese tradition and culture-themed sales promotion project.

Overseas, both revenues and earnings increased, due to the continued effects of the remodeling of all the floors of Takashimaya Singapore Ltd. Shanghai Takashimaya celebrated the second anniversary of its grand opening and endeavored to rebuild its product structure on the theme of family and lifestyle and strengthen customer services.

### **Contract & Design**

In the Contract & Design segment, sales and other operating revenue increased 19.6% from the previous year, to 24,658 million yen. Operating income rose 29.6%, to 1,439 million yen.

Revenues and earnings both increased, reflecting brisk orders received by Takashimaya Space Create Co., Ltd. mainly for hotels and commercial facilities and expansion of the housing reform business in cooperation with department stores.

### **Real Estate**

The Real Estate segment's sales and other operating revenue increased 3.5% from the previous fiscal year, to 38,102 million yen. Operating income totaled 9,528 million yen, an increase of 13.7%.

Toshin Development Co., Ltd. posted higher revenues and earnings. It sought to further strengthen Tamagawa Takashimaya Shopping Center's function as a community hub by opening the new Ivy's Place commercial facility and also opening new stores or renovating and reopening existing stores in the existing building. It increased Nagareyama Otakanomori Shopping Center's ability to attract customers and turned it into a one-stop solution for shopping by opening a new building called the Annex with specialty stores tailored to customer needs, which were previously lacking in the area surrounding the station and the existing shopping building. Existing shopping centers also maintained strong performances, with Hakata Riverain, for instance, seeking to broaden its customer base with store openings by new family-oriented tenants.

### **Finance**

Sales and other operating revenue in the Finance segment increased 4.0% from the previous year, to 12,385 million yen, while operating income rose 0.8%, to 4,176 million yen.

Takashimaya Credit Co., Ltd. increased its revenues and earnings due to growth in card transactions and higher annual fee income.

### **Other**

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, declined 6.4% from a year ago, to 34,420 million yen, and operating income fell 3.6%, to 1,590 million yen.

In the Cross Media Division, net media expanded sales as a result of the promotion of omni-channels but catalogue media saw a contraction in revenues and earnings despite efforts to improve the efficiency of catalogue circulation.

## **2. Qualitative Information about Consolidated Financial Status**

### **Assets, Liabilities and Net Assets**

Consolidated assets at the end of the fiscal year (February 28, 2015) totaled 979,611 million yen, up 77,472 million yen from the end of the previous fiscal year (February 28, 2014), mainly reflecting an increase in land leasehold rights. Liabilities rose 33,906 million yen from the end of the previous fiscal year, to 571,133 million yen, chiefly due to an increase in net defined benefit liability. Net assets totaled 408,477 million yen, up 43,565 million yen from the end of the previous fiscal year due to a rise in capital stock and capital surplus, among other factors.

### **Cash Flows**

Consolidated cash and cash equivalents at the end of the fiscal year (February 28, 2015) totaled 86,497 million yen, a decrease of 58,610 million yen from the previous fiscal year.

Net cash provided by operating activities was 41,018 million yen, an increase of 436 million yen from the previous fiscal year. This mainly reflects an increase of 6,697 million yen in income before income taxes and minority interests, as well as an increase of 5,678 million yen in income taxes paid.

Net cash used in investment activities was 116,049 million yen, an increase of 85,659 million yen from the previous fiscal year. This was mainly due to a 90,123 million yen increase in the purchase of property, plant and equipment and intangible assets and a 5,435 million yen increase in proceeds from sales of property, plant and equipment and intangible assets.

Net cash provided by financing activities was 11,619 million yen, down 52,772 million yen from the previous fiscal year. This was chiefly due to a 55,525 million yen decrease in proceeds from the issuance of bonds, as well as a 10,000 million yen increase in redemption of bonds and a 11,000 million yen increase in proceeds from long-term loans payable.

Takashimaya Reports Earnings for the Year Ended Feb. 28, 2015

	As of February 28, 2014	As of February 28, 2015
(million yen)		
Consolidated balance sheets		
Assets		
Current assets		
Cash and deposits	106,451	87,887
Notes and accounts receivable-trade	106,671	120,380
Short-term investment securities	43,099	2,000
Merchandise and finished goods	38,490	39,067
Work in process	262	2,572
Raw materials and supplies	487	759
Deferred tax asset	7,221	8,501
Other	29,876	27,424
Allowance for doubtful accounts	(439)	(446)
Total current assets	332,121	288,147
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	157,381	173,110
Machinery, equipment and vehicles, net	147	146
Tools, furniture and fixtures, net	9,520	9,191
Land	223,296	225,209
Lease assets, net	2,615	2,233
Construction in progress	1,476	2,582
Total property, plant and equipment	394,436	412,474
Intangible assets		
Land leasehold right	11,414	93,712
Goodwill	631	518
Other	16,670	15,275
Total intangible assets	28,716	109,505
Investments and other assets		
Investment securities	105,890	127,040
Guarantee deposits	34,420	34,045
Deferred tax asset	4,292	6,133
Other	5,029	4,944
Allowance for doubtful accounts	(2,768)	(2,679)
Total investments and other assets	146,864	169,483
Total noncurrent assets	570,017	691,464
Total assets	902,139	979,611

Takashimaya Reports Earnings for the Year Ended Feb. 28, 2015

	As of February 28, 2014	As of February 28, 2015
		(million yen)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	95,901	101,558
Short-term loans payable	17,301	37,292
Current portion of bonds	30,000	-
Lease obligations	923	795
Income taxes payable	7,822	9,784
Advances received	78,125	79,321
Gift certificates	54,498	53,184
Deposits received	24,505	23,384
Provision for point card certificates	3,260	3,252
Provision for directors' bonuses	17	33
Asset retirement obligations	11	-
Other	23,232	28,096
<b>Total current liabilities</b>	<b>335,599</b>	<b>336,703</b>
<b>Noncurrent liabilities</b>		
Bonds payable	65,503	75,405
Long-term loans payable	54,724	50,820
Lease obligations	1,715	1,458
Asset retirement obligations	1,514	1,536
Provision for retirement benefits	42,098	-
Net defined benefit liability	-	62,983
Provision for directors' retirement benefits	254	311
Provision for environmental measures	647	623
Deferred tax liabilities	360	2,235
Deferred tax liabilities for land revaluation	8,721	7,570
Other	26,087	31,487
<b>Total noncurrent liabilities</b>	<b>201,627</b>	<b>234,430</b>
<b>Total liabilities</b>	<b>537,227</b>	<b>571,133</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	56,025	66,025
Capital surplus	45,085	55,085
Retained earnings	221,857	229,185
Treasury stock	(549)	(562)
<b>Total shareholders' equity</b>	<b>322,418</b>	<b>349,733</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	16,815	28,998
Deferred gains or losses on hedges	(0)	(1)
Revaluation reserve for land	8,537	6,454
Foreign currency translation adjustment	10,422	16,467
Remeasurements of defined benefit plans	-	(545)
<b>Total accumulated other comprehensive income</b>	<b>35,775</b>	<b>51,374</b>
<b>Minority interests</b>	<b>6,718</b>	<b>7,370</b>
<b>Total net assets</b>	<b>364,912</b>	<b>408,477</b>
<b>Total liabilities and net assets</b>	<b>902,139</b>	<b>979,611</b>

Takashimaya Reports Earnings for the Year Ended Feb. 28, 2015

	(million yen)	
	Year ended February 28, 2014	Year ended February 28, 2015
Consolidated statements of (comprehensive) income		
Net sales	845,785	851,374
Cost of sales	631,111	636,881
Gross profit	214,673	214,492
Other operating revenue	58,394	61,148
Operating gross profit	273,068	275,641
Selling, general and administrative expenses		
Advertising expenses	23,640	24,186
Provision for point card certificates	3,316	3,252
Distribution expenses and business consignment expenses	27,009	27,226
Supplies expenses	3,569	3,268
Provision of allowance for doubtful accounts	227	309
Directors' compensations, salaries and allowances	67,266	67,103
Retirement benefit expenses	4,581	4,979
Provision for directors' bonuses	17	33
Provision for directors' retirement benefits	70	67
Welfare expenses	13,484	13,965
Utilities expenses	13,069	13,484
Commission fee	3,399	3,791
Rent expenses on real estates	40,256	36,836
Rent expenses on machines	927	836
Depreciation	18,198	19,326
Amortization of goodwill	206	206
Other	24,727	24,743
Total selling, general and administrative expenses	243,969	243,618
Operating income	29,099	32,022
Non-operating income		
Interest income	435	429
Dividends income	993	1,081
Gain on adjustment of account payable	177	151
Equity in earnings of affiliates	2,482	2,906
Foreign exchange gains	408	13
Gain on donation of noncurrent assets	780	474
Other	456	479
Total non-operating income	5,734	5,536
Non-operating expenses		
Interest expenses	1,121	988
Other	362	665
Total non-operating expenses	1,483	1,653
Ordinary income	33,350	35,904
Extraordinary income		
Gain on sales of noncurrent assets	213	2,910
Gain on sales of investment securities	38	-
Other	34	139
Total extraordinary income	286	3,049
Extraordinary loss		
Loss on retirement of noncurrent assets	3,756	2,501
Other	360	234
Total extraordinary losses	4,116	2,736
Income before income taxes and minority interests	29,520	36,217
Income taxes-current	10,101	13,669
Income taxes-deferred	(71)	(860)
Total income taxes	10,029	12,808
Income before minority interests	19,491	23,408
Minority interests in income	774	827
Net income	18,716	22,581

Takashimaya Reports Earnings for the Year Ended Feb. 28, 2015

	Year ended February 28, 2014	(million yen) Year ended February 28, 2015
Consolidated statements of comprehensive income		
Income before minority interests	19,491	23,408
Other comprehensive income		
Valuation difference on available-for-sale securities	4,519	11,958
Deferred gains or losses on hedges	(2)	(0)
Foreign currency translation adjustment	5,272	3,850
Remeasurements of defined benefit plans	-	3,068
Share of other comprehensive income of associates accounted for using equity method	3,572	2,464
Total other comprehensive income	13,361	21,341
Comprehensive income	32,852	44,750
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	32,077	43,898
Comprehensive income attributable to minority interests	774	851

Takashimaya Reports Earnings for the Year Ended Feb. 28, 2015

	(million yen)	
	Year ended February 28, 2014	Year ended February 28, 2015
Consolidated statements of cash flows		
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	29,520	36,217
Depreciation and amortization	18,218	19,344
Amortization of goodwill	113	113
Increase (decrease) in allowance for doubtful accounts	(167)	(86)
Increase (decrease) in provision for retirement benefits	(1,550)	-
Increase (decrease) in net defined benefit liability	-	(1,984)
Increase (decrease) in provision for directors' retirement benefits	47	56
Increase (decrease) in provision for point card certificates	124	(8)
Interest and dividends income	(1,428)	(1,510)
Interest expenses	1,121	988
Equity in (earnings) losses of affiliates	(2,482)	(2,906)
Gain on sale of fixed assets	(213)	(2,910)
Loss on retirement of noncurrent assets	2,297	1,212
Decrease (increase) in notes and accounts receivable-trade	(7,720)	(13,978)
Decrease (increase) in inventories	(861)	(760)
Increase (decrease) in notes and accounts payable-trade	6,774	4,989
Other, net	1,669	12,374
Subtotal	45,462	51,151
Interest and dividends income received	2,446	2,739
Interest expenses paid	(1,115)	(983)
Income taxes paid	(6,211)	(11,889)
Net cash provided by (used in) operating activities	40,582	41,018
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,072)	-
Proceeds from withdrawal of time deposits	5,647	172
Purchase of short-term and long term investment securities	(782)	(383)
Proceeds from sales of short-term and long term investment securities	56	3,000
Purchase of property, plant and equipment and intangible assets	(34,546)	(124,670)
Proceeds from sales of property, plant and equipment and intangible assets	242	5,677
Other, net	66	154
Net cash provided by (used in) investing activities	(30,389)	(116,049)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	40	-
Proceeds from long-term loans payable	16,500	27,500
Repayment of long-term loans payable	(13,360)	(11,413)
Proceeds from issuance of bonds	65,525	10,000
Redemption of bonds	-	(10,000)
Cash dividends paid	(3,298)	(3,333)
Other, net	(1,014)	(1,134)
Net cash provided by (used in) financing activities	64,391	11,619
Effect of exchange rate change on cash and cash equivalents	6,543	4,800
Net increase (decrease) in cash and cash equivalents	81,127	(58,610)
Cash and cash equivalents at beginning of period	63,980	145,108
Cash and cash equivalents at end of period	145,108	86,497