

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Year Ended February 28, 2017

Tokyo, Japan April 7, 2017—Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated operating revenue of 923,601 million yen for the fiscal year ending February 28, 2017, and profit attributable to owners of parent of 20,870 million yen, or 52.55 yen per diluted share.

Qualitative Information about Consolidated Operating Results

During the consolidated fiscal year under review, the Japanese economy showed signs of improvement in employment, income environment, and other areas. However, it cannot be said that the economy was on a recovering trend, and department stores faced a harsh business climate, which included lackluster personal consumption.

Against this backdrop, the Takashimaya Group made efforts to improve its performance. For example, with a view to maximizing the appeal of its commercial facilities and their surroundings, it advanced the Machi-dukuri Strategy by leveraging the expertise of Toshin Development Co., Ltd., a group company that manages cocreation projects with local communities and the group's real estate, particularly with respect to department stores.

Consequently, the consolidated performance was as follows: Total consolidated operating revenue for Takashimaya Group was 923,601 million yen (down 0.6% compared with the corresponding period of the previous fiscal year). Consolidated operating income was 34,000 million yen (up 3.1% compared with the corresponding period of the previous fiscal year), consolidated ordinary income was 37,215 million yen (down 1.5% compared with the corresponding period of the previous fiscal year), and consolidated profit attributable to owners of parent was 20,870 million yen (down 12.4% compared with the corresponding period of the previous fiscal year).

Operating performance by business segment is discussed below.

Department Stores

The Shinjuku Store collaborated with Toshin Development Co., Ltd. in a refurbishment project designed to capitalize on the changes in the surrounding environment, which includes the development of Japan's largest transport terminal adjacent to the store. The Kyoto Store also carried out refurbishment work with a view to contributing toward an elegant townscape; for example, it opened a new wing devoted to accessories.

Regarding merchandise lineup, in September last year, the company introduced “Season Style Lab” —a curated boutique for women to upgrade their everyday lives with their own unique styles—in the five major stores (Osaka Store, Kyoto Store, Nihombashi Store, Yokohama Store, and Shinjuku Store) and also the Kashiwa Store. In this way, the company achieved shoppable product curation, a key strength of department stores, and an impressive merchandise lineup.

Following on from the opening of specialist watch store Takashimaya Watch Maison in the Nihombashi Store, a second Takashimaya Watch Maison opened in the Osaka Store last November. Boasting Japan’s largest selling space devoted to timepieces, the store got off to a strong start by attracting many visitors from across a wide area. The company also endeavored to capture health and beauty needs and provide unique value. It embarked on a new business venture by introducing the beauty and lifestyle brand “dear mayuko” to Yokohama Store and Nihombashi Store (“dear mayuko” is the brand of Dear Mayuko Co., Ltd., a joint-venture with SEIREN Co., Ltd.), and opening “Kouji&Ko,” a delicatessen and cafeteria selling fermented products, in Shinjuku Store.

In terms of attracting customers, the company endeavored to attract people into stores by holding events that are unique to the Takashimaya brand. Following on from the “d POINT CLUB” joint-venture with NTT DOCOMO, INC., the company commenced in October a new point service “Ponta” in collaboration with Loyalty Marketing, Inc. As part of its efforts to win new customers, the company has not only collaborated in the provision of point services; it has also incorporated NTT DOCOMO and Loyalty Marketing’s knowhow into marketing activities, and this has helped attract more customers, particularly young customers.

The company also engaged in various promotional activities aimed at capturing inbound demand. For example, the company collaborated with NTT DOCOMO, INC. in sending coupons to mobile phones of overseas carriers, and spearheaded a pull marketing strategy in a group-wide effort that involved overseas stores such as the Vietnam and Singapore stores. In this way, it attracted more overseas customers, resulting in a double-digit increase in sales of duty-free goods.

Regarding overseas stores, Takashimaya Singapore Ltd.’s profits and revenues declined on a local currency basis due to factors such as Singapore’s economic slowdown and declining tourist numbers. Shanghai Takashimaya Co., Ltd., in January last year, relocated and expanded its Japanese-Goods Store (which showcases and sells high-quality Japanese goods) and bolstered its merchandise line-up. It also held a festival to mark the third anniversary of the store’s opening. These sales policies proved successful and the store reported increased in revenues on a local currency basis. In July last year, the group’s combined efforts culminated in the opening of Takashimaya Ho Chi Minh City. The store has been well patronized by local people, many of whom are attracted by the cosmetic range—the largest of its kind in Vietnam—and the food floor, which recreates the feel of a Japanese “depachika.”

Consequently, operating revenue in the Department Stores segment were 797,253 million yen (down 1.8% compared with the corresponding period of the previous year), and operating income was 12,182 million yen (down 18.7% compared with the corresponding period of the previous fiscal year).

Real Estate

In the Real Estate segment, Toshin Development Co., Ltd., along with the company, played a leading role in pursuing the group-wide the Machi-dukuri initiative. In the Futako-Tamagawa area, Toshin Development used digital signage to better reach out to visitors to the area, and worked with commercial facilities in the surrounding area to provide free parking spaces. In this way, Toshin Development worked to improve customer traffic in the area as a whole, and thereby attract more customers to stores. In Shinjuku Station's Takashimaya Times Square, Toshin Development rearranged the merchandise and store composition, attracting the interior retailer Nitori as a tenant, and it opened the refurbished South Hall. In September last year, Toshin Development shifted to a new operational management scheme involving the centralization of real-estate management, the aim of which is to achieve efficient store management and an attractive department store building.

Overseas, Toshin Development worked with a local firm in Vietnam to open the Saigon Centre. Consisting primarily of department stores, the Saigon Centre is Ho Chi Minh City's first ever fully-fledged one-stop shopping complex. Takashimaya Ho Chi Minh City joined forces with specialist stores to pursue the Machi-dukuri strategy. Furthermore, Toshin Development Singapore Pte. Ltd., which operates the shopping center Takashimaya Singapore Ltd, achieved an increase in revenue and profits on a local currency basis thanks to increased rent revenue from tenants. However, both revenue and profits decreased on a yen basis owing to the impact of the appreciating yen on the exchange rate.

Consequently, operating revenue were 47,923 million yen (up 13.1% compared with the corresponding period of the previous fiscal year) and operating income was 11,029 million yen (up 7.1% compared with the corresponding period of the previous fiscal year).

Finance

In the Finance segment, Takashimaya Credit Co., Ltd. worked collaboratively with department stores to acquire new members and promote use of the card, and it endeavored to improve commission revenue by increasing the number of members and the amount of card transactions. These efforts resulted in steady growth, and the segment reported an increase in revenue and profits. Consequently, operating revenue were 13,414 million yen (up 4.3% compared with the corresponding period of the previous fiscal year) and operating income was 4,495 million yen (up 2.7% compared with the corresponding period of the previous fiscal year).

Contract & Design

In the Contract & Design segment, Takashimaya Space Create Co., Ltd. benefited from favorable conditions in the construction market, such as the growing demand in the run-up to the 2020 Tokyo Olympic and Paralympic Games and the increasing numbers of overseas visitors. It received strong orders for hotels and similar accommodation facilities, and it has made smooth progress in a major construction project around Nagoya Station. As a result, it reported an increase in revenue and profits.

Consequently, operating revenue were 30,874 million yen (up 15.6% compared with the corresponding period of the previous fiscal year) and operating income was 2,342 million yen (up 23.4% compared with the corresponding period of the previous fiscal year).

Other

The Cross Media Division made efforts to optimize the number of catalogue copies it prints, and thereby maximize its profit.

Consequently, operating revenue in the Cross Media Division and other segments was 34,135 million yen (down 5.1% compared with the corresponding period of the previous fiscal year) and operating income was 2,333 million yen (up 55.9% compared with the corresponding period of the previous fiscal year).

This document is not subject of audit procedures based on the Financial Instruments and Exchange Act.

At the time of disclosure of this document, audit procedures of financial statements based on the Financial Instruments and Exchange Act had not been completed.

Takashimaya Reports Earnings for the Year Ended February 28, 2017

	As of February 29, 2016	(million yen) As of February 28, 2017
Consolidated balance sheets		
Assets		
Current assets		
Cash and deposits	75,487	107,159
Notes and accounts receivable - trade	119,174	122,728
Securities	2,003	2,000
Merchandise and finished goods	41,168	41,191
Work in process	3,947	2,746
Raw materials and supplies	1,036	1,112
Deferred tax assets	9,309	9,459
Other	38,929	39,440
Allowance for doubtful accounts	(430)	(336)
Total current assets	290,625	325,500
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	171,610	164,940
Machinery, equipment and vehicles, net	130	141
Tools, furniture and fixtures, net	9,308	10,325
Land	231,174	230,386
Leased assets, net	1,929	1,285
Construction in progress	3,153	6,622
Total property, plant and equipment	417,307	413,703
Intangible assets		
Leasehold right	93,712	93,725
Goodwill	404	193
Other	14,210	13,254
Total intangible assets	108,327	107,172
Investments and other assets		
Investment securities	102,550	89,114
Guarantee deposits	33,151	31,892
Deferred tax assets	9,771	8,256
Other	15,268	13,278
Allowance for doubtful accounts	(2,579)	(2,454)
Total investments and other assets	158,161	140,087
Total non-current assets	683,795	660,963
Total assets	974,421	986,464

Takashimaya Reports Earnings for the Year Ended February 28, 2017

	As of February 29, 2016	(million yen) As of February 28, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	103,363	101,320
Short-term loans payable	17,187	9,007
Lease obligations	698	509
Income taxes payable	10,045	5,597
Advances received	82,954	91,852
Gift certificates	52,299	51,702
Deposits received	27,069	24,702
Provision for point card certificates	3,233	2,509
Provision for directors' bonuses	35	46
Allowance for loss on repair construction of building	581	2,160
Other	27,614	30,384
Total current liabilities	325,082	319,793
Non-current liabilities		
Bonds payable	75,307	75,210
Long-term loans payable	62,105	71,045
Lease obligations	1,250	858
Asset retirement obligations	1,804	1,867
Net defined benefit liability	61,875	58,251
Provision for directors' retirement benefits	371	265
Provision for environmental measures	366	419
Allowance for loss on repair construction of building	5,273	3,767
Deferred tax liabilities	49	44
Deferred tax liabilities for land revaluation	7,117	6,879
Other	26,431	26,171
Total non-current liabilities	241,951	244,780
Total liabilities	567,034	564,574
Net assets		
Shareholders' equity		
Capital stock	66,025	66,025
Capital surplus	55,085	55,085
Retained earnings	249,145	265,033
Treasury shares	(6,153)	(6,160)
Total shareholders' equity	364,102	379,984
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,277	15,921
Deferred gains or losses on hedges	(14)	1
Revaluation reserve for land	6,907	7,145
Foreign currency translation adjustment	11,883	8,510
Remeasurements of defined benefit plans	(1,229)	661
Total accumulated other comprehensive income	34,824	32,240
Non-controlling interests	8,458	9,665
Total net assets	407,386	421,890
Total liabilities and net assets	974,421	986,464

Takashimaya Reports Earnings for the Year Ended February 28, 2017

	(million yen)	
	Year ended February 29, 2016	Year ended February 28, 2017
Consolidated statements of (comprehensive) income		
Operating revenue	929,588	923,601
Net sales	865,889	860,761
Cost of sales	651,010	648,765
Gross profit	214,878	211,996
Other operating revenue	63,698	62,840
Operating gross profit	278,577	274,836
Selling, general and administrative expenses		
Advertising expenses	25,501	24,821
Provision for point card certificates	3,233	2,509
Distribution and operational expense	28,055	28,253
Supplies expenses	3,820	3,610
Provision of allowance for doubtful accounts	119	254
Directors' compensations, salaries and allowances	65,893	65,638
Retirement benefit expenses	4,821	4,005
Provision for directors' bonuses	35	46
Provision for directors' retirement benefits	64	56
Welfare expenses	13,822	13,870
Heating and lighting expenses	12,751	10,803
Commission fee	4,301	4,694
Rent expenses on real estates	36,589	35,531
Rent expenses on machines	793	811
Depreciation	19,749	19,408
Amortization of goodwill	206	206
Other	25,845	26,313
Total selling, general and administrative expenses	245,605	240,835
Operating income	32,972	34,000
Non-operating income		
Interest income	579	582
Dividend income	1,164	1,065
Gain on adjustment of account payable	23	0
Share of profit of entities accounted for using equity method	2,990	2,337
Gain on donation of non-current assets	744	551
Other	481	517
Total non-operating income	5,982	5,054
Non-operating expenses		
Interest expenses	777	631
Provision for loss on repair construction of building	-	654
Other	392	554
Total non-operating expenses	1,169	1,839
Ordinary income	37,785	37,215

Takashimaya Reports Earnings for the Year Ended February 28, 2017

	Year ended February 29, 2016	(million yen) Year ended February 28, 2017
Extraordinary income		
Gain on sales of investment securities	13,733	5,274
Gain on liquidation of affiliated companies	-	876
Other	0	260
Total extraordinary income	13,734	6,410
Extraordinary losses		
Loss on retirement of non-current assets	3,911	3,387
Loss on repair construction of building	6,040	-
Impairment loss	-	4,587
Other	115	1,048
Total extraordinary losses	10,068	9,023
Profit before income taxes	41,451	34,602
Income taxes - current	15,494	10,779
Income taxes - deferred	1,686	2,243
Total income taxes	17,181	13,022
Profit	24,270	21,579
Profit attributable to non-controlling interests	441	709
Profit attributable to owners of parent	23,829	20,870

Takashimaya Reports Earnings for the Year Ended February 28, 2017

	Year ended February 29, 2016	(million yen) Year ended February 28, 2017
Consolidated statements of comprehensive income		
Profit	24,270	21,579
Other comprehensive income		
Valuation difference on available-for-sale securities	(11,588)	(1,451)
Deferred gains or losses on hedges	(12)	15
Revaluation reserve for land	452	237
Foreign currency translation adjustment	(3,076)	(2,332)
Remeasurements of defined benefit plans, net of tax	(600)	1,867
Share of other comprehensive income of entities accounted for using equity method	(1,733)	(896)
Total other comprehensive income	(16,559)	(2,560)
Comprehensive income	7,711	19,019
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,280	18,339
Comprehensive income attributable to non-controlling interests	431	679

Takashimaya Reports Earnings for the Year Ended February 28, 2017

	(million yen)	
	Year ended February 29, 2016	Year ended February 28, 2017
Consolidated statements of cash flows		
Cash flows from operating activities		
Profit before income taxes	41,451	34,602
Depreciation	19,767	19,421
Impairment loss	-	4,587
Amortization of goodwill	113	113
Increase (decrease) in allowance for doubtful accounts	(112)	(214)
Increase (decrease) in net defined benefit liability	(1,874)	(867)
Increase (decrease) in provision for directors' retirement benefits	60	(106)
Increase (decrease) in provision for point card certificates	(18)	(724)
Increase(decrease) allowance for loss on repair construction of building	5,854	72
Interest and dividend income	(1,743)	(1,648)
Interest expenses	777	631
Share of (profit) loss of entities accounted for using equity method	(2,990)	(2,337)
Loss (gain) on sales of non-current assets	-	(110)
Loss on retirement of non-current assets	1,750	1,582
Loss (gain) on sales of short-term and long-term investment securities	(13,733)	(5,274)
Loss (gain) on sales of shares of subsidiaries and associates	-	892
Gain on liquidation of affiliated companies	-	(876)
Decrease (increase) in notes and accounts receivable - trade	1,726	(2,448)
Decrease (increase) in inventories	(3,821)	1,043
Increase (decrease) in notes and accounts payable - trade	2,668	(1,917)
Other, net	(11,506)	9,929
Subtotal	38,371	56,351
Interest and dividend income received	3,120	2,967
Interest expenses paid	(813)	(599)
Income taxes paid	(15,040)	(16,453)
Net cash provided by (used in) operating activities	25,638	42,266
Cash flows from investing activities		
Payments into time deposits	(1,913)	(3,638)
Proceeds from withdrawal of time deposits	1,237	2,102
Purchase of short-term and long-term investment securities	(4,079)	(2,116)
Proceeds from sales and redemption of short-term and long-term investment securities	11,419	13,082
Proceeds from sales of shares of subsidiaries and associates	-	1,609
Proceeds from liquidation of subsidiaries and associates	-	1,444
Purchase of property, plant and equipment and intangible assets	(23,646)	(21,792)

Takashimaya Reports Earnings for the Year Ended February 28, 2017

	Year ended February 29, 2016	(million yen) Year ended February 28, 2017
Proceeds from sales of property, plant and equipment and intangible assets	-	236
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	741	-
Other, net	159	(52)
Net cash provided by (used in) investing activities	(16,081)	(9,124)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	60
Proceeds from long-term loans payable	22,600	16,500
Repayments of long-term loans payable	(31,420)	(15,800)
Purchase of treasury shares	(5,590)	(7)
Cash dividends paid	(3,869)	(4,193)
Other, net	(958)	(787)
Net cash provided by (used in) financing activities	(19,239)	(4,228)
Effect of exchange rate change on cash and cash equivalents	(3,278)	(2,613)
Net increase (decrease) in cash and cash equivalents	(12,960)	26,299
Cash and cash equivalents at beginning of period	86,497	73,536
Increase in cash and cash equivalents from newly consolidated subsidiary	-	3,929
Cash and cash equivalents at end of period	73,536	103,765