

# Takashimaya Company, Limited

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2009

## 1. Qualitative Information about Consolidated Operating Results

### (1) Review of operations

The Japanese economy for the first nine months (March 1, 2009 to November 30, 2009) under review remained weak amid the recessionary conditions of the global financial and economic crises, which continued from the second half of the previous year. The difficult situation has yet to turn around, even though a year has already passed.

To achieve the targets defined in the Takashimaya Group's Long-Term Business Plan (= New Strategies for Growth), the Group sought to reform its structures and boost sales strength. Despite these efforts, however, operating results in the core department store business in Japan and at Group companies for the first nine months were poor, a reflection of the tough economic environment.

Specifically, consolidated operating revenue was 633,924 million yen (down 12.3% year on year); consolidated operating income was 6,829 million yen (down 66.3% year on year); consolidated ordinary income was 9,297 million yen (down 59.2% year on year); and consolidated net income was 4,037 million yen (down 63.2% year on year).

### (2) Operating results by business segment

An overview of operations by business segment is as follows:

#### **Department Store**

Our Department Store business in Japan strengthened its product lineups to propose new lifestyles, while rebuilding its price policy with a stronger focus on the balance between price and quality to better respond to customer needs. With the aim of creating stores with a strong regional presence, the Yokohama Store sought to attract more visitors and increase sales by offering anniversary events, coinciding with the 150<sup>th</sup> anniversary of Yokohama Port and the 50<sup>th</sup> anniversary of the store. The Tamagawa Store, the Sakai Store and the Senboku Store also held events to mark their 40<sup>th</sup>, 45<sup>th</sup> and 35<sup>th</sup> anniversaries, respectively. The Group also aimed to benefit from alliances by developing and launching jointly planned products with H2O Retailing Corp., with which the Group plans a management integration, and undertaking joint sales promotion activities such as the 2009 TAKASHIMAYA La Bella via Italiana. Notwithstanding these initiatives, operating revenue and operating income declined in the absence of a recovery in sales of high-end items, such as clothing, import bands, and jewelry.

Overseas, although the Singaporean economy did bottom out, Takashimaya Singapore Ltd. recorded declines in operating revenue and operating income, primarily because of the impact of the stronger yen.

As a result, operating revenue was 570,652 million yen (down 12.4% year on year), while operating income was 1,527 million yen (down 87.7% year on year).

#### **Contract & Design**

In the Contract & Design business, Takashimaya Space Create Co., Ltd. stepped up its efforts to boost sales and reduce costs across the board. However, the rapid and ongoing contraction of the interior design market and tougher price competition with industry competitors resulted in an operating loss.

As a result, operating revenue was 8,729 million yen (down 40.3% year on year), while the operating loss

was 983 million yen.

### **Real Estate**

In the Real Estate business, Toshin Development Co., Ltd. made a contribution by opening the Kashiwa Takashimaya Station Mall New Building in October 2008 (the second stage was completed and operations started in March 2009). However, operating revenue was down, primarily because of smaller rents resulting from a decline in tenant sales associated with weaker consumption. Operating income also fell, mainly given the adverse impact of the stronger yen on Singapore Takashimaya Shopping Center and an increase in costs associated with renovations at Tamagawa Takashimaya Shopping Center.

As a result, operating revenue stood at 22,034 million yen (down 0.4% year on year), whereas operating income was 5,016 million yen (down 9.8% year on year).

### **Finance**

In the Finance business, although Takashimaya Credit Co., Ltd. registered a fall in handling fees from department stores, operating revenue increased with a rise in external handling fees, reflecting an increasing number of members and an increase in annual membership fees. However, operating income fell with additional allowances for doubtful accounts, attributable to an increase in delinquent receivables given the recession.

As a result, operating revenue stood at 8,194 million yen (up 5.9% year on year), whereas operating income was 820 million yen (down 35.3% year on year).

### **Other**

In the Other business, sales fell below the year-ago level. However, operating income improved thanks to initiatives to achieve greater efficiency in SG&A expenses, for instance by reexamining catalog measures to ensure profit in our cross media business (the former mail order business).

As a result, operating revenue came to 24,314 million yen (down 8.1% year on year), while operating income stood at 420 million yen (down 58.1% year on year).

\* Percentage increases and decreases compared to the corresponding period in the previous year, shown in the "Qualitative Information about Consolidated Operating Results," are provided for reference only.

## 2. Qualitative Information about Consolidated Financial Status

Assets at the end of the third quarter rose 55,632 million yen from the end of the previous fiscal year, to 806,589 million yen. Key factors included increases in cash and deposits and other current assets. Liabilities increased 52,939 million yen, to 521,985 million yen, from the end of the previous fiscal year. The increase is ascribed chiefly to rises in long-term loans and corporate bonds. Net assets stood at 284,604 million yen, rising 2,692 million yen from the end of the previous fiscal year.

Net cash provided by operating activities totaled 15,943 million yen, an increase of 3,946 million yen from the year-ago period. The main components of this figure were a fall of 11,479 million yen in net income before income taxes and minority interests and a decrease of 27,041 million yen in notes and accounts receivable.

Net cash used in investment activities was 12,052 million yen, down 9,242 million yen from the previous year. The major factor was a decrease of 3,311 million yen in cash from the purchase of investment securities.

Net cash provided by financing activities was 24,373 million yen, rising 25,989 million yen from the year-ago period. This was attributable primarily to 20,000 million yen in proceeds from long-term loans, 20,000 million yen in proceeds from the issue of corporate bonds and a decrease of 13,000 million yen in commercial paper.

As a result, cash and cash equivalents at the end of the third quarter rose 28,315 million yen from the end of the previous consolidated fiscal year, to 56,065 million yen.

\* Percentage increases and decreases compared to the corresponding period in the previous year, shown in the "Qualitative Information about Consolidated Financial Status," are provided for reference only

## 3. Qualitative Information about Consolidated Performance Forecasts

With respect to performance forecasts, the Company expects the difficult operating conditions to continue for the foreseeable future, given that the challenges in the operating environment triggered by the financial crisis in the second half of the previous year still remain, even though a year has already passed. Consequently, the Company forecasts that consolidated full-year operating revenue will be lower than the figure announced on October 9, 2009.

Consolidated operating income, consolidated ordinary income, and consolidated net income are expected to remain unchanged from the values announced in the previous forecast, thanks to comprehensive reductions to SG&A expenses.

**Consolidated Financial Statements**  
**Balance Sheets**

(million yen)

	As of November 30, 2009	As of February 28, 2009
	Amount	Amount
<b>Assets</b>		
Current assets	<b>261,791</b>	206,617
Cash and deposits	<b>42,108</b>	31,165
Notes and accounts receivable	<b>104,607</b>	98,960
Marketable securities	<b>17,000</b>	20
Inventories	<b>46,412</b>	42,409
Work in process	<b>3,583</b>	1,958
Materials and stored goods	<b>622</b>	521
Other	<b>48,500</b>	32,485
Allowance for doubtful accounts	<b>(1,043)</b>	(902)
Fixed assets	<b>544,798</b>	544,340
Tangible fixed assets	<b>384,977</b>	382,808
Buildings and structures	<b>158,683</b>	160,854
Land	<b>202,365</b>	202,165
Other	<b>23,928</b>	19,788
Intangible fixed assets	<b>19,018</b>	19,273
Goodwill	<b>883</b>	954
Other	<b>18,135</b>	18,318
Investments and other assets	<b>140,802</b>	142,257
Investment securities	<b>75,185</b>	74,854
Long-term guarantee deposits	<b>43,242</b>	43,787
Other	<b>26,905</b>	27,169
Allowance for doubtful accounts	<b>(4,529)</b>	(3,553)
Total assets	<b>806,589</b>	750,957

Takashimaya Reports Earnings for the Nine Months Ended November 30, 2009

(million yen)

	As of November 30, 2009	As of February 28, 2009
	Amount	Amount
<b>Liabilities</b>		
Current liabilities	<b>334,693</b>	313,830
Notes and account payable	<b>103,981</b>	89,188
Short-term bank loans	<b>27,715</b>	14,249
Current portion of long-term debt	<b>11,231</b>	11,231
Accrued income taxes	<b>2,616</b>	3,571
Advances received	<b>83,440</b>	73,536
Gift certificates outstanding	<b>54,608</b>	49,572
Allowance for point gift certificates	<b>4,138</b>	4,177
Allowance for loss on disposal of buildings and structures	-	810
Other	<b>46,961</b>	67,491
Fixed liabilities	<b>187,292</b>	155,215
Corporate bonds	<b>30,000</b>	10,000
Long-term debt	<b>61,065</b>	53,755
Allowance for employees' retirement benefits	<b>56,549</b>	56,639
Allowance for directors' and corporate auditors' retirement benefits	<b>272</b>	283
Other	<b>39,404</b>	34,537
Total liabilities	<b>521,985</b>	469,046
<b>Net assets</b>		
Common stock	<b>56,025</b>	56,025
Additional paid-in capital	<b>45,085</b>	45,084
Retained earnings	<b>170,485</b>	169,704
Treasury stock	<b>(512)</b>	(501)
Total shareholders' capital	<b>271,083</b>	270,312
Net unrealized gains/losses on other securities	<b>3,622</b>	2,296
Net deferred gains/losses on hedge contracts	<b>(3)</b>	(38)
Land revaluation difference	<b>8,572</b>	8,624
Foreign currency translation adjustments	<b>(2,328)</b>	(2,795)
Total valuation and translation adjustments	<b>9,862</b>	8,086
Minority interests	<b>3,657</b>	3,511
Total net assets	<b>284,604</b>	281,911
Total liabilities and net assets	<b>806,589</b>	750,957

## Statements of Operations

(million yen)

	Nine months ended November 30, 2009
	Amount
Net sales	596,228
Cost of sales	437,655
Gross profit	158,572
Other operating revenue	37,696
Gross operating income	196,268
Selling, general and administrative expenses	189,439
Operating income	6,829
Interest income	264
Dividend income	654
Equity in gains of affiliated companies	983
Other non-operating income	2,447
Total non-operating income	4,349
Interest expense	1,273
Other non-operating expense	608
Total non-operating expense	1,881
Ordinary income	9,297
Extraordinary gains	309
Extraordinary losses	2,572
Net income before income taxes	7,035
Income taxes, inhabitants' tax, and enterprise taxes	3,595
Income tax adjustments	(776)
Minority interests in earnings of consolidated subsidiaries	178
Net income	4,037

## Statements of Cash Flows

		(million yen)
		Nine months ended November 30, 2009
		Amount
I	Cash flows from operating activities:	
	Income before income taxes and minority interests	7,035
	Depreciation	11,876
	Amortization of goodwill	71
	Allowance for doubtful accounts	1,116
	Allowance for employees' retirement benefits	(90)
	Allowance for directors' and corporate auditors' retirement benefits	(11)
	Allowance for point gift certificates	(40)
	Allowance for loss on disposal of buildings and structures	(810)
	Interest and dividend income	(918)
	Interest expenses	1,273
	Equity in gain of affiliated companies	(983)
	Loss on disposal of property and equipment	770
	Notes and accounts receivable	1,605
	Inventories	(5,717)
	Accounts payable	14,874
	Other	(8,879)
	Subtotal	21,169
	Interest and dividend income received	1,630
	Interest expense paid	(874)
	Income taxes paid	(5,981)
	Net cash provided by operating activities	15,943
II	Cash flows from investing activities:	
	Purchase of time deposits maturing after three months	(49)
	Repayment of time deposits maturing after three months	3,491
	Purchase of securities	(615)
	Purchase of property and equipment	(15,017)
	Other	138
	Net cash used in investing activities	(12,052)
III	Cash flows from financing activities	
	Proceeds from long-term bank loans	25,000
	Repayment of long-term bank loans	(4,223)
	Repayment of commercial papers	(13,000)
	Proceeds from issuance of bonds	20,000
	Cash dividends paid	(3,299)
	Other	(103)
	Net cash provided by financing activities	24,373
IV	Effect of exchange rate changes on cash and cash equivalents	50
V	Increase in cash and cash equivalents	28,315
VI	Cash and cash equivalents at beginning of period	27,750
VII	Cash and cash equivalents at end of period	56,065

**Segment information**  
**(March 1, 2009 to November 30, 2009)**

(million yen)

	Department store	Contract & design	Real estate	Finance	Other	Total	Elimination and corporate	Consolidated
Sales and other operating revenue:								
Outside customers	570,652	8,729	22,034	8,194	24,314	633,924	-	633,924
intersegment	4,368	2,127	4,244	3,160	23,517	37,418	(37,418)	-
Total	575,020	10,856	26,278	11,355	47,832	671,343	(37,418)	633,924
Operating income	1,527	(983)	5,016	820	420	6,801	27	6,829