

# Takashimaya Company, Limited

Takashimaya Reports Earnings for the 6 Months Ended August 31, 2012

## 1. Qualitative Information about Consolidated Operating Results

### (1) Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group rose 2.4% from the same period a year ago, to 419,830 million yen. Consolidated operating income was up 11.6%, to 10,124 million yen, and consolidated ordinary income increased 8.8%, to 11,740 million yen. Consolidated net income climbed 22.8%, to 6,604 million yen.

In the first six months (March 1-August 31, 2012) of the fiscal year ending February 2013, a year after the Great East Japan Earthquake in March, there were some signs of a recovery in the Japanese economy, albeit a moderate one, with improved corporate earnings. However, the future of the economy remained uncertain, reflecting financial instability, especially in Europe, and concerns over the decline in corporate performance stemming from the financial instability.

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 rose 2.1% from the same period a year ago, to 373,145 million yen. Operating income declined 8.7%, to 3,700 million yen.

The Group has taken up the “challenge of increasing revenues” this fiscal year, and is promoting the original goods sold at all its stores. Meanwhile, each store is promoting its own assortment of goods based on customers’ needs. In this way the Group is working to enhance its qualities.

Performance improved in March and April, reflecting the adverse effects of the earthquake last year, and sales of select clothing, general merchandise, and jewelry were strong. However, sales declined from the previous June, with slow sales of summer clothing, especially women’s clothing, partly due to lower-than-normal temperatures. The Group had its usual clearance sale starting July 1, but both sales and the number of customers were below their levels a year ago due to the unfavorable day of the week order during the period and the different start dates of various brands.

At the Yokohama store, sales after June were significantly affected by the clearance sale and a reduction in store space associated with a remodeling project that is set to finish next year. Sales at the Osaka store, which celebrated its grand opening last March, rose, but clothing and food sales saw sluggish growth.

Sales at the Shinjuku store increased sharply due to the adverse effects of the earthquake last year and a recovery in the number of foreign travelers. However, the number of customers visiting the store did not recover, partly due to the ongoing construction work around it.

Overseas, Takashimaya Singapore Ltd. posted growth in revenue through proactive marketing efforts, including increased benefits for card members and initiatives targeting tourists. Profits declined slightly, however, due to exchange rate effects.

#### Contract & Design

Sales and other operating revenue in the Contract & Design segment increased 16.1% from the same period a year ago, to 8,320 million yen. Operating income stood at 260 million yen, compared with an operating loss of 79 million yen a year ago.

Takashimaya Space Create Co., Ltd. posted an increase in revenue and moved into the black due to a recovery in orders for luxury brand outlets and office buildings.

#### Real Estate

Sales and other operating revenue in the Real Estate segment climbed 6.1% from the same period a year ago, to 16,659 million yen. Operating income came to 3,831 million yen, an increase of 7.6%.

Toshin Development Co., Ltd. posted an increase in both revenues and earnings due to strong sales at the Tamagawa, Kashiwa, and Nagareyama Otakanomori shopping centers. Toshin Development Singapore Pte. Ltd. also posted increases in both revenues and earnings due to strong sales at shopping centers.

#### Finance

Sales and other operating revenue in the Finance segment slipped 0.2% from the same period a year ago, to 5,830 million yen, and operating income rose 22.2%, to 1,903 million yen.

Takashimaya Credit Co., Ltd. posted slightly lower revenues despite solid revenue from shopping. However, operating income rose thanks to a reduction in selling, general and administrative expenses, including a reduction in credit losses due to improved credit management.

#### Other

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, increased 0.5% from the same period a year ago, to 15,875 million yen. The segment posted operating income of 159 million yen, compared with an operating loss of 267 million yen in the same period a year ago.

Revenue in the Cross Media Division declined. Orders rose in the Internet catalog business primarily due to an increase in the number of food and cosmetics brands, products that the business is focusing on, but orders for catalog goods related to the earthquake decreased.

Takashimaya Service Co., Ltd., a functional subsidiary, raised its profitability level by cutting costs, and posted a smaller operating loss than the same period a year ago.

## 2. Qualitative Information about Consolidated Financial Status

### Assets, Liabilities, and Net Assets

Consolidated assets at the end of the second quarter (August 31, 2012) stood at 789,801 million yen, down 14,116 million yen from the end of the previous fiscal year (February 29, 2012), mainly due to decreases in accounts receivable and marketable securities. Liabilities decreased by 22,132 million yen from the end of the previous fiscal year, to 474,304 million yen, chiefly due to a decline in loans. Net assets totaled 315,497 million yen, up 8,016 million yen from the end of the previous fiscal year.

### Cash Flows

Consolidated cash and cash equivalents at the end of the second quarter (August 31, 2012) totaled 58,805 million yen, down 17,271 million yen from the end of the previous fiscal year (February 29, 2012).

Net cash provided by operating activities was 16,888 million yen, a decrease of 7,035 million yen from the same period a year ago. This mainly reflects year-on-year increases in accrued revenue of 9,417 million yen and in inventories of 3,043 million yen, and a year-on-year decrease in allowances for employees' retirement benefits of 2,452 million yen, which offset a decrease in notes and accounts receivable-trade of 7,266 million yen from a year ago.

Net cash used in investment activities was 16,216 million yen, an increase of 7,934 million yen from the same period a year ago. This was mainly due to a 4,726 million yen increase in purchases of 3-month CDs, a 1,547 million yen increase in purchases of tangible and intangible fixed assets, and a 1,202 million yen climb in purchases of the stock of subsidiaries and affiliates.

Net cash used in financing activities was 18,834 million yen, a 14,727 million yen increase from the same period a year ago. This was mainly due to a 17,895 million yen increase in repayments of long-term loans, which offset a 3,300 million yen increase in proceeds from long-term loans.

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

(million yen)

	As of February 29, 2012	As of August 31, 2012
<b>Assets</b>		
Current assets		
Cash and deposits	61,124	63,509
Notes and accounts receivable	121,414	118,385
Marketable securities	15,000	
Merchandise and products	36,765	35,875
Work in process	508	497
Raw materials and supplies	590	572
Other	27,869	26,169
Allowance for doubtful accounts	(877)	(746)
Total current assets	262,394	244,264
Fixed assets		
Tangible fixed assets		
Buildings and structures	155,348	153,787
Land	208,682	211,419
Other, net	11,717	11,764
Total tangible fixed assets	375,748	376,971
Intangible fixed assets		
Goodwill	669	801
Other	29,129	28,634
Total intangible fixed assets	29,799	29,436
Investments and other assets		
Investment securities	77,474	82,544
Long-term guarantee deposits	42,082	41,743
Other	20,825	19,006
Allowance for doubtful accounts	(4,406)	(4,165)
Total investments and other assets	135,975	139,129
Total fixed assets	541,522	545,537
Total assets	803,917	789,801

(million yen)

	As of February 29, 2012	As of August 31, 2012
<b>Liabilities</b>		
Current liabilities		
Notes and account payable	87,297	89,224
Short-term bank loans	39,811	19,051
Accrued income taxes	4,177	3,445
Advances received	75,713	77,228
Gift certificates outstanding	63,070	60,490
Allowance for point gift certificates	3,517	3,057
Other	49,322	43,637
Total current liabilities	322,910	296,136
Fixed liabilities		
Corporate bonds	30,000	30,000
Long-term debt	57,667	61,826
Asset retirement obligations	1,122	1,174
Allowance for employees' retirement benefits	49,763	47,167
Allowance for directors' and corporate auditors' retirement benefits	242	256
Allowance for environmental measures	660	660
Other	34,069	37,081
Total fixed liabilities	173,525	178,167
Total liabilities	496,436	474,304
<b>Net assets</b>		
Shareholders' equity		
Common stock	56,025	56,025
Additional paid-in capital	45,085	45,086
Retained earnings	193,362	198,316
Treasury stock	(531)	(534)
Total shareholders' capital	293,941	298,893
Accumulated other comprehensive income		
Net unrealized gains/losses on other securities	4,799	6,330
Net deferred gains/losses on hedge contracts	11	(1)
Land revaluation difference	8,373	8,373
Foreign currency translation adjustments	(4,974)	(3,816)
Total valuation and translation adjustments	8,211	10,886
Minority interests	5,328	5,716
Total net assets	307,481	315,497
Total liabilities and net assets	803,917	789,801

**Statements of Operations**

(million yen)

	Six months ended August 31, 2011	Six months ended August 31, 2012
Net sales	383,861	392,697
Cost of sales	284,186	290,584
Gross profit	99,675	102,113
Other operating revenue	26,207	27,132
Gross operating income	125,882	129,245
Selling, general and administrative expenses		
Advertising expenses	10,827	11,397
Provision for point card certificates	1,727	1,299
Provision of allowance for doubtful accounts	558	192
Directors' compensations, salaries and allowances	32,669	32,878
Retirement benefit expenses	3,702	3,399
Rent expenses on real estates	18,909	18,624
Other	48,417	51,329
Total selling, general and administrative expenses	116,813	119,121
Operating income	9,069	10,124
Non-operating income		
Interest income	174	212
Dividend income	538	528
Equity in gains of affiliated companies	1,087	957
Other	1,392	991
Total non-operating income	3,192	2,690
Non-operating expense		
Interest expense	792	677
Foreign exchange losses	549	174
Other	130	223
Total non-operating expense	1,473	1,074
Ordinary income	10,789	11,740
Extraordinary gains		
Reversal of allowance for doubtful accounts	15	
Gain on sales of noncurrent assets	64	
Gain on sales of investment securities	32	
Total extraordinary income	111	
Extraordinary losses		
Loss on retirement of noncurrent assets	777	1,208
Early extra retirement payments	583	
Loss on valuation of investment securities	493	19
Loss on disaster	353	
Loss on adjustment for changes of accounting standard for asset retirement obligation	369	
Other	246	1
Total extraordinary losses	2,823	1,229
Net income before income taxes	8,077	10,510
Income taxes, inhabitants' tax, and enterprise taxes	2,450	2,720
Income tax adjustments	(25)	794
Total income taxes	2,424	3,515
Income before minority interests	5,652	6,995
Minority interests in earnings of consolidated subsidiaries	275	391
Net income	5,376	6,604

**Statements of comprehensive income**

(million yen)

	Six months ended August 31, 2011	Six months ended August 31, 2012
<b>Consolidated quarterly statements of comprehensive income</b>		
Income before minority interests	5,652	6,995
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,990)	1,523
Deferred gains or losses on hedges	(17)	(12)
Foreign currency translation adjustment	1,315	580
Share of other comprehensive income of associates accounted for using equity method	610	585
Total other comprehensive income	(1,080)	2,675
Comprehensive income	4,571	9,671
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	4,295	9,280
Comprehensive income attributable to minority interests	275	391

## Statements of Cash Flows

(million yen)

	Six months ended August 31, 2011	Six months ended August 31, 2012
I Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	8,077	10,510
Depreciation and amortization	8,403	9,340
Amortization of goodwill	47	57
Increase (decrease) in allowance for doubtful accounts	57	(372)
Increase (decrease) in provision for retirement benefits	(143)	(2,595)
Increase (decrease) in provision for directors' retirement benefits	12	14
Increase (decrease) in provision for point card certificates	(186)	(459)
Increase(decrease) in provision for loss on retirement of fixed asset without disposal	(341)	
Interest and dividends income	(713)	(741)
Interest expenses	792	677
Equity in (earnings) losses of affiliates	(1,087)	(957)
Loss (gain) on sales of noncurrent assets	(62)	
Loss on retirement of noncurrent assets	521	763
Loss (gain) on valuation of investment securities	493	19
Loss on adjustment for changes of accounting standard for asset retirement obligations	369	
Decrease (increase) in notes and accounts receivable-trade	(4,235)	3,030
Decrease (increase) in inventories	3,998	954
Increase (decrease) in notes and accounts payable-trade	(543)	1,593
Decrease (increase) in accounts receivable-other	9,951	534
Other, net	(227)	(2,808)
Subtotal	25,183	19,560
Interest and dividend income received	1,606	1,522
Interest expense paid	(809)	(715)
Income taxes paid	(2,057)	(3,478)
Net cash provided by (used in) operating activities	23,923	16,888
II Net cash provided by (used in) investing activities		
Payments into time deposits	(48)	(4,775)
Proceeds from withdrawal of time deposits	220	
Purchase of short-term and long term investment securities	(12)	(7)
Proceeds from sales of short-term and long term investment securities	58	3
Purchase of stocks of subsidiaries and affiliates	(758)	(1,960)
Purchase of property, plant and equipment and intangible assets	(7,939)	(9,486)
Proceeds from sales of property, plant and equipment and intangible assets	133	9
Other, net	63	0
Net cash provided by (used in) investing activities	(8,282)	(16,216)
III Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	2,000	5,300
Repayment of long-term loans payable	(4,141)	(22,037)
Cash dividends paid	(1,649)	(1,649)
Other	(316)	(448)
Net cash provided by (used in) financing activities	(4,107)	(18,834)
IV Effect of exchange rate change on cash and cash equivalents	754	890
V Net increase (decrease) in cash and cash equivalents	12,289	(17,271)
VI Cash and cash equivalents at beginning of period	70,279	76,077
VII Cash and cash equivalents at end of period	82,569	58,805