

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Year Ended February 28, 2018

Tokyo, Japan April 9, 2018—Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated operating revenue of 949,572 million yen for the fiscal year ending February 28, 2018, and profit attributable to owners of parent of 23,658 million yen, or 59.58 yen per diluted share.

Qualitative Information about Consolidated Operating Results

The consolidated performance was as follows: Total consolidated operating revenue for Takashimaya Group was 949,572 million yen (up 2.8% compared with the corresponding period of the previous fiscal year), consolidated operating income was 35,318 million yen (up 3.9% compared with the corresponding period of the previous fiscal year), consolidated ordinary income was 38,606 million yen (up 3.7% compared with the corresponding period of the previous fiscal year), and consolidated profit attributable to owners of parent was 23,658 million yen (up 13.4% compared with the corresponding period of the previous fiscal year).

Operating performance by business segment is discussed below.

Department Stores

The Department Stores segment posted sales and operating revenue of 826,561 million yen (up 3.7% compared with the previous year), and operating income of 13,509 million yen (up 10.9% compared with the corresponding period of the previous fiscal year).

The Department Stores segment saw higher earnings amid stable personal consumption, increased inbound demand, strong sales of expensive goods and general goods, and an upturn in clothing sales.

Regarding stores and facilities, we fully refurbished the Takasaki Store in September last year to coincide with the redevelopment of the Takasaki Station's façade. Senboku Store, Tachikawa Store, and Yonago Store collaborated with specialty stores and government bodies to develop a framework that attracts greater numbers of visitors. As a result of these revenue-boosting strategies, all stores made a profit.

Regarding merchandise strategy, we leveraged the curatorial finesse of department stores as part of a back-to-basics drive to develop attractive and shoppable sales spaces.

In addition to shopping experiences, our large stores offered culturally enriching events for customers to enjoy within the building.

We expanded points of connections with customers and made shopping more convenient by actively developing our alliances with other companies. In addition to our joint marketing campaign with NTT DOCOMO and Loyalty Marketing, Inc., we teamed up with Sony Bank Inc. to launch the first department store debit card, Takashimaya Platinum.

We also made efforts to capture the growing inbound demand. Ahead of the surge in inbound demand from the end of the year to the Chinese New Year / Spring Festival, we worked to prepare a sales environment that caters to overseas visitors. For example, we increased the number of sales areas in our major stores that are compatible with Chinese mobile payment services (Alipay, WeChat Pay) and improved the Wi-Fi environment. Additionally, we pursued an aggressive sales campaign aimed at drawing tourists into our stores, and as a result of this campaign, net sales and sales volume were significantly higher than the previous year. Shinjuku Store saw the opening of airport-style duty-free shop, A&S Takashimaya Duty Free, in April last year. In a further effort to boost sales among overseas visitors, the Store coordinated its specialty stores and restaurant area and bolstered its public relations and sales promotion activities under a unified Takashimaya Times Square framework.

The corporate business division's aggressive sales efforts proved successful thanks in part to a favorable business environment. Consequently, corporate revenue significantly increased.

As for the overseas department stores, Singapore Takashimaya Ltd. developed its loyalty card membership, stepped up its efforts toward international tourists, pursued a digital media-focused advertising strategy, and cut SG&A expenses. These efforts resulted in an increase in revenue and profits. Shanghai Takashimaya Co., Ltd. saw growing sales buoyed by strong personal consumption. The store differentiated itself by promoting its Japanese-Goods Store, a retail space devoted to showcasing Japanese culture and selling Japanese goods, and by opening a new sales area for directly imported high-quality Japanese goods. It also expanded its loyalty membership base by strengthening its loyalty card policies. Takashimaya Ho Chi Minh City has garnered esteem among locals and has made steady progress in developing its loyalty card membership. The Store improved its product lineup, reflecting customer needs, and it jointly organized promotional events with specialty stores. These and other initiatives proved successful and contributed to strong performance.

Real Estate

The Real Estate segment posted sales and other operating revenue of 47,476 million yen (down 0.9% compared with the corresponding period of the previous fiscal year) and operating income of 11,393 million yen (up 3.3% compared with the corresponding period of the previous fiscal year).

In this segment, Toshin Development Co., Ltd. worked to secure profits by leasing residential apartments in Yokohama Kita-Saiwai Building. It also collaborated with department stores to make concrete progress in the Machi-dukuri Strategy. Regarding the segment's activities in Japan, under the redevelopment of Nihombashi, the new store will partially open in September 2018 and fully open in 2019. In the run-up to these events, Toshin Development are working to standardize services and proceed with leasing and facility development projects. The Tachikawa TM Building, which houses the Tachikawa Store, introduced a new tenant—Nitori—to serve as an anchor drawing people into the building. To mark the 10-year anniversary of Nagareyama Otakanomori Shopping Center, the developer built a kids' zone in the shopping center featuring children's goods and a childcare facility in an effort to highlight the local area as a great place to raise a family. Consequently, the shopping center saw a year-on-year increase in sales and number of visitors. To mark the 25-year anniversary of Kashiwa Takashimaya Station Mall, Toshin Development set about improving the convenience of the mall and further establishing it as a fixture of daily life, taking advantage of the fact that it adjoins the station.

As for overseas real-estate, Saigon Centre—a commercial facility which has Takashimaya Ho Chi Minh City as an anchor tenant—entered its second year of operation and steadily increased its sales by offering the high-quality merchandise and hospitality expected of the Takashimaya Group. In March last year, we acquired a portion of the property rights for A & B Tower and furthered our Machi-dukuri Strategy in the Ho Chi Minh City.

Finance

The Finance segment posted sales and other operating revenue of 14,187 million yen (up 5.8% compared with the corresponding period of the previous fiscal year) and operating income of 4,563 million yen (up 1.5% compared with the corresponding period of the previous fiscal year).

In this segment, Takashimaya Credit Co., Ltd. marked the tenth anniversary of the “gold” Takashimaya card by conducting a campaign to acquire new members and promote use of the card. In this way, the company endeavored to improve commission revenue by increasing the number of members and the amount of card transactions. These efforts yielded an increase in revenue and profits.

Contract & Design

The Contract & Design segment posted sales and other operating revenue of 25,916 million yen (down 16.1% compared with the corresponding period of the previous fiscal year) and operating income of 1,207 million yen (down 48.4% compared with the corresponding period of the previous fiscal year).

In this segment, Takashimaya Space Create Co., Ltd. achieved steady business for large hotels and home renovation-related projects, but with a reactionary decline following last year's large project, the segment posted a decrease in revenue and profits.

Other

The Other segment posted sales and operating revenue of 35,430 million yen (up 3.8% compared with the corresponding period of the previous fiscal year) and operating income of 3,331 million yen (up 42.7% compared with the corresponding period of the previous fiscal year).

Within the Other segment, the Cross Media Division significantly improved its earnings by revising its catalogue media policies, and as a result, the division swung into the black.

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, 2018

	As of February 29, 2016	(million yen) As of February 28, 2017
Consolidated balance sheets		
Assets		
Current assets		
Cash and deposits	107,159	99,541
Notes and accounts receivable - trade	122,728	140,038
Securities	2,000	-
Merchandise and finished goods	41,191	43,517
Work in process	2,746	108
Raw materials and supplies	1,112	1,120
Deferred tax assets	9,459	10,163
Other	39,440	33,318
Allowance for doubtful accounts	(336)	(306)
Total current assets	325,500	327,501
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	164,940	167,732
Machinery, equipment and vehicles, net	141	124
Tools, furniture and fixtures, net	10,325	10,890
Land	230,386	361,362
Leased assets, net	1,285	989
Construction in progress	6,622	9,658
Total property, plant and equipment	413,703	550,757
Intangible assets		
Leasehold right	93,725	4,939
Goodwill	193	97
Other	13,254	12,998
Total intangible assets	107,172	18,035
Investments and other assets		
Investment securities	89,114	95,231
Guarantee deposits	31,892	29,227
Deferred tax assets	8,256	4,946
Other	13,278	12,045
Allowance for doubtful accounts	(2,454)	(1,938)
Total investments and other assets	140,087	139,511
Total non-current assets	660,963	708,305
Total assets	986,464	1,035,807

Takashimaya Reports Earnings for the Year Ended February 28, 2018

	As of February 29, 2016	(million yen) As of February 28, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	101,320	102,428
Short-term loans payable	9,007	10,320
Current portion of bonds	-	40,062
Lease obligations	509	395
Income taxes payable	5,597	6,236
Advances received	91,852	96,102
Gift certificates	51,702	52,663
Deposits received	24,702	26,725
Provision for point card certificates	2,509	2,561
Provision for directors' bonuses	46	53
Allowance for loss on repair construction of building	2,160	2,743
Other	30,384	30,594
Total current liabilities	319,793	370,888
Non-current liabilities		
Bonds payable	75,210	35,049
Long-term loans payable	71,045	88,829
Lease obligations	858	641
Asset retirement obligations	1,867	1,907
Net defined benefit liability	58,251	54,616
Provision for directors' retirement benefits	265	297
Provision for environmental measures	419	342
Allowance for loss on repair construction of building	3,767	1,910
Deferred tax liabilities	44	286
Deferred tax liabilities for land revaluation	6,879	6,879
Other	26,171	24,631
Total non-current liabilities	244,780	215,392
Total liabilities	564,574	586,281
Net assets		
Shareholders' equity		
Capital stock	66,025	66,025
Capital surplus	55,085	55,025
Retained earnings	265,033	284,320
Treasury shares	(6,160)	(6,170)
Total shareholders' equity	379,984	399,201
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,921	17,837
Deferred gains or losses on hedges	1	(3)
Revaluation reserve for land	7,145	7,145
Foreign currency translation adjustment	8,510	11,604
Remeasurements of defined benefit plans	661	3,386
Total accumulated other comprehensive income	32,240	39,970
Non-controlling interests	9,665	10,353
Total net assets	421,890	449,526
Total liabilities and net assets	986,464	1,035,807

Takashimaya Reports Earnings for the Year Ended February 28, 2018

	(million yen)	
	Year ended February 29, 2016	Year ended February 28, 2017
Consolidated statements of (comprehensive) income		
Operating revenue	923,601	949,572
Net sales	860,761	886,700
Cost of sales	648,765	668,295
Gross profit	211,996	218,405
Other operating revenue	62,840	62,871
Operating gross profit	274,836	281,276
Selling, general and administrative expenses		
Advertising expenses	24,821	25,858
Provision for point card certificates	2,509	2,561
Distribution and operational expense	28,253	28,833
Supplies expenses	3,610	3,487
Provision of allowance for doubtful accounts	254	554
Directors' compensations, salaries and allowances	65,638	66,964
Retirement benefit expenses	4,005	3,822
Provision for directors' bonuses	46	53
Provision for directors' retirement benefits	56	61
Welfare expenses	13,870	14,299
Heating and lighting expenses	10,803	10,166
Commission fee	4,694	5,999
Rent expenses on real estates	35,531	34,606
Rent expenses on machines	811	807
Depreciation	19,408	19,040
Amortization of goodwill	206	187
Other	26,313	28,653
Total selling, general and administrative expenses	240,835	245,957
Operating profit	34,000	35,318
Non-operating income		
Interest income	582	744
Dividend income	1,065	941
Share of profit of entities accounted for using equity method	2,337	2,718
Gain on donation of non-current assets	551	366
Other	517	452
Total non-operating income	5,054	5,223
Non-operating expenses		
Interest expenses	631	648
Provision for loss on repair construction of building	654	261
Foreign exchange losses	47	391
Loss on adjustment of account payable	15	407
Other	490	226
Total non-operating expenses	1,839	1,935
Ordinary profit	37,215	38,606

Takashimaya Reports Earnings for the Year Ended February 28, 2018

	Year ended February 29, 2016	(million yen) Year ended February 28, 2017
Extraordinary income		
Gain on sales of investment securities	5,274	2,627
Gain on liquidation of affiliated companies	876	-
Other	260	3
Total extraordinary income	6,410	2,630
Extraordinary losses		
Loss on retirement of non-current assets	3,387	4,607
Impairment loss	4,587	1,598
Other	1,048	22
Total extraordinary losses	9,023	6,228
Profit before income taxes	34,602	35,009
Income taxes - current	10,779	10,395
Income taxes - deferred	2,243	494
Total income taxes	13,022	10,889
Profit	21,579	24,119
Profit attributable to non-controlling interests	709	460
Profit attributable to owners of parent	20,870	23,658

Takashimaya Reports Earnings for the Year Ended February 28, 2018

	(million yen)	
	Year ended February 29, 2016	Year ended February 28, 2017
Consolidated statements of comprehensive income		
Profit	21,579	24,119
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,451)	1,325
Deferred gains or losses on hedges	15	(4)
Revaluation reserve for land	237	-
Foreign currency translation adjustment	(2,332)	2,067
Remeasurements of defined benefit plans, net of tax	1,867	2,665
Share of other comprehensive income of entities accounted for using equity method	(896)	1,728
Total other comprehensive income	(2,560)	7,782
Comprehensive income	19,019	31,901
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,339	31,388
Comprehensive income attributable to non-controlling interests	679	512

Takashimaya Reports Earnings for the Year Ended February 28, 2018

	Year ended February 29, 2016	(million yen) Year ended February 28, 2017
Consolidated statements of cash flows		
Cash flows from operating activities		
Profit before income taxes	34,602	35,009
Depreciation	19,421	19,058
Impairment loss	4,587	1,598
Amortization of goodwill	113	95
Increase (decrease) in allowance for doubtful accounts	(214)	(546)
Increase (decrease) in net defined benefit liability	(867)	159
Increase (decrease) in provision for directors' retirement benefits	(106)	32
Increase (decrease) in provision for point card certificates	(724)	49
Increase(decrease) allowance for loss on repair construction of building	72	(1,273)
Interest and dividend income	(1,648)	(1,685)
Interest expenses	631	648
Share of (profit) loss of entities accounted for using equity method	(2,337)	(2,718)
Loss (gain) on sales of non-current assets	(110)	1
Loss on retirement of non-current assets	1,582	2,478
Loss (gain) on sales of investment securities	(5,274)	(2,627)
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	(2,448)	(17,502)
Decrease (increase) in inventories	1,043	347
Increase (decrease) in notes and accounts payable - trade	(1,917)	976
Other, net	9,929	10,265
Subtotal	56,351	44,366
Interest and dividend income received	2,967	2,542
Interest expenses paid	(599)	(704)
Income taxes paid	(16,453)	(9,333)
Net cash provided by (used in) operating activities	42,266	36,870
Cash flows from investing activities		
Payments into time deposits	(3,638)	(5,536)
Proceeds from withdrawal of time deposits	2,102	4,670
Purchase of short-term and long-term investment securities	(2,116)	(2,562)
Proceeds from sales and redemption of short-term and long-term investment securities	13,082	11,112
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	(21,792)	(69,437)
Proceeds from sales of property, plant and equipment and intangible assets	236	20
Other, net	(52)	(552)
Net cash provided by (used in) investing activities	(9,124)	(62,286)

Takashimaya Reports Earnings for the Year Ended February 28, 2018

	Year ended February 29, 2016	(million yen) Year ended February 28, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	60	(147)
Proceeds from long-term loans payable	16,500	22,319
Repayments of long-term loans payable	(15,800)	(3,075)
Purchase of treasury shares	(7)	(9)
Cash dividends paid	(4,193)	(4,193)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(60)
Other, net	(787)	(647)
Net cash provided by (used in) financing activities	(4,228)	14,185
Effect of exchange rate change on cash and cash equivalents	(2,613)	2,193
Net increase (decrease) in cash and cash equivalents	26,299	(9,036)
Cash and cash equivalents at beginning of period	73,536	103,765
Increase in cash and cash equivalents from newly consolidated subsidiary	3,929	391
Cash and cash equivalents at end of period	103,765	95,120