

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2018

Tokyo, Japan Jun 25, 2018—Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated operating revenue of 219,825 million yen for the first quarter (ended May 31, 2018) of the fiscal year ending February 28, 2019, and profit attributable to owners of parent of 5,845 million yen, or 14.71 yen per diluted share.

Qualitative Information about Consolidated Operating Results

The consolidated performance was as follows: Total consolidated operating revenue for Takashimaya Group was 219,825 million yen (up 1.9% compared with the corresponding period of the previous fiscal year). Consolidated operating income was 8,552 million yen (up 5.7% compared with the corresponding period of the previous fiscal year), consolidated ordinary income was 9,968 million yen (up 14.7% compared with the corresponding period of the previous fiscal year), and consolidated net income attributable to owners of parent was 5,845 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 192,111 million yen (up 2.4% compared with the corresponding period of the previous year), and operating income of 3,963 million yen (up 34.4% compared with the corresponding period of the previous fiscal year).

Domestic department stores increased revenue and earnings. The main reason was the strong inbound demand and robust domestic demand, which resulted in strong sales of luxury items and accessories. Airport type city duty-free shops inside Shinjuku store also increased sales steadily with synergies with Shinjuku stores.

In overseas, Takashimaya Singapore Ltd. posted higher sales and profits, and overall sales of department stores overseas remained steady.

Real Estate

The Real Estate segment posted sales and other operating revenue reached 10,504 million yen (up 5.5% compared with the corresponding period of the previous fiscal year) and operating income of 2,638 million yen (down 5.2% compared with the corresponding period of the previous fiscal year).

In domestic, Toshin Development Co., Ltd. promoted the "Machi-dukuri" strategy, and in March "Nihombashi Takashimaya S.C." East Building opened.

In addition to the opening of Nihombashi Takashimaya S.C. East Building, revenue increased due to the renovation of "Kashiwa Takashimaya Station Mall" and "Nagareyama Otakano-mori Shopping Center". But, due to temporary expenses accompanying opening of East Building in Nihombashi, etc. profit declined.

Overseas, Toshin Development Singapore Pte. Ltd., increased revenue and profit due to increasingly to recover of local economy and reduction of selling and administrative expenses such as decrease of payment rent.

Finance

The Finance segment posted sales and other operating revenue of 3,826 million yen (up 6.1% compared with the corresponding period of the previous fiscal year) and operating income of 1,167 million yen (down 1.9% compared with the corresponding period of the previous fiscal year).

Takashimaya Credit Co., Ltd. increased revenue due to the increase in commission income and membership fee revenue, because they promoted the use of credit cards and acquired new members. However, operating profits remained unchanged from the previous year due to an increase in selling, general and administrative expenses.

Construct & Design

The Construct & Design segment posted sales and other operating revenue were 5,354 million yen (down 22.7% compared with the corresponding period of the previous fiscal year) and operating loss was 39 million yen (compared to 264 million yen in operating income in the corresponding period of the previous fiscal year).

Takashimaya Space Create Co., Ltd. made aggressive efforts to increase orders but income and profits declined due to vanishment of large orders in the previous year.

Other

The Other segment, which includes the Cross Media Division, posted sales and operating revenue of 8,028 million yen (up 5.2% compared with the corresponding period of the previous fiscal year) and operating income of 455 million yen (down 17.4% compared with the corresponding period of the previous fiscal year).

Mail order business increased revenues and profits due to increase of orders by catalogs. However some subsidiaries declined in profits, and this segment declined operating profit.

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 Three Months Ended May. 31, 2018

	(million yen)	
	As of February 28, 2018	As of May 31, 2018
Consolidated balance sheets		
Assets		
Current assets		
Cash and deposits	99,541	107,019
Notes and accounts receivable - trade	140,038	145,018
Merchandise and finished goods	43,517	45,194
Work in process	108	339
Raw materials and supplies	1,120	995
Other	43,482	40,905
Allowance for doubtful accounts	(306)	(404)
Total current assets	327,501	339,067
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	167,732	167,449
Land	361,362	361,851
Other, net	21,663	22,369
Total property, plant and equipment	550,757	551,670
Intangible assets		
Leasehold right	4,939	4,939
Goodwill	97	74
Other	12,998	13,716
Total intangible assets	18,035	18,729
Investments and other assets		
Investment securities	95,231	89,653
Guarantee deposits	29,227	29,237
Other	16,992	16,943
Allowance for doubtful accounts	(1,938)	(2,160)
Total investments and other assets	139,511	133,673
Total non-current assets	708,305	704,074
Total assets	1,035,807	1,043,141

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2018

(million yen)

	As of February 28, 2018	As of May 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	102,428	109,108
Short-term loans payable	10,320	15,320
Current portion of bonds	40,062	40,042
Income taxes payable	6,236	4,039
Advances received	96,102	98,766
Gift certificates	52,663	51,643
Provision for point card certificates	2,561	2,617
Allowance for loss on repair construction of building	2,743	2,744
Other	57,769	57,259
Total current liabilities	370,888	381,543
Non-current liabilities		
Bonds payable	35,049	35,045
Long-term loans payable	88,829	83,824
Asset retirement obligations	1,907	1,897
Net defined benefit liability	54,616	54,317
Provision for directors' retirement benefits	297	248
Provision for environmental measures	342	334
Allowance for loss on repair construction of building	1,910	1,910
Other	32,438	33,169
Total non-current liabilities	215,392	210,747
Total liabilities	586,281	592,291
Net assets		
Shareholders' equity		
Capital stock	66,025	66,025
Capital surplus	55,025	55,025
Retained earnings	284,320	288,323
Treasury shares	(6,170)	(6,171)
Total shareholders' equity	399,201	403,203
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,837	16,566
Deferred gains or losses on hedges	(3)	(0)
Revaluation reserve for land	7,145	7,145
Foreign currency translation adjustment	11,604	8,486
Remeasurements of defined benefit plans	3,386	3,421
Total accumulated other comprehensive income	39,970	35,618
Non-controlling interests	10,353	12,028
Total net assets	449,526	450,850
Total liabilities and net assets	1,035,807	1,043,141

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2018

	(million yen)	
	Three months ended	Three months ended
Consolidated statements of (comprehensive) income	May 31, 2017	May 31, 2018
Operating revenue	215,649	219,825
Net sales	200,134	203,747
Cost of sales	148,285	150,497
Gross profit	51,849	53,249
Other operating revenue	15,514	16,077
Operating gross profit	67,364	69,327
Selling, general and administrative expenses		
Advertising expenses	6,571	6,998
Provision for point card certificates	653	696
Provision of allowance for doubtful accounts	112	359
Directors' compensations, salaries and allowances	16,025	16,431
Retirement benefit expenses	960	718
Rent expenses on real estates	8,953	8,649
Other	26,000	26,922
Total selling, general and administrative expenses	59,276	60,775
Operating profit	8,088	8,552
Non-operating income		
Interest income	177	223
Dividend income	303	194
Share of profit of entities accounted for using equity method	703	747
Foreign exchange gains	-	212
Other	258	306
Total non-operating income	1,443	1,684
Non-operating expenses		
Interest expenses	156	174
Foreign exchange losses	303	-
Loss on adjustment of account payable	274	61
Other	105	31
Total non-operating expenses	840	267
Ordinary profit	8,691	9,968

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2018

	(million yen)	
	Three months ended 2017	Three months ended 2018
Extraordinary income		
Gain on sales of investment securities	10	-
Gain on liquidation of affiliated companies	3	-
Total extraordinary income	13	-
Extraordinary losses		
Loss on retirement of non-current assets	1,029	1,368
Other	-	0
Total extraordinary losses	1,029	1,369
Profit before income taxes	7,675	8,599
Income taxes - current	2,682	2,612
Income taxes - deferred	(181)	(37)
Total income taxes	2,501	2,574
Profit	5,174	6,025
Profit attributable to non-controlling interests	19	180
Profit attributable to owners of parent	5,154	5,845

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2018

	(million yen)	
	Three months ended	Three months ended
Consolidated statements of comprehensive income	May 31, 2017	May 31, 2018
Profit	5,174	6,025
Other comprehensive income		
Valuation difference on available-for-sale securities	(382)	(1,193)
Deferred gains or losses on hedges	(0)	2
Foreign currency translation adjustment	(264)	(2,221)
Remeasurements of defined benefit plans, net of tax	163	30
Share of other comprehensive income of entities accounted for using equity method	(99)	(1,039)
Total other comprehensive income	(583)	(4,421)
Comprehensive income	4,590	1,603
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,570	1,466
Comprehensive income attributable to non-controlling interests	20	137

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2018

	(million yen)	
	Three months ended	Three months ended
Consolidated statements of cash flows	May 31, 2017	May 31, 2018
Cash flows from operating activities		
Profit before income taxes	7,675	8,599
Depreciation	4,876	4,863
Amortization of goodwill	23	23
Increase (decrease) in allowance for doubtful accounts	57	319
Increase (decrease) in net defined benefit liability	(359)	(253)
Increase (decrease) in provision for directors' retirement benefits	(9)	(49)
Increase (decrease) in provision for point card certificates	27	57
Increase(decrease) allowance for loss on repair construction of building	-	(0)
Interest and dividend income	(480)	(417)
Interest expenses	156	174
Share of (profit) loss of entities accounted for using equity method	(703)	(747)
Loss on retirement of non-current assets	365	603
Decrease (increase) in notes and accounts receivable - trade	(5,562)	(4,765)
Decrease (increase) in inventories	(3,122)	(1,830)
Increase (decrease) in notes and accounts payable - trade	5,743	6,897
Other, net	1,930	3,850
Subtotal	10,619	17,325
Interest and dividend income received	1,311	1,888
Interest expenses paid	(197)	(99)
Income taxes paid	(4,076)	(3,969)
Net cash provided by (used in) operating activities	7,655	15,144
Cash flows from investing activities		
Payments into time deposits	(1,412)	(2,451)
Proceeds from withdrawal of time deposits	1,117	1,668
Purchase of short-term and long-term investment securities	(1,668)	(2)
Proceeds from sales and redemption of short-term and long-term investment securities	8,525	3,508
Purchase of property, plant and equipment and intangible assets	(18,456)	(9,551)
Proceeds from sales of property, plant and equipment and intangible assets	10	8
Other, net	(75)	(1)
Net cash provided by (used in) investing activities	(11,960)	(6,821)

Takashimaya Reports Earnings for the Three Months Ended May. 31, 2018

	(million yen)	
	Three months ended May 31, 2017	Three months ended May 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(60)	-
Proceeds from long-term loans payable	2,000	-
Repayments of long-term loans payable	(3,045)	(5)
Cash dividends paid	(2,096)	(2,096)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(60)	-
Other, net	(275)	(216)
Net cash provided by (used in) financing activities	(3,537)	(2,318)
Effect of exchange rate change on cash and cash equivalents	(262)	(2,119)
Net increase (decrease) in cash and cash equivalents	(8,105)	3,885
Cash and cash equivalents at beginning of period	103,765	95,120
Increase in cash and cash equivalents from newly consolidated subsidiary	391	2,474
Cash and cash equivalents at end of period	96,051	101,479