

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2022 (Based on Japanese GAAP)

April 11, 2022

Company name: Takashimaya Company, Limited
 Stock exchange listing: Tokyo
 Stock code: 8233 URL <https://www.takashimaya.co.jp>
 Representative: President Yoshio Murata
 General Manager, Public and Investor Relations Office
 Inquiries: Yoshiyuki Nishikata TEL (03)3211-4111
 Scheduled date of ordinary general meeting of shareholders: May 24, 2022
 Scheduled date to file Securities Report: May 26, 2022
 Scheduled date to commence dividend payments: May 25, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 28, 2022 (from March 1, 2021 to February 28, 2022)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended February 28, 2022	761,124	11.8	4,110	–	6,903	–	5,360	–
Year ended February 28, 2021	680,899	(25.9)	(13,496)	–	(13,637)	–	(33,970)	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2022	32.14	27.48	1.4	0.6	0.6
Year ended February 28, 2021	(203.74)	–	(8.2)	(1.2)	(2.2)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2022	1,144,335	420,489	34.8	2,390.47
As of February 28, 2021	1,150,506	415,111	34.3	2,364.96

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended February 28, 2022	21,044	(37,120)	(4,758)	88,996
Year ended February 28, 2021	43,720	(27,034)	2,303	105,320

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 28, 2021	–	12.00	–	12.00	24.00	4,001	–	1.0
Year ended February 28, 2022	–	12.00	–	12.00	24.00	4,001	74.7	1.0
Year ending February 28, 2023 (Forecast)	–	12.00	–	12.00	24.00		–	

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

Percentages indicate year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending August 31, 2022	208,000	(40.1)	7,000	–	7,500	–	5,500	–	32.98
Full year	431,500	(43.3)	17,500	325.7	16,000	131.8	10,000	86.6	59.97

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2022

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2022	177,759,481 shares	As of February 28, 2021	177,759,481 shares
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Number of treasury shares at the end of the period

As of February 28, 2022	11,027,076 shares	As of February 28, 2021	11,026,374 shares
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Average number of shares during the period

Year ended February 28, 2022	166,733,003 shares	Year ended February 28, 2021	166,733,259 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Assets		
Current assets		
Cash and deposits	106,675	90,672
Notes and accounts receivable - trade	100,682	96,120
Securities	8	-
Merchandise and finished goods	41,843	37,867
Work in process	327	324
Raw materials and supplies	1,139	1,107
Other	33,595	44,424
Allowance for doubtful accounts	(664)	(687)
Total current assets	283,607	269,828
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	184,000	188,758
Machinery, equipment and vehicles, net	376	463
Tools, furniture and fixtures, net	13,610	11,971
Land	411,031	418,387
Leased assets, net	3,139	2,569
Construction in progress	17,095	8,863
Right of use assets, net	77,281	75,291
Total property, plant and equipment	706,535	706,306
Intangible assets		
Leasehold interests in land	10,070	10,603
Right of use assets	4,673	5,973
Goodwill	2,354	2,380
Other	19,341	16,973
Total intangible assets	36,439	35,931
Investments and other assets		
Investment securities	75,222	74,563
Guarantee deposits	26,562	27,926
Deferred tax assets	19,959	26,375
Other	4,740	5,614
Allowance for doubtful accounts	(2,562)	(2,210)
Total investments and other assets	123,923	132,269
Total non-current assets	866,899	874,507
Total assets	1,150,506	1,144,335

(Millions of yen)

	As of February 28, 2021	As of February 28, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	86,965	93,698
Short-term borrowings	28,220	18,160
Current portion of bonds payable	10,090	55
Commercial papers	10,000	–
Lease obligations	7,981	8,942
Income taxes payable	8,356	1,040
Advances received	112,897	118,105
Gift certificates	54,074	58,206
Deposits received	26,030	23,936
Provision for point card certificates	2,427	944
Allowance for loss on repair construction of building	3,661	–
Other	51,918	29,726
Total current liabilities	402,625	352,815
Non-current liabilities		
Bonds payable	60,277	80,203
Long-term borrowings	98,565	116,345
Lease obligations	78,409	78,529
Asset retirement obligations	5,028	5,451
Retirement benefit liability	53,083	51,556
Provision for retirement benefits for directors (and other officers)	310	256
Provision for environmental measures	241	82
Deferred tax liabilities	1,650	2,055
Deferred tax liabilities for land revaluation	9,050	9,050
Other	26,153	27,499
Total non-current liabilities	332,769	371,030
Total liabilities	735,395	723,846
Net assets		
Shareholders' equity		
Share capital	66,025	66,025
Capital surplus	54,790	54,790
Retained earnings	270,615	271,973
Treasury shares	(15,993)	(15,994)
Total shareholders' equity	375,437	376,795
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,873	7,429
Deferred gains or losses on hedges	1	(0)
Revaluation reserve for land	2,945	2,945
Foreign currency translation adjustment	5,969	10,995
Remeasurements of defined benefit plans	1,089	403
Total accumulated other comprehensive income	18,879	21,773
Non-controlling interests	20,793	21,919
Total net assets	415,111	420,489
Total liabilities and net assets	1,150,506	1,144,335

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Operating revenue	680,899	761,124
Net sales	620,885	695,693
Cost of sales	471,620	527,980
Gross profit	149,265	167,713
Other operating revenue	60,013	65,430
Operating gross profit	209,278	233,143
Selling, general and administrative expenses		
Advertising expenses	17,231	23,050
Provision for point card certificates	2,427	944
Distribution and operational expense	30,402	29,546
Supplies expenses	2,625	2,712
Provision of allowance for doubtful accounts	1,003	547
Remuneration, salaries and allowances for directors (and other officers)	60,325	59,286
Retirement benefit expenses	1,960	1,473
Provision for retirement benefits for directors (and other officers)	58	46
Welfare expenses	13,706	12,876
Heating and lighting expenses	8,636	8,914
Commission expenses	5,903	7,302
Rent expenses on real estate	20,473	21,937
Rent expenses on machines	886	923
Depreciation	27,954	31,411
Amortization of goodwill	227	240
Other	28,951	27,818
Total selling, general and administrative expenses	222,775	229,033
Operating profit (loss)	(13,496)	4,110
Non-operating income		
Interest income	517	425
Dividend income	1,148	1,181
Subsidy income	1,629	3,076
Foreign exchange gains	111	1,023
Share of profit of entities accounted for using equity method	1,012	1,462
Other	792	710
Total non-operating income	5,211	7,880
Non-operating expenses		
Interest expenses	4,736	4,651
Provision for loss on repair construction of building	145	–
Other	470	436
Total non-operating expenses	5,351	5,087
Ordinary profit (loss)	(13,637)	6,903

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Extraordinary income		
Gain on sale of non-current assets	–	126
Subsidy Income	3,249	1,110
Gain on forgiveness of lease obligations	1,680	467
Gain on sale of investment securities	13	2,501
Gain on forgiveness of debts	–	313
Other	159	8
Total extraordinary income	5,104	4,527
Extraordinary losses		
Loss on retirement of non-current assets	1,868	2,883
Loss on valuation of investment securities	3,348	–
Impairment losses	6,846	2,619
Loss related to COVID-19	10,321	2,207
Other	921	52
Total extraordinary losses	23,306	7,763
Profit (loss) before income taxes	(31,838)	3,667
Income taxes - current	4,152	2,644
Income taxes - deferred	(2,869)	(5,029)
Total income taxes	1,282	(2,384)
Profit (loss)	(33,121)	6,052
Profit attributable to non-controlling interests	849	691
Profit (loss) attributable to owners of parent	(33,970)	5,360

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Profit (loss)	(33,121)	6,052
Other comprehensive income		
Valuation difference on available-for-sale securities	3,415	(1,621)
Deferred gains or losses on hedges	1	(1)
Revaluation reserve for land	(2,792)	–
Foreign currency translation adjustment	(2,844)	3,990
Remeasurements of defined benefit plans, net of tax	701	(790)
Share of other comprehensive income of entities accounted for using equity method	(1,229)	2,121
Total other comprehensive income	(2,746)	3,697
Comprehensive income	(35,867)	9,750
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(36,148)	8,254
Comprehensive income attributable to non-controlling interests	280	1,495

Consolidated statements of changes in equity

Fiscal year ended February 28, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	66,025	55,026	308,397	(15,993)	413,456
Changes during period					
Dividends of surplus			(4,001)		(4,001)
Profit (loss) attributable to owners of parent			(33,970)		(33,970)
Purchase of treasury stock and disposal of treasury stock		(0)		(0)	(0)
Reversal of revaluation reserve for land			189		189
Change in ownership interest of parent due to transactions with non-controlling interests		(235)			(235)
Net changes in items other than shareholders' equity					-
Total changes during period	-	(235)	(37,782)	(0)	(38,018)
Balance at end of period	66,025	54,790	270,615	(15,993)	375,437

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,990	(0)	5,926	8,948	381	21,247	21,168	455,871
Changes during period								
Dividends of surplus								(4,001)
Profit (loss) attributable to owners of parent								(33,970)
Purchase of treasury stock and disposal of treasury stock								(0)
Reversal of revaluation reserve for land								189
Change in ownership interest of parent due to transactions with non-controlling interests								(235)
Net changes in items other than shareholders' equity	2,883	1	(2,981)	(2,979)	708	(2,367)	(374)	(2,741)
Total changes during period	2,883	1	(2,981)	(2,979)	708	(2,367)	(374)	(40,759)
Balance at end of period	8,873	1	2,945	5,969	1,089	18,879	20,793	415,111

Fiscal year ended February 28, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	66,025	54,790	270,615	(15,993)	375,437
Changes during period					
Dividends of surplus			(4,001)		(4,001)
Profit (loss) attributable to owners of parent			5,360		5,360
Purchase of treasury stock and disposal of treasury stock		0		(0)	(0)
Reversal of revaluation reserve for land					-
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					-
Total changes during period	-	0	1,358	(0)	1,357
Balance at end of period	66,025	54,790	271,973	(15,994)	376,795

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	8,873	1	2,945	5,969	1,089	18,879	20,793	415,111
Changes during period								
Dividends of surplus								(4,001)
Profit (loss) attributable to owners of parent								5,360
Purchase of treasury stock and disposal of treasury stock								(0)
Reversal of revaluation reserve for land								-
Change in ownership interest of parent due to transactions with non-controlling interests								-
Net changes in items other than shareholders' equity	(1,444)	(1)	-	5,026	(686)	2,893	1,126	4,020
Total changes during period	(1,444)	(1)	-	5,026	(686)	2,893	1,126	5,378
Balance at end of period	7,429	(0)	2,945	10,995	403	21,773	21,919	420,489

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(31,838)	3,667
Depreciation	27,982	31,428
Impairment losses	6,846	2,619
Amortization of goodwill	134	240
Increase (decrease) in allowance for doubtful accounts	270	(329)
Increase (decrease) in retirement benefit liability	(2,049)	(2,661)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	33	(53)
Increase (decrease) in provision for point card certificates	(369)	(1,491)
Increase(decrease) in allowance for loss on repair construction of building	71	(3,661)
Interest and dividend income	(1,666)	(1,607)
Interest expenses	4,736	4,651
Share of loss (profit) of entities accounted for using equity method	(1,012)	(1,462)
Loss on retirement of non-current assets	629	2,883
Subsidy income	(3,249)	(1,110)
Gain on forgiveness of lease obligations	(1,680)	(467)
Loss related to COVID-19	10,321	2,207
Loss (gain) on sale of investment securities	234	(2,501)
Gain on forgiveness of debt	–	(313)
Decrease (increase) in trade receivables	15,151	4,612
Decrease (increase) in inventories	1,998	4,178
Increase (decrease) in trade payables	(14,846)	6,040
Increase (decrease) in advances received	11,196	5,058
Increase (decrease) in accounts payable - other	12,571	(12,552)
Other, net	17,280	(6,956)
Subtotal	52,745	32,419
Interest and dividends received	2,442	2,798
Interest paid	(4,707)	(4,665)
Subsidies received	3,249	1,110
Loss related to COVID-19 paid	(7,160)	(1,630)
Income taxes paid	(2,848)	(8,989)
Net cash provided by (used in) operating activities	43,720	21,044
Cash flows from investing activities		
Payments into time deposits	–	(188)
Proceeds from withdrawal of time deposits	2	–
Purchase of short-term and long-term investment securities	(32)	(33)
Proceeds from sale and redemption of short-term and long-term investment securities	316	1,153
Purchase of property, plant and equipment and intangible assets	(23,421)	(32,939)
Payments for asset retirement obligations	(1,847)	(114)
Purchase of shares of subsidiaries and associates	(2,409)	(456)
Proceeds from sale of shares of subsidiaries and associates	378	–
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(638)	–
Net decrease (increase) in short-term loans receivable	–	(2,772)
Other, net	618	(1,769)
Net cash provided by (used in) investing activities	(27,034)	(37,120)

(Millions of yen)

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,500	–
Proceeds from long-term borrowings	56,416	21,185
Repayments of long-term borrowings	(34,665)	(13,160)
Net increase (decrease) in commercial papers	10,000	(10,000)
Proceeds from issuance of bonds	–	20,000
Redemption of bonds	(25,105)	(10,092)
Repayments of lease obligations	(7,305)	(8,319)
Dividends paid	(4,001)	(4,001)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(200)	–
Other, net	(336)	(370)
Net cash provided by (used in) financing activities	2,303	(4,758)
Effect of exchange rate change on cash and cash equivalents	(2,080)	4,511
Net increase (decrease) in cash and cash equivalents	16,909	(16,323)
Cash and cash equivalents at beginning of period	88,411	105,320
Cash and cash equivalents at end of period	105,320	88,996

Qualitative Information about Consolidated Operating Results

During the consolidated fiscal year under review, the Japanese economy yo-yoed amid the impact of the pandemic. Following another wave of infections beginning in July 2021, consumer confidence and capital spending declined, resulting in negative GDP growth for the July–September quarter. Subsequently, the vaccine rollout brought case numbers under control and the state of emergency was lifted at the end of September 2021. Economic activity and consumer spending then started to recover. Consequently, real GDP growth turned positive for the October–December quarter. However, after the Omicron variant dashed hopes of an end to the pandemic, travel and consumer confidence have slowed since January 2022. The outlook has been further mired by inflation pressures caused by soaring oil prices and market pessimism over Russia–Ukraine tensions.

Our department stores constitute the source of the Takashimaya brand value and our core business. Although sales picked up after the state of emergency was lifted, they are yet to return to pre-pandemic levels, partly because of the impact of Omicron. We face a pressing need to turn the department store business around from the effects of the pandemic. This situation also presents an impetus for a program of cost optimization. Starting from the year under review, which marks the first year of our 3-Year Strategy (2021–2023), we are working on a program of cost optimization to return the business to profit. This program includes measures for enhancing merchandise and services in order to restore takings in department stores. Meanwhile, to build a leaner and fitter organization, we are reducing operating costs by slimming down organizational structures and insourcing more business processes. Additionally, in August, we revamped the Takashimaya Online Store as part of our efforts to achieve our 2023 target of 50 billion yen in e-commerce sales. The new e-commerce website has performed well, with strong marketing campaigns for seasonal products such as traditional New Year foods (Osechi) and Valentines gifts.

Toshin Development, a commercial property developer that spearheads our groupwide Machidukuri Strategy, continued efforts in hub development (developing assets around hubs) and business development (capturing business opportunities) in Japan and overseas. In Japan, it focused on developing the vicinity of Nagareyama Otakanomori Shopping Center—the Nagareyama Otakanomori area in Chiba Prefecture. In Vietnam, it worked on Starlake Project, a township development in Hanoi. Together with Toshin Development, we are working to diversify our assets. For example, in November 2021, Toshin Development opened an office complex (Azalea Terrace) in front of Nagareyama Otakanomori Station and acquired residential property in Tokyo’s Meguro Ward. In another example, we opened Nihombashi 3-chome Square, a green building funded by proceeds from Takashimaya Green Bond. Issued in December 2021, Takashimaya Green Bond is an ESG bond designed to fund projects that support environmental sustainability. These efforts help advance the Machidukuri Strategy and generate stable income.

Regarding the finance business, we have opened a financial counters business as a new form of

department store merchandise. The business provides financial advice, including for asset building and inheritance, and trades in financial instruments. We opened a financial counter in the Osaka store in July 2021 and another in the Yokohama store in September of that year. Leveraging our extensive customer base and store locations, the financial counters will serve to expand customer interfaces and secure a revenue base to generate stable income.

Regarding sustainability action, we continued contributing toward a sustainable 21st-century world in which everyone prospers. Our sustainability efforts are disclosed in Takashimaya Group ESG Report 2021, which we published in December 2021. To give some examples, we issued the green bond mentioned earlier and undertook a materiality assessment, identifying 10 material issues. These include supporting a transition to a low-carbon economy, supporting businesses that contribute to a circular economy, tackling food loss, and engaging with local communities. In this way, we aim to balance social concerns with business growth.

Our consolidated performance was as follows: We recorded a total consolidated operating revenue of 761,124 million yen (up 11.8% compared with the previous fiscal year), consolidated operating income of 4,110 million yen (compared to a loss of 13,496 million yen in the previous fiscal year), a consolidated ordinary income of 6,903 million yen (compared to a loss of 13,637 million yen in the previous fiscal year), and a consolidated profit attributable to owners of parent of 5,360 million yen (compared to a loss of 33,970 million yen in the previous fiscal year).

The non-consolidated performance was as follows: We recorded total sales of 597,951 million yen (up 13.3% compared with the previous fiscal year) and an operating loss of 7,760 million yen (compared to a loss of 20,218 million yen in the previous fiscal year). Following an increase in dividends received from group companies, we recorded an ordinary income of 2,620 million yen (compared to a loss of 18,055 million yen in the previous fiscal year). Net income came to 6,949 million yen (compared to a loss of 33,630 million in the previous fiscal year), reflecting an increase in deferred tax assets after we were approved for a tax incentive under the Industrial Competitiveness Enhancement Act.