

Takashimaya Company, Limited

Takashimaya Reports Earnings for the Fiscal Year Ended February 28, 2011

Summary of Operating Results

Consolidated sales and other operating revenue for the Takashimaya Group declined 0.9% from the previous fiscal year to 869,476 million yen. Operating income increased 35.3% to 18,173 million yen, ordinary income rose 34.1% to 22,484 million yen, and net income soared 79.6% to 13,849 million yen.

During the fiscal year, the Japanese economy showed signs of gradual recovery from the latter half of 2010, including improved corporate earnings, amid an overall severe business environment marked by ongoing instability in the global economy and volatile foreign exchange markets.

In this environment, the Takashimaya Group continued to strive toward the targets set out in its long-term business plan, *New Strategies for Growth*, by undertaking initiatives to reform its operating, cost, and organizational structures and reinforce the Group's overall management. Though the Group made strides in strengthening its sales capabilities to ensure responsiveness to local customer needs, consolidated sales declined versus the previous fiscal year. Operating income, however, increased for the first time in three years as a result of the structural reforms.

Segment Information

Department Stores

In the Department Stores segment, sales and other operating revenue declined 1.2% from the previous fiscal year to 777,478 million yen. Operating income soared 110.4% to 10,728 million yen.

With a management approach of having each and every employee oriented toward sales, the Takashimaya Group continued to take initiatives to better understand and respond to the needs of its customers in order to offer optimal sales service and product lineups. Amid changes in the consumption environment and structure, it has become imperative for each store to raise its value to its respective local community. To that end, the Group established a Customer Service Promotion Office in September 2010 to unify the customer response and satisfaction initiatives carried out at each store, promote mechanisms to share customer needs among the stores, and quickly resolve common issues.

In terms of specific initiatives at each store, the significant investment in the Osaka store culminated in its grand reopening in March 2011, which followed the successful first phase floor expansion in March 2010 and the second phase renovation in September 2010. The expansion and renovation were aimed at refocusing product lineups, sales, service, and store environment clearly around customer preferences and values. Local customers have positively responded to the complete refurbishment of the shopping floors, zones, and sales areas, and sales rose accordingly in the year.

Throughout the store network, the Group made progress in renovating facilities to appeal to customers and better serve their needs, including making facilities barrier-free. At the Kashiwa store, for example, an elevator was installed in the parking level to better serve customers using wheelchairs and baby carriages.

The Group has implemented structural reforms in order to create a new store business model. At the Shinjuku store, personnel have been reshuffled as part of a larger plan to increase profitability by reallocating management resources and improving workflow. The Group has also strengthened its marketing collaboration with tenants of Shinjuku Takashimaya Times Square, while improving its marketing and sales capabilities to attract and serve foreign tourists to the shopping plaza. At the Tachikawa store, new tenants opened in February and April 2011. The Group used its considerable tenant management know-how to attract these specialty stores and create a unified management model which can provide fresh appeal to customers. At the Okayama store, which is operated through a capital alliance with Ryobi Holdings Co., Ltd., the Takashimaya Group and the Ryobi Group made preparations to jointly introduce the Tamarun Card from April 2011. This loyalty point card program will add convenience for local customers and help to attract new customers to the store.

Through the above measures, the Takashimaya Group continued to make strides in carrying out structural reforms designed to promote optimal sales strategies for each respective region in a timely manner, driven by the needs of customers in the local communities.

With regard to merchandising strategies, the Group carried out a number of its own programs using the Takashimaya brand, while enhancing unified merchandising efforts such as centralized procurement of goods sold throughout the store network. At the same time, the ability to offer merchandise with regional appeal was also enhanced. The Group both strengthened the functions of buyers for each store and created managers responsible for merchandising to large-scale stores. This strategy has made it possible for stores to offer high-quality, reasonably priced merchandise tailored to each region and its local preferences. The Group has also teamed up with local government institutions and industry to offer local products for local tastes—products made and consumed locally. This also has enhanced the ability of each store to tailor its merchandise to local customer preferences.

The Group also undertook new initiatives to strengthen its information distribution and marketing capabilities. The Group took advantage of the potential of new media by establishing a new Internet site for mobile phone users to coincide with the phase one expansion of the Osaka store, and by starting the delivery of a new electronic magazine. In addition, in an effort to attract new customers, the Group introduced as a new loyalty program in November a Takashimaya Point Card that does not have credit card functionality. The Group also began in January a sales campaign celebrating its 180th anniversary in business.

Outside Japan, Takashimaya Singapore Ltd. posted higher revenue and earnings, primarily as a result of the rebound in local consumption. With regard to Takashimaya New York LLC, the Group closed the New York store in June as part of its strategy to shift resources to the fast-growing Asian region.

Contract & Design

The Contract & Design segment contributed 17,451 million yen in sales and other operating revenue, an increase of 10.9% from the previous fiscal year, and operating income of 121 million yen, rebounding from an operating

loss of 501 million yen in the previous fiscal year.

Takashimaya Space Create Co., Ltd. succeeded in increasing sales and other operating revenue by boosting large orders. At the same time, the company managed to reduce expenses, primarily fixed costs, and posted an operating profit, recovering from its loss in the previous fiscal year.

Real Estate

The Real Estate segment's sales and other operating revenue increased 0.1% versus the previous fiscal year to 29,434 million yen. Operating income totaled 6,613 million yen, an increase of 1.9%.

Toshin Development Co., Ltd. developed a new restaurant avenue as part of the Osaka store expansion and made steady progress on a development project for the 40th anniversary of Tamagawa Takashimaya Shopping Center. Outside Japan, the Group continued to strengthen its development capabilities in the Asia region with the conversion of Toshin Development's Singapore branch into a local subsidiary (Toshin Development Singapore Pte. Ltd.), which became a consolidated subsidiary from the fiscal year ended February 28, 2011.

Finance

Sales and other operating revenue in the Finance segment increased 7.1% from the previous fiscal year to 11,689 million yen, while operating income rose 32.4% to 2,135 million yen.

Takashimaya Credit Co., Ltd. posted higher revenue and operating income for the year, as an increase in the number of cardholders and a recovery in transaction volume boosted revenues from external handling charges and annual membership fees.

Other

Sales and other operating revenue in the Other segment, including the Group's Cross Media Division, fell 3.7% from the previous fiscal year to 33,421 million yen. The segment posted an operating loss of 1,280 million yen, versus operating income of 938 million yen in the previous fiscal year.

In the Cross Media Division, separate Internet sites operated for the mail-order and online operations were merged into a new sales site with a streamlined payment system and other customer-friendly features. While online sales increased, sales and other operating revenue of the Cross Media Division declined slightly due primarily to sluggish catalogue orders. Expenses, meanwhile, increased mainly due to establishment of Takashimaya Service Co., Ltd.

Consolidated Earnings Forecast

The Takashimaya Group realizes that the earthquake and tsunami which struck eastern Japan in March 2011 will have a significant impact on the nation's economy in the fiscal year ending February 29, 2012. The Group's first wish is for a rapid recovery to the regions affected by this disaster, and it pledges to do everything it can to support the recovery efforts.

Consolidated performance targets for the year are as follows: sales and other operating revenue of 846,800 million yen, a decline of 2.6% from the previous fiscal year, operating income of 16,000, a decline of 12.0%, ordinary income of 18,500 million yen, a decline of 17.7%, and net income of 8,500 million yen, a decline of 38.6%.

The Group expects the disaster to dampen domestic consumption and have a significant impact on its business as a whole, especially on the Department Stores business. The Group will use its geographic balance of stores in eastern and western Japan and its earnings power in taking on this challenge.

The Group plans to make every effort to maintain profitability by revamping the sales approach to its stores in eastern Japan, which will receive the brunt of the impact, while striving to reduce costs across the Group.

In terms of the Group's sales structure, the structural reforms have transferred buying authority to stores. This will enable stores to better respond to local preferences. The Group is also revamping its product code system to raise the accuracy of product information and improve product lineups.

Each store is also carrying out individual initiatives. The Osaka store has completed its grand reopening and can now serve customers through its improved product lineups, sales, service, and shopping environment as it aims to raise profitability. At the Kashiwa store, efforts are ongoing to improve the shopping environment, including an enhanced air conditioning system. The Shinjuku, Tachikawa, and Okayama stores are making renovations to their food areas to enhance product lineups and better serve local preferences, and the stores see this as the year for reaping the full benefits of the structural reforms carried out. The benefits of these initiatives will also be transferred to other stores in the Group.

Efforts to strengthen the management structure will include an upgrade of computer systems, which will be converted from a central host system to a distributed system capable of more flexible and sophisticated processing of Group information, from sales to management data.

Outside Japan, Takashimaya Singapore Ltd. is pursuing initiatives to boost sales by attracting tourists, which number more than 10 million a year, and through other measures. As part of its growth strategy, the Group will continue to develop its business throughout Asia, including progress on the planned opening of a store in Shanghai in 2012.

In the Contract & Design business, Takashimaya Space Create Co., Ltd. will continue to focus its sales activities on attracting large-scale projects, as it works to strengthen its project proposal capabilities to ensure it can offer clients a complete service, from planning through to construction.

In the Real Estate business, Toshin Development Co., Ltd. continues to pursue initiatives to increase sales and profits, including the new development project Futako Tamagawa Rise Dogwood Plaza shopping center, along with projects to support the marketing of Tamagawa Takashimaya Shopping Center by offering special services to Takashimaya credit card holders.

In the Finance business, Takashimaya Credit Co., Ltd. will seek to promote credit card usage by enhancing the quality of customer magazines with more appealing information on stores and shopping center tenants. The company will also strive to improve profitability through cost efficiency measures.

In the Cross Media Division, the Group has designated its online sales business as a third pillar next to its Department Stores and out-of-store businesses. The Group will combine the advantages of the Internet and

department stores business models, drawing on Takashimaya's brand power and its ability as a department store to provide an extensive product lineup.

The Takashimaya Group recognizes that it is a member of the local communities in which it operates, and based on that principle, it actively fulfills its corporate social responsibility (CSR) as part of its operations. In response to the March earthquake and tsunami in eastern Japan, the Group has taken initiatives to support people affected by the disaster, while also reducing store operating hours and taking other measures to conserve energy. The Group will do its utmost to further these initiatives in the year ahead.

In this anniversary year, the Group will reaffirm its 180 years of culture, traditions, and history, and seek to fuse this with new traditions to continue offering superior value to society.

Note: Earnings forecasts and other forward-looking statements in this document are based on information currently available to management and involve risks and uncertainties. Actual results may differ materially from those expressed or implied by forward-looking statements. Factors that could cause actual results to differ from projections include, but are not limited to, changes to the economic environment, market conditions, and exchange rates.

Consolidated Financial Statements

Balance Sheets

(million yen)

	As of	As of
	February 28, 2011	February 28, 2010
	Amount	Amount
Assets		
Current assets	265,878	239,816
Cash and deposits	55,503	56,011
Notes and accounts receivable	121,263	102,200
Marketable securities	15,000	3,000
Merchandise and products	37,211	39,665
Work in process	771	2,945
Raw materials and supplies	584	608
Deferred tax assets	5,160	7,281
Other	30,944	28,599
Allowance for doubtful accounts	(562)	(497)
Fixed assets	551,209	545,282
Tangible fixed assets	381,920	381,943
Buildings and structures, net	160,020	162,591
Machinery, equipment and vehicles, net	117	155
Furniture and fixtures, net	8,697	8,835
Land	208,772	201,608
Lease assets, net	2,456	986
Construction in progress	1,856	7,766
Intangible fixed assets	26,451	19,417
Leasehold	11,354	11,354
Goodwill	764	859
Other	14,332	7,203
Investments and other assets	142,838	143,921
Investment securities	79,528	79,394
Long-term guarantee deposits	43,613	42,760
Deferred tax assets	16,655	17,840
Other	7,830	8,741
Allowance for doubtful accounts	(4,790)	(4,816)
Total assets	817,088	785,098

(million yen)

	As of	As of
	February 28, 2011	February 28, 2010
	Amount	Amount
Liabilities		
Current liabilities	304,198	302,444
Notes and account payable	87,248	85,684
Short-term bank loans	14,083	24,593
Lease obligations	500	125
Accrued income taxes	3,035	3,202
Advances received	76,871	77,020
Gift certificates outstanding	77,174	59,489
Deposits received	21,248	22,309
Allowance for point gift certificates	3,828	3,742
Allowance for loss on disposal of buildings and structures	341	-
Other	19,866	26,275
Fixed liabilities	211,789	191,415
Corporate bonds	30,000	30,000
Long-term debt	87,679	65,962
Lease obligations	1,955	860
Allowance for employees' retirement benefits	51,889	55,383
Allowance for directors' and corporate auditors' retirement benefits	244	251
Reserve for environmental measures	693	-
Deferred tax liabilities	121	67
Deferred tax liabilities related to revaluation	9,838	9,838
Other	29,367	29,050
Total liabilities	515,988	493,859
Net assets		
Common stock	56,025	56,025
Capital surplus	45,085	45,085
Retained earnings	185,272	174,741
Treasury stock	(528)	(514)
Total owners' equity	285,854	275,336
Net unrealized gains/losses on other securities	6,237	6,048
Net deferred gains/losses on hedge contracts	3	(12)
Land revaluation difference	7,998	7,998
Foreign currency translation adjustments	(3,856)	(1,973)
Total valuation and translation adjustments	10,383	12,060
Minority interests in earnings of consolidated subsidiaries	4,861	3,842
Total net assets	301,099	291,239
Total liabilities and net assets	817,088	785,098

Statements of Operations

(million yen)

	Fiscal year ended February 28, 2011	Fiscal year ended February 28, 2010
	Amount	Amount
Net sales	819,062	827,872
Cost of sales	606,812	609,816
Gross profit	212,249	218,056
Other operating revenue	50,413	49,889
Gross operating income	262,663	267,945
Selling, general and administrative expenses		
Advertising expenses	22,891	22,896
Provision for point gift certificates	3,828	3,742
Distribution and outsourcing expenses	26,874	26,422
Supplies expenses	4,097	3,849
Provision for doubtful accounts	1,818	1,402
Directors' compensation and salaries	69,919	76,505
Retirement benefit expenses	7,780	8,306
Provision for directors' and corporate auditors' retirement benefits	72	81
Welfare expenses	13,912	15,071
Heating and lighting expenses	11,097	11,031
Commission fees	1,937	2,960
Rental expenses	37,725	39,906
Machine rental expenses	1,593	1,944
Depreciation	16,099	15,647
Amortization of goodwill	187	187
Other	24,652	24,559
Total selling, general and administrative expenses	244,489	254,517
Operating income	18,173	13,428
Interest income	359	367
Dividend income	829	807
Gain on adjustment of accounts payable	1,361	979
Equity in gains of affiliated companies	1,816	1,353
Gain on donation of fixed assets	1,286	604
Other non-operating income	807	1,555
Total non-operating income	6,460	5,667
Interest expenses	1,691	1,686
Loss on adjustment of accounts payable	0	15
Other non-operating expense	458	629
Total non-operating expenses	2,150	2,331
Ordinary income	22,484	16,764
Extraordinary gains		
Gain on sale of fixed assets	10,466	685
Reversal of allowance for doubtful accounts	32	140
Gain on reversal of allowance for loss on disposal of buildings and structures	-	214
Other	1	144
Total extraordinary gains	10,500	1,184
Extraordinary losses		
Loss on sale of fixed assets	2	5
Loss on disposal of fixed assets	3,681	2,436

Gain on reversal of allowance for loss on disposal of buildings and structures	341	-
Write-down of inventories	-	995
Loss on revaluation of investment securities	4	5
Additional early retirement benefits	1,588	1,867
Loss on change in equity interest	448	-
Provision for environmental measures	693	-
Other	766	238
Total extraordinary losses	7,527	5,549
Net income before income taxes	25,457	12,400
Income taxes, inhabitants' tax, and enterprise taxes	7,945	4,584
Income tax adjustments	3,256	(256)
Total income taxes	11,201	4,327
Minority interests in earnings of consolidated subsidiaries	407	362
Net income	13,849	7,709

Statement of Changes in Net Assets

	Number of shares issued	Net assets				(In million yen)
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance as of February 28, 2009	330,827,625	56,025	45,084	169,704	(501)	270,312
Cash dividends paid				(3,299)		(3,299)
Net income for the fiscal year				7,709		7,709
Gain on sales of treasury stock and increase in treasury stock, net			0		(13)	(12)
Reversal of revaluation reserve for land				626		626
Effect of change in scope of consolidation				-		-
Net changes during the year		-	0	5,036	(13)	5,023
Balance as of February 28, 2010	330,827,625	56,025	45,085	174,741	(514)	275,336
Cash dividends paid				(3,299)		(3,299)
Net income for the fiscal year				13,849		13,849
Gain on sales of treasury stock and increase in treasury stock, net			0		(13)	(12)
Reversal of revaluation reserve for land				-		-
Effect of change in scope of consolidation				(19)		(19)
Net changes during the year		-	0	10,531	(13)	10,518
Balance as of February 28, 2011	330,827,625	56,025	45,085	185,272	(528)	285,854

(million yen)

	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Total accumulated gains from revaluation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance as of February 28, 2009	2,296	(38)	8,624	(2,795)	8,086	3,511	281,911
Cash dividends paid							(3,299)
Net income for the fiscal year							7,709
Gain on sales of treasury stock and increase in treasury stock, net							(12)
Reversal of revaluation reserve for land							626
Effect of change in scope of consolidation							-
Net change in items other than shareholders' capital	3,752	26	(626)	821	3,973	330	4,304
Net changes during the year	3,752	26	(626)	821	3,973	330	9,328
Balance as of February 28, 2010	6,048	(12)	7,998	(1,973)	12,060	3,842	291,239
Cash dividends paid							(3,299)
Net income for the fiscal year							13,849
Gain on sales of treasury stock and increase in treasury stock, net							(12)
Reversal of revaluation reserve for land							-
Effect of change in scope of consolidation							(19)
Net change in items other than shareholders' capital	189	16	-	(1,882)	(1,676)	1,019	(657)
Net changes during the year	189	16	-	(1,882)	(1,676)	1,019	9,860
Balance as of February 28, 2011	6,237	3	7,998	(3,856)	10,383	4,861	301,099

Statements of Cash Flows

(million yen)

Statements of Cash Flows (million yen)		Fiscal year ended February 28, 2011	Fiscal year ended February 28, 2010
		Amount	Amount
I	Cash flows from operating activities:		
	Income before income taxes and minority interests	25,457	12,400
	Depreciation	16,128	15,684
	Amortization of goodwill	95	95
	Increase (decrease) in allowance for doubtful accounts	39	857
	Increase (decrease) in allowance for directors' and corporate auditors' bonuses	-	(14)
	Increase (decrease) in allowance for employees' retirement benefits	(3,494)	(1,255)
	Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	(7)	(32)
	Increase (decrease) in allowance for point gift certificates	85	(438)
	Increase (decrease) in allowance for loss on disposal of buildings and structures	341	(810)
	Interest and dividend income	(1,188)	(1,174)
	Interest expenses	1,691	1,686
	Equity in gain of affiliated companies	(1,816)	(1,353)
	(Gain) loss on sale of fixed assets	(10,464)	(685)
	Loss on disposal of fixed assets	2,536	1,669
	(Gain) loss on revaluation of investment securities	4	5
	(Increase) decrease in notes and accounts receivable	(19,741)	(595)
	(Increase) decrease in inventories	4,620	1,693
	Increase (decrease) in notes and accounts payable	1,485	(3,467)
	Other	10,494	5,615
	Subtotal	26,267	29,880
	Interest and dividend income received	2,014	1,816
	Interest expense paid	(1,699)	(1,430)
	Income taxes paid	(7,992)	(6,837)
	Income taxes refunded	2,055	-
	Net cash provided by operating activities	20,645	23,428
II	Cash flows from investing activities:		
	Purchase of time deposits maturing after three months	(58)	(55)
	Repayment of time deposits maturing after three months	60	3,493
	Purchase of securities	(13)	(617)
	Proceeds from sale of securities	3,003	32
	Purchase of tangible and intangible fixed assets	(28,961)	(19,892)
	Proceeds from sale of tangible and intangible fixed assets	12,520	6,569
	Payment of long-term loans	(26)	(25)
	Collection of long-term loans	39	48
	Other	196	(60)
	Net cash used in investing activities	(13,240)	(10,508)
III	Cash flows from financing activities:		
	Proceeds from long-term bank loans	30,000	31,000
	Repayment of long-term bank loans	(18,793)	(8,449)
	Increase (decrease) in commercial papers	-	(13,000)
	Proceeds from issuance of bonds	-	20,000
	Payments for redemption of bonds	-	(11,231)
	Proceeds from sale of treasury stock	0	2
	Cash dividends paid	(3,299)	(3,299)
	Other	(234)	(204)
	Net cash provided by financing activities	7,673	14,817

IV	Effect of exchange rate changes on cash and cash equivalents	(997)	474
V	Increase (decrease) in cash and cash equivalents	14,080	28,212
VI	Cash and cash equivalents at beginning of period	55,963	27,750
VII	Increase in cash and cash equivalents due to newly consolidated subsidiaries	235	-
VIII	Cash and cash equivalents at end of period	70,279	55,963

Notes on the Going-concern Assumption

Not applicable