

# Takashimaya Company, Limited

Takashimaya Reports Earnings for the Six Months Ended August 31, 2013

## 1. Qualitative Information about Consolidated Operating Results

### (1) Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group rose 3.7% from the same period a year ago, to 435,291 million yen. Consolidated operating income was up 10.2%, to 11,156 million yen, and consolidated ordinary income increased 14.9%, to 13,492 million yen. Consolidated net income climbed 15.3%, to 7,614 million yen.

In the first six months (March 1-August 31, 2013) of the fiscal year ending February 2014, the Japanese economy staged a modest recovery, largely driven by corporate performance. However, the economic situation in Japan continues to require close observation in the period ahead, given the continued economic instability in Europe and emerging markets.

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 increased 3.3% from the same period a year ago, to 385,419 million yen. Operating income rose 18.7% , to 4,391 million yen.

The Takashimaya Group worked to bolster the sales base for its large stores, improve the profitability of its suburban stores and provincial stores, and consolidate its customer base using “reforming the department store business in Japan” as its slogan.

During the six months under review, the Department Stores segment posted sales growth driven by high-ticket items, such as select clothing, general merchandise and jewelry, reflecting the wealth effects brought about by rising stock prices. Stores also worked to enhance the value of the Takashimaya brand and focused on increasing their ability to attract customers through “Takashimaya ART WALKING” cultural events linked to the “Art + Living: Takashimaya” exhibition held at Setagaya Art Museum. In addition, this year, stores launched their summer clearance sales on June 28 to coincide with the peak of the midyear gift campaign, and succeeded in steadily expanding sales and the number of customers.

The large Nihombashi store reported increased revenues, reflecting a strong offering of events to commemorate its 80th anniversary. The Yokohama store posted higher revenues due to robust sales of select clothing, general merchandise and jewelry as well as brisk sales of women’s general merchandise, renovated as part of a building-wide renovation project. The Shinjuku store also recorded stronger revenues and a higher number of customers than a year ago, reflecting the success of measures to tap into the increase in foreign tourists and the increase in visitors to Shinjuku due to launch of the reciprocal through-service between the Tokyu Toyoko Line and the Tokyo Metro Fukutoshin Line.

In the meantime, the Osaka store registered a slight dip in revenues, despite renovation of parts of the store in face of intensifying competition. Among suburban and provincial stores, the Omiya store saw a steady rise in the number of customers after undergoing a complete renovation including the introduction of new tenants in May, with the aim of increasing its ability to attract customers in line with a strategy of “diversifying store functions.” The Okayama store achieved year-over-year increases in sales and the number of customers by expanding and renovating the food selling space.

Overseas, Takashimaya Singapore Ltd. posted additional growth in its revenues and earnings, reflecting strong sales from its Spring Festival campaign and other campaigns, solid sales in areas such as women’s general merchandise and food, and the exchange effects of the weaker yen.

### **Contract & Design**

The Contract & Design segment contributed 9,054 million yen in sales and other operating revenue, a rise of 8.8% from the same period a year ago, and operating income of 389 million yen, a rise of 49.3% from a year ago.

Takashimaya Space Create Co., Ltd. posted an increase in sales and operating revenue due to growth in orders received from hotels and other accommodation and commercial facilities. Although this resulted in higher costs due to expansion of the renovation business, earnings increased.

### **Real Estate**

The Real Estate segment’s sales and other operating revenue increased 6.8% from the same period a year ago, to 17,791 million yen. Operating income totaled 4,062 million yen, an increase of 6.0%.

Toshin Development Co., Ltd. posted higher revenues and earnings, mainly due to expansion of the Tamagawa shopping mall and the acquisition of income producing properties. Toshin Development Singapore Pte. Ltd. also reported an increase in revenues and earnings, reflecting greater rental income as a result of the contract renewal of specialty stores and the exchange effects of the weak yen.

### **Finance**

Sales and other operating revenue in the Finance segment increased 1.4% from the same period a year ago, to 5,909 million yen, while operating income rose 2.5%, to 1,951 million yen.

Takashimaya Credit Co., Ltd. posted increased operating revenues due to growth in overall shopping transactions supported by robust personal consumption and a rise in income from annual credit card fees. Although this resulted in higher costs to tighten credit management and an increase in costs as a proportion of turnover, earnings increased.

### **Other**

Sales and other operating revenue in the Other segment, including the Group’s Cross Media Division, increased 7.8% from the same period a year ago, to 17,117 million yen. The segment posted operating income of 388 million yen, a rise of 143.0% from a year ago.

In the Cross Media Division, net media, catalog media and television media performed solidly, allowing the segment to post a revenue increase.

## 2. Qualitative Information about Consolidated Financial Status

Consolidated assets at the end of the second quarter (August 31, 2013) stood at 815,266 million yen, up 24,578 million yen from the end of the previous fiscal year (February 28, 2013), mainly due to increases in cash and deposits and notes and accounts receivable. Consolidated liabilities rose 10,377 million yen from the end of the previous fiscal year, to 465,621 million yen, primarily reflecting increases in notes and accounts payable. Consolidated net assets reached 349,644 million yen, up 14,200 million yen from the end of the previous fiscal year.

Consolidated cash and cash equivalents at the end of the second quarter (August 31, 2013) totaled 74,657 million yen, up 10,677 million yen from the end of the previous fiscal year (February 28, 2013). Net cash provided by operating activities totaled 19,056 million yen, an increase of 2,167 million yen from the same period a year ago. The result mainly reflects an increase of 2,843 million yen in notes and accounts payable.

Net cash used in investment activities totaled 11,711 million yen, a decrease of 4,504 million yen from the same period a year ago. The result is primarily due to a decrease of 4,197 million yen in payments into time deposits.

Net cash used in financing activities was 381 million yen, a decrease of 18,452 million yen from the same period a year ago. The result is mainly attributable to a 20,784 million yen decrease in the repayment of long-term loans payable and a 2,300 million yen decline in the proceeds from long-term loans receivable.

Takashimaya Reports Earnings for the Six Months Ended August 31, 2013

	As of February 28, 2013	(million yen) As of August 31, 2013
<b>Consolidated quarterly balance sheets</b>		
Assets		
Current assets		
Cash and deposits	69,495	80,948
Notes and accounts receivable-trade	98,978	105,831
Short-term investment securities		2,999
Merchandise and finished goods	37,270	36,873
Work in process	443	646
Raw materials and supplies	521	515
Other	30,131	30,210
Allowance for doubtful accounts	(577)	(512)
Total current assets	236,263	257,512
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	154,003	154,476
Land	213,057	213,732
Other, net	11,695	12,326
Total property, plant and equipment	378,755	380,535
Intangible assets		
Goodwill	745	688
Other	28,233	28,164
Total intangible assets	28,979	28,852
Investments and other assets		
Investment securities	96,100	99,998
Guarantee deposits	41,288	40,886
Other	12,094	10,117
Allowance for doubtful accounts	(2,794)	(2,637)
Total investments and other assets	146,688	148,364
Total noncurrent assets	554,423	557,753
Total assets	790,687	815,266

Takashimaya Reports Earnings for the Six Months Ended August 31, 2013

	As of February 28, 2013	(million yen) As of August 31, 2013
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	87,883	92,869
Short-term loans payable	19,172	23,201
Current portion of bonds		10,000
Income taxes payable	4,045	4,399
Advances received	77,022	77,841
Gift certificates	57,174	56,588
Provision for point card certificates	3,136	3,175
Other	46,212	50,690
Total current liabilities	294,645	318,765
Noncurrent liabilities		
Bonds payable	30,000	20,000
Long-term loans payable	49,674	47,432
Asset retirement obligations	1,301	1,406
Provision for retirement benefits	43,648	43,032
Provision for directors' retirement benefits	207	235
Provision for environmental measures	651	647
Other	35,116	34,101
Total noncurrent liabilities	160,597	146,856
Total liabilities	455,243	465,621
Net assets		
Shareholders' equity		
Capital stock	56,025	56,025
Capital surplus	45,085	45,085
Retained earnings	206,440	212,404
Treasury stock	(536)	(542)
Total shareholders' equity	307,014	312,972
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,106	15,136
Deferred gains or losses on hedges	1	0
Revaluation reserve for land	8,537	8,537
Foreign currency translation adjustment	1,767	6,690
Total accumulated other comprehensive income	22,413	30,365
Minority interests	6,015	6,306
Total net assets	335,443	349,644
Total liabilities and net assets	790,687	815,266

Takashimaya Reports Earnings for the Six Months Ended August 31, 2013

	(million yen)	
	Six months ended August 31, 2012	Six months ended August 31, 2013
Consolidated quarterly statements of (comprehensive) income		
Net sales	392,697	406,419
Cost of sales	290,584	302,193
Gross profit	102,113	104,225
Other operating revenue	27,132	28,872
Operating gross profit	129,245	133,097
Selling, general and administrative expenses		
Advertising expenses	11,397	11,582
Provision for point card certificates	1,299	1,607
Provision of allowance for doubtful accounts	192	152
Directors' compensations, salaries and allowances	32,878	33,055
Retirement benefit expenses	3,399	2,270
Rent expenses on real estates	18,624	19,978
Other	51,329	53,293
Total selling, general and administrative expenses	119,121	121,940
Operating income	10,124	11,156
Non-operating income		
Interest income	212	207
Dividends income	528	634
Equity in earnings of affiliates	957	1,125
Foreign exchange gains		357
Other	991	698
Total non-operating income	2,690	3,022
Non-operating expenses		
Interest expenses	677	547
Foreign exchange losses	174	
Other	223	139
Total non-operating expenses	1,074	686
Ordinary income	11,740	13,492
Extraordinary income		
Gain on sales of noncurrent assets		210
Gain on sales of investment securities		38
Other		28
Total extraordinary income		277
Extraordinary loss		
Loss on retirement of noncurrent assets	1,208	2,085
Loss on valuation of investment securities	19	
Other	1	
Total extraordinary losses	1,229	2,085
Income before income taxes and minority interests	10,510	11,684
Income taxes-current	2,720	3,559
Income taxes-deferred	794	148
Total income taxes	3,515	3,707
Income before minority interests	6,995	7,977
Minority interests in income	391	362
Net income	6,604	7,614

Takashimaya Reports Earnings for the Six Months Ended August 31, 2013

	Six months ended August 31, 2012	(million yen) Six months ended August 31, 2013
Consolidated quarterly statements of comprehensive income		
Income before minority interests	6,995	7,977
Other comprehensive income		
Valuation difference on available-for-sale securities	1,523	2,941
Deferred gains or losses on hedges	(12)	(1)
Foreign currency translation adjustment	580	2,978
Share of other comprehensive income of associates accounted for using equity method	585	2,033
Total other comprehensive income	2,675	7,951
Comprehensive income	<u>9,671</u>	<u>15,928</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	9,280	15,565
Comprehensive income attributable to minority interests	391	362

Takashimaya Reports Earnings for the Six Months Ended August 31, 2013

	Six months ended August 31, 2012	(million yen) Six months ended August 31, 2013
<b>Consolidated quarterly statements of cash flows</b>		
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	10,510	11,684
Depreciation and amortization	9,340	9,158
Amortization of goodwill	57	56
Increase (decrease) in allowance for doubtful accounts	(372)	(222)
Increase (decrease) in provision for directors' bonuses		(16)
Increase (decrease) in provision for retirement benefits	(2,595)	(615)
Increase (decrease) in provision for directors' retirement benefits	14	28
Increase (decrease) in provision for point card certificates	(459)	39
Interest and dividends income	(741)	(841)
Interest expenses	677	547
Equity in (earnings) losses of affiliates	(957)	(1,125)
Loss (gain) on sales of noncurrent assets		(210)
Loss on retirement of noncurrent assets	763	1,385
Loss (gain) on sales of short-term and long term investment securities		(38)
Decrease (increase) in notes and accounts receivable-trade	3,030	(7,832)
Decrease (increase) in inventories	954	277
Increase (decrease) in notes and accounts payable-trade	1,593	4,437
Other, net	(2,254)	4,199
Subtotal	19,560	20,912
Interest and dividends income received	1,522	1,888
Interest expenses paid	(715)	(462)
Income taxes paid	(3,478)	(3,282)
Net cash provided by (used in) operating activities	16,888	19,056
Net cash provided by (used in) investing activities		
Payments into time deposits	(4,775)	(577)
Proceeds from withdrawal of time deposits		186
Purchase of short-term and long term investment securities	(7)	(208)
Proceeds from sales of short-term and long term investment securities	3	64
Purchase of stocks of subsidiaries and affiliates	(1,960)	
Purchase of property, plant and equipment and intangible assets	(9,486)	(11,450)
Proceeds from sales of property, plant and equipment and intangible assets	9	237
Other, net	0	35
Net cash provided by (used in) investing activities	(16,216)	(11,711)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable		40
Proceeds from long-term loans payable	5,300	3,000
Repayment of long-term loans payable	(22,037)	(1,252)
Cash dividends paid	(1,649)	(1,649)
Other, net	(448)	(520)
Net cash provided by (used in) financing activities	(18,834)	(381)
Effect of exchange rate change on cash and cash equivalents	890	3,714
Net increase (decrease) in cash and cash equivalents	(17,271)	10,677
Cash and cash equivalents at beginning of period	76,077	63,980
Cash and cash equivalents at end of period	58,805	74,657