

# Takashimaya Company, Limited

Takashimaya Reports Earnings for the Year Ended February 28, 2019

Tokyo, Japan April 8, 2019—Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated operating revenue of 912,848 million yen for the fiscal year ending February 28, 2019, and profit attributable to owners of parent of 16,443 million yen, or 81.44 yen per diluted share.

## **Qualitative Information about Consolidated Operating Results**

During the consolidated fiscal year under review, the Japanese economy generally experienced a moderate recovery amid strong corporate performance and improved personal consumption, despite being affected by natural disasters such as earthquakes and torrential rainfall. However, the outlook remains uncertain with global concerns about trade friction, the impact of such fears upon stock market stability, and the Japanese public's misgivings about an upcoming hike in consumption tax.

Against this backdrop, the Takashimaya Group advanced the Machi-dukuri Strategy. Leveraging the collective strengths of the group, particularly that of our commercial developer Toshin Development Co., Ltd., we maximized the appeal of our commercial facilities and their surroundings. For example, we made sure that each department store fulfills its anchor role of drawing people to the area, and we pursued our vision of integrating the department store with specialty stores inside a single building. Regarding our performance in Japan, in September last year, the Nihombashi Store opened as the Nihombashi Takashimaya Shopping Center. The new wing has a total of 115 specialty stores covering a wide range of shopping opportunities, including early-opening stores and intangible customer experiences. We will work with these stores to meet the needs of people who live and work around Nihombashi. In October, the revamped Tachikawa Store opened as Tachikawa Takashimaya Shopping Center, with 23 specialty stores. The shopping center will serve as a new model for suburban shopping complexes. As for our performance overseas, in November last year, we opened Siam Takashimaya in Bangkok, Thailand. We have worked to give the new store a unique character by, for example, attracting numerous brands that are making their Thai debut.

Alongside these efforts, we have pursued the Group Reform Project. This project involves a digital transformation to overhaul and streamline the group's business processes and thereby secure a foothold for further growth.

Consequently, the consolidated performance was as follows: Total consolidated operating revenue for Takashimaya Group was 912,848 million yen (up 0.6% compared with the previous year), consolidated operating income was 26,661 million yen (down 24.5%), consolidated ordinary income was 31,234 million yen (down 19.1%), and consolidated profit attributable to owners of parent was 16,443 million yen (down 30.5%).

The non-consolidated performance was as follows: Total sales was 715,333 million yen (up 0.6% compared with the previous year), operating income was 8,541 million yen (down 33.9%), ordinary income was 21,097 million yen (up 38.5%), and net profit was 10,441 million yen (up 20.8%).

As of the cumulative consolidated first quarter, we have changed the accounting presentation method for our overseas consolidated subsidiaries, which follow International Financial Reporting Standards. For internal transactions, what was previously presented as gross profit margin is now presented on a net basis, as “sales.” The change has been retroactively applied in year-on-year comparisons.

Operating performance by business segment is discussed below.

### **Department Stores**

The Department Stores segment posted sales and other operating revenue of 792,045 million yen (up 0.9% compared with the previous year), and operating income of 8,691 million yen (down 35.7%).

Regarding store development, we advanced the Machi-dukuri Strategy in various ways, such as opening the Nihombashi Takashimaya Shopping Center. In October, the West Zone of Osaka Store’s basement floor was revamped and expanded. In December, Kyoto Store’s shopping space was expanded along Shijo-dori.

Regarding merchandise development, we continued efforts to develop shopping spaces that embody the curatorial prowess of a department store. The Yokohama and Nihombashi Stores welcomed Belle Sympathique, an experiential next-gen beauty salon. As part of the Group Reform Project, we introduced radio-frequency identification (RFID) tags as a means of managing inventory in the women’s footwear area of five major stores, the Tamagawa Store, and the Kashiwa Store. Our aim in doing so was to minimize waiting time for customers. Additionally, we actively engaged in the development of the Takashimaya Cashmere Collection from planning and production onward, and sold the merchandise as original products in each Japanese stores and online. Consequently, the collection contributed significantly to sales at a time when winter wear sales were struggling due to an unseasonably warm winter.

Regarding efforts to attract customers, to further capture foreign tourist demand, we expanded cashless payment services and, in some stores, introduced a tax refund service that uses Alipay and WeChat Pay. We also leveraged our global store network to issue promotional coupons to overseas store card members. Takashimaya Duty Free Shilla & ANA, which opened in April 2017, synergized effectively with the whole of Takashimaya Times Square and consequently increased its overall sales and sales among foreign tourists. As for domestic customers, we sought to encourage existing customers to use our services more frequently by promoting the use of our app as a communication tool. We also worked to win new domestic customers by organizing a largescale promotional campaign in collaboration with NTT Docomo, Inc., and Loyalty Marketing, Inc.

Regarding overseas stores, with the opening of Siam Takashimaya, we now have four overseas stores. Takashimaya Shopping Centre, Singapore, posted an operating revenue increase, reflecting the success of its 25th anniversary sales campaign and other factors. Shanghai Store struggled to grow sales amid the unfavorable local economic conditions; however, the store posted an operating revenue increase. Takashimaya Ho Chi Minh City, which is now two years old, achieved steady sales growth driven in part by the remodeling of its food sales.

### **Real Estate**

The Real Estate segment posted sales and other operating revenue of 43,681 million yen (down 8.0% compared with the previous year) and operating income of 9,410 million yen (down 17.4%).

In this segment, Toshin Development Co., Ltd., advanced commercial development projects that reflect the attributes of each neighborhood. The developer engaged in the Nihombashi Takashimaya Shopping Center and Tachikawa Takashimaya Shopping Center projects, as well as a project to develop the area around Nagareyama-Otakanomori Station on the Tsukuba Express line (Nagareyama-city, Chiba-pref.). In November, Toshin Development opened Kokage Terrace beneath the elevated railway tracks at Nagareyama-Otakanomori Station. In January, it acquired T & T Co., Ltd., a company that operates and manages the rail line's station complexes and surrounding commercial facilities. The aim of the acquisition is to create synergy with the Nagareyama business. Toshin also opened a food court, Food Street, in Kashiwa Takashimaya Station Mall, and Minamikado in Yanagi Koji, a backstreet area west of Tamagawa Takashimaya Shopping Center that is designated for renewal. With these developments, Toshin Development saw an increase in operating revenue from rent and management fees. Overall, however, operating income declined because of a reactionary downturn in sale of condominiums in Kitasaiwai, Yokohama as well as increased expenses associated with the development and remodeling of commercial buildings. As for the segment's performance overseas, Toshin Development Singapore Pte. Ltd. renewed contracts with some of its tenants, and these renewals led to decreases in operating revenue and operating income.

### **Finance**

The Finance segment posted sales and other operating revenue of 14,944 million yen (up 5.3% compared with the previous year) and operating income of 4,880 million yen (up 7.0%).

In this segment, Takashimaya Credit Co., Ltd. worked to increase its commission revenue by growing its membership and increasing transaction volume. For example, to coincide with the opening of Nihombashi Takashimaya Shopping Center, the company conducted a campaign to win new members and encourage members to use their card for their shopping purchase. These efforts contributed to the increases in operating revenue and income.

### **Construct & Design**

The Construct & Design segment posted sales and other operating revenue of 24,795 million yen (down 4.3% compared with the previous year) and operating income of 727 million yen (down 39.8%).

In this segment, Takashimaya Space Create Co., Ltd. benefitted from favorable business conditions, with projects related to Tokyo 2020 and an increase in foreign tourists. However, the company experienced a squeeze on profit margins due to heightened competition and a rise in external procurement costs, which resulted in the decreases in operating income.

**Other**

The Other segment posted sales and operating revenue of 37,381 million yen (up 5.5% compared with the previous year) and operating income of 2,938 million yen (down 11.8%).

In this segment, the Cross Media Division made progress in improving its performance, posting an increase in operating revenue. Nonetheless, operating income was down in the segment as a whole due to several factors due to a rise in transport costs. Income was further undercut by Takashimaya Facilities' business transfer.

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, 2019

	As of February 28, 2018	(million yen) As of February 28, 2019
<b>Consolidated balance sheets</b>		
<b>Assets</b>		
Current assets		
Cash and deposits	99,541	97,090
Notes and accounts receivable - trade	140,038	117,107
Merchandise and finished goods	43,517	43,802
Work in process	108	477
Raw materials and supplies	1,120	1,240
Deferred tax assets	10,163	10,443
Other	33,318	37,740
Allowance for doubtful accounts	(306)	(335)
<b>Total current assets</b>	<b>327,501</b>	<b>307,568</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	167,732	185,639
Machinery, equipment and vehicles, net	124	115
Tools, furniture and fixtures, net	10,890	14,313
Land	361,362	411,507
Leased assets, net	989	2,758
Construction in progress	9,658	6,892
<b>Total property, plant and equipment</b>	<b>550,757</b>	<b>621,228</b>
Intangible assets		
Leasehold right	4,939	10,671
Goodwill	97	1,545
Other	12,998	16,734
<b>Total intangible assets</b>	<b>18,035</b>	<b>28,951</b>
Investments and other assets		
Investment securities	95,231	81,743
Guarantee deposits	29,227	29,485
Deferred tax assets	4,946	6,102
Other	12,045	5,301
Allowance for doubtful accounts	(1,938)	(2,250)
<b>Total investments and other assets</b>	<b>139,511</b>	<b>120,382</b>
<b>Total non-current assets</b>	<b>708,305</b>	<b>770,562</b>
<b>Total assets</b>	<b>1,035,807</b>	<b>1,078,130</b>

Takashimaya Reports Earnings for the Year Ended February 28, 2019

	As of February 28, 2018	(million yen) As of February 28, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	102,428	108,560
Short-term loans payable	10,320	13,320
Current portion of bonds	40,062	98
Lease obligations	395	713
Income taxes payable	6,236	5,052
Advances received	96,102	100,593
Gift certificates	52,663	52,503
Deposits received	26,725	31,693
Provision for point card certificates	2,561	2,530
Provision for directors' bonuses	53	46
Allowance for loss on repair construction of building	2,743	3,207
Other	30,594	30,895
<b>Total current liabilities</b>	<b>370,888</b>	<b>349,216</b>
Non-current liabilities		
Bonds payable	35,049	95,554
Long-term loans payable	88,829	85,809
Lease obligations	641	2,109
Asset retirement obligations	1,907	2,027
Net defined benefit liability	54,616	50,890
Provision for directors' retirement benefits	297	286
Provision for environmental measures	342	282
Allowance for loss on repair construction of building	1,910	5
Deferred tax liabilities	286	1,300
Deferred tax liabilities for land revaluation	6,879	6,812
Other	24,631	22,248
<b>Total non-current liabilities</b>	<b>215,392</b>	<b>267,328</b>
<b>Total liabilities</b>	<b>586,281</b>	<b>616,545</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	66,025	66,025
Capital surplus	55,025	55,026
Retained earnings	284,320	296,977
Treasury shares	(6,170)	(6,177)
<b>Total shareholders' equity</b>	<b>399,201</b>	<b>411,851</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,837	10,821
Deferred gains or losses on hedges	(3)	0
Revaluation reserve for land	7,145	6,993
Foreign currency translation adjustment	11,604	8,723
Remeasurements of defined benefit plans	3,386	5,528
<b>Total accumulated other comprehensive income</b>	<b>39,970</b>	<b>32,067</b>
Non-controlling interests	10,353	17,665
<b>Total net assets</b>	<b>449,526</b>	<b>461,585</b>
<b>Total liabilities and net assets</b>	<b>1,035,807</b>	<b>1,078,130</b>

Takashimaya Reports Earnings for the Year Ended February 28, 2019

	(million yen)	
	Year ended	Year ended
Consolidated statements of income	February 28, 2018	February 28, 2019
Operating revenue	907,805	912,848
Net sales	844,934	846,894
Cost of sales	626,528	629,490
Gross profit	218,405	217,403
Other operating revenue	62,871	65,953
Operating gross profit	281,276	283,357
Selling, general and administrative expenses		
Advertising expenses	25,858	27,166
Provision for point card certificates	2,561	2,530
Distribution and operational expense	28,833	31,514
Supplies expenses	3,487	3,617
Provision of allowance for doubtful accounts	554	918
Directors' compensations, salaries and allowances	66,964	69,041
Retirement benefit expenses	3,822	2,970
Provision for directors' bonuses	53	46
Provision for directors' retirement benefits	61	57
Welfare expenses	14,299	14,738
Heating and lighting expenses	10,166	10,501
Commission fee	5,999	7,364
Rent expenses on real estates	34,606	34,993
Rent expenses on machines	807	937
Depreciation	19,040	19,926
Amortization of goodwill	187	187
Other	28,653	30,183
Total selling, general and administrative expenses	245,957	256,695
Operating profit	35,318	26,661
Non-operating income		
Interest income	744	1,034
Dividend income	941	1,100
Share of profit of entities accounted for using equity method	2,718	2,988
Gain on donation of non-current assets	366	624
Other	452	620
Total non-operating income	5,223	6,368
Non-operating expenses		
Interest expenses	648	697
Provision for loss on repair construction of building	261	192
Foreign exchange losses	391	399
Loss on adjustment of account payable	407	234
Other	226	271
Total non-operating expenses	1,935	1,795
Ordinary profit	38,606	31,234

Takashimaya Reports Earnings for the Year Ended February 28, 2019

	Year ended 2018	(million yen) Year ended 2019
Extraordinary income		
Gain on sales of investment securities	2,627	2,813
Other	3	—
Total extraordinary income	2,630	2,813
Extraordinary losses		
Loss on retirement of non-current assets	4,607	7,708
Impairment loss	1,598	1,259
Other	22	603
Total extraordinary losses	6,228	9,571
Profit before income taxes	35,009	24,476
Income taxes - current	10,395	7,151
Income taxes - deferred	494	273
Total income taxes	10,889	7,425
Profit	24,119	17,050
Profit attributable to non-controlling interests	460	607
Profit attributable to owners of parent	23,658	16,443



Takashimaya Reports Earnings for the Year Ended February 28, 2019

	(million yen)	
	Year ended	Year ended
Consolidated statements of comprehensive income	February 28, 2018	February 28, 2019
Profit	24,119	17,050
Other comprehensive income		
Valuation difference on available-for-sale securities	1,325	(6,368)
Deferred gains or losses on hedges	(4)	3
Foreign currency translation adjustment	2,067	(1,955)
Remeasurements of defined benefit plans, net of tax	2,665	2,121
Share of other comprehensive income of entities accounted for using equity method	1,728	(1,600)
Total other comprehensive income	7,782	(7,800)
Comprehensive income	31,901	9,250
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	31,388	8,665
Comprehensive income attributable to non-controlling interests	512	585

Takashimaya Reports Earnings for the Year Ended February 28, 2019

	(million yen)	
	Year ended	Year ended
Consolidated statements of cash flows	February 28, 2018	February 28, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	35,009	24,476
Depreciation	19,058	19,946
Impairment loss	1,598	1,259
Amortization of goodwill	95	95
Increase (decrease) in allowance for doubtful accounts	(546)	340
Increase (decrease) in net defined benefit liability	159	(686)
Increase (decrease) in provision for directors' retirement benefits	32	(10)
Increase (decrease) in provision for point card certificates	49	(28)
Increase(decrease) allowance for loss on repair construction of building	(1,273)	(1,440)
Interest and dividend income	(1,685)	(2,135)
Interest expenses	648	697
Share of loss (profit) of entities accounted for using equity method	(2,718)	(2,988)
Loss (gain) on sales of non-current assets	1	14
Loss on retirement of non-current assets	2,478	4,014
Loss (gain) on sales of investment securities	(2,627)	(2,813)
Decrease (increase) in notes and accounts receivable - trade	(17,502)	24,178
Decrease (increase) in inventories	347	(829)
Increase (decrease) in notes and accounts payable - trade	976	6,516
Other, net	10,265	4,251
<b>Subtotal</b>	<b>44,366</b>	<b>74,857</b>
Interest and dividend income received	2,542	3,559
Interest expenses paid	(704)	(679)
Income taxes paid	(9,333)	(9,823)
<b>Net cash provided by (used in) operating activities</b>	<b>36,870</b>	<b>67,913</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(5,536)	(2,513)
Proceeds from withdrawal of time deposits	4,670	4,835
Purchase of short-term and long-term investment securities	(2,562)	(13)
Proceeds from sales and redemption of short-term and long-term investment securities	11,112	6,346
Purchase of property, plant and equipment and intangible assets	(69,437)	(93,130)
Proceeds from sales of property, plant and equipment and intangible assets	20	285
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,466)
Other, net	(552)	(160)
<b>Net cash provided by (used in) investing activities</b>	<b>(62,286)</b>	<b>(85,815)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(147)	—
Proceeds from long-term loans payable	22,319	4,500
Repayments of long-term loans payable	(3,075)	(4,520)
Proceeds from issuance of bonds	—	60,300
Redemption of bonds	—	(40,000)
Purchase of treasury shares	(9)	(8)
Cash dividends paid	(4,193)	(4,193)
Proceeds from share issuance to non-controlling shareholders	—	1,868
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(60)	—
Other, net	(647)	(719)

Takashimaya Reports Earnings for the Year Ended February 28, 2019

	(million yen)	
	Year ended February 28, 2018	Year ended February 28, 2019
Net cash provided by (used in) financing activities	14,185	17,226
Effect of exchange rate change on cash and cash equivalents	2,193	(2,226)
Net increase (decrease) in cash and cash equivalents	(9,036)	(2,902)
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	95,120	94,692