

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2021 (Based on Japanese GAAP)

October 14, 2021

Company name: Takashimaya Company, Limited
 Stock exchange listing: Tokyo
 Stock code: 8233 URL <https://www.takashimaya.co.jp>
 Representative: President Yoshio Murata
 Inquiries: General Manager, Public and Investor Yoshiyuki Nishikata TEL (03)3211-4111
 Relations Office
 Scheduled date to file Quarterly Securities Report: October 15, 2021
 Scheduled date to commence dividend payments: November 22, 2021
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 31, 2021 (from March 1, 2021 to August 31, 2021)

(1) Consolidated operating results (cumulative)

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	%
Six months ended August 31, 2021	347,189	16.8	(2,014)	–	(559)	–	(4,375)	–
Six months ended August 31, 2020	297,352	(34.4)	(10,217)	–	(10,914)	–	(23,284)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2021	(26.24)	–
Six months ended August 31, 2020	(139.64)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2021	1,123,981	412,197	34.8
As of February 28, 2021	1,150,506	415,111	34.3

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2021	–	12.00	–	12.00	24.00
Year ending February 28, 2022	–	12.00	–	–	–
Year ending February 28, 2022 (Forecast)	–	–	–	12.00	24.00

3. Forecast of consolidated financial results for the year ending February 28, 2022 (from March 1, 2021 to February 28, 2022)

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
Full year	764,000	12.2	6,000	–	6,000	–	2,300	–	13.79

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2021
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of August 31, 2021	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 August 31, 2021	11,026,357 shares	As of February 28, 2021	11,026,374 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2021	166,733,120 shares	Six months ended August 31, 2020	166,733,337 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2021	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	106,675	82,818
Notes and accounts receivable - trade	100,682	89,935
Securities	8	8
Merchandise and finished goods	41,843	40,222
Work in process	327	325
Raw materials and supplies	1,139	1,227
Other	33,595	42,002
Allowance for doubtful accounts	(664)	(667)
Total current assets	283,607	255,872
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	184,000	185,394
Land	411,031	414,582
Leased assets, net	3,139	2,904
Right-of-use assets, net	77,281	77,323
Other, net	31,082	23,887
Total property, plant and equipment	706,535	704,092
Intangible assets		
Goodwill	2,354	2,414
Leasehold interests in land	10,070	10,456
Right of use assets	4,673	5,855
Other	19,341	19,144
Total intangible assets	36,439	37,869
Investments and other assets		
Investment securities	75,222	75,560
Guarantee deposits	26,562	28,208
Other	24,700	24,963
Allowance for doubtful accounts	(2,562)	(2,585)
Total investments and other assets	123,923	126,146
Total non-current assets	866,899	868,108
Total assets	1,150,506	1,123,981

(Millions of yen)

	As of February 28, 2021	As of August 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	86,965	88,111
Short-term borrowings	28,220	16,160
Current portion of bonds payable	10,090	51
Commercial papers	10,000	19,000
Lease obligations	7,981	8,511
Income taxes payable	8,356	2,123
Advances received	112,897	117,601
Gift certificates	54,074	56,064
Provision for point card certificates	2,427	2,078
Provision for loss on repair construction of building	3,661	3,661
Other	77,949	56,763
Total current liabilities	402,625	370,128
Non-current liabilities		
Bonds payable	60,277	60,265
Long-term borrowings	98,565	106,439
Lease obligations	78,409	79,574
Asset retirement obligations	5,028	5,145
Retirement benefit liability	53,083	52,149
Provision for retirement benefits for directors (and other officers)	310	231
Provision for environmental measures	241	82
Other	36,854	37,766
Total non-current liabilities	332,769	341,655
Total liabilities	735,395	711,784
Net assets		
Shareholders' equity		
Share capital	66,025	66,025
Capital surplus	54,790	54,790
Retained earnings	270,615	264,238
Treasury shares	(15,993)	(15,993)
Total shareholders' equity	375,437	369,061
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,873	8,556
Deferred gains or losses on hedges	1	(0)
Revaluation reserve for land	2,945	2,945
Foreign currency translation adjustment	5,969	9,354
Remeasurements of defined benefit plans	1,089	896
Total accumulated other comprehensive income	18,879	21,752
Non-controlling interests	20,793	21,383
Total net assets	415,111	412,197
Total liabilities and net assets	1,150,506	1,123,981

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Operating revenue	297,352	347,189
Net sales	268,559	315,080
Cost of sales	204,351	238,861
Gross profit	64,207	76,218
Other operating revenue	28,793	32,108
Operating gross profit	93,001	108,327
Selling, general and administrative expenses		
Advertising expenses	7,580	9,429
Provision for point card certificates	917	864
Provision of allowance for doubtful accounts	519	247
Remuneration, salaries and allowances for directors (and other officers)	27,715	28,963
Retirement benefit expenses	979	698
Rent expenses on real estate	9,275	10,935
Other	56,231	59,202
Total selling, general and administrative expenses	103,219	110,341
Operating loss	(10,217)	(2,014)
Non-operating income		
Interest income	376	155
Dividend income	929	410
Subsidy income	77	1,567
Share of profit of entities accounted for using equity method	122	434
Foreign exchange gains	–	605
Other	814	743
Total non-operating income	2,322	3,918
Non-operating expenses		
Interest expenses	2,389	2,280
Foreign exchange losses	365	–
Other	264	182
Total non-operating expenses	3,019	2,463
Ordinary loss	(10,914)	(559)
Extraordinary income		
Gain on sales of investment securities	–	136
Gain on forgiveness of debts	–	313
Subsidy income	1,473	534
Gain on forgiveness of lease obligations	970	7
Total extraordinary income	2,444	991
Extraordinary losses		
Loss on retirement of non-current assets	1,189	810
Impairment loss	1,853	13
Loss related to COVID-19	10,336	2,044
Other	953	9
Total extraordinary losses	14,333	2,878

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Loss before income taxes	(22,804)	(2,446)
Income taxes - current	1,658	1,317
Income taxes - deferred	(1,691)	228
Total income taxes	(32)	1,546
Loss	(22,771)	(3,992)
Profit attributable to non-controlling interests	512	382
Loss attributable to owners of parent	(23,284)	(4,375)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Loss	(22,771)	(3,992)
Other comprehensive income		
Valuation difference on available-for-sale securities	183	(347)
Deferred gains or losses on hedges	(0)	(1)
Foreign currency translation adjustment	(2,106)	2,924
Remeasurements of defined benefit plans, net of tax	(142)	(218)
Share of other comprehensive income of entities accounted for using equity method	(918)	1,092
Total other comprehensive income	(2,984)	3,449
Comprehensive income	(25,756)	(543)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(26,021)	(1,502)
Comprehensive income attributable to non-controlling interests	264	959

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Cash flows from operating activities		
Loss before income taxes	(22,804)	(2,446)
Depreciation	12,528	15,357
Impairment loss	1,853	13
Amortization of goodwill	76	117
Increase (decrease) in allowance for doubtful accounts	339	25
Increase (decrease) in retirement benefit liability	(997)	(1,247)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	13	(78)
Increase (decrease) in provision for point card certificates	(478)	(353)
Interest and dividend income	(1,306)	(566)
Interest expenses	2,389	2,280
Share of loss (profit) of entities accounted for using equity method	(122)	(434)
Loss on retirement of non-current assets	383	360
Subsidy income	(1,473)	(534)
Gain on forgiveness of lease obligations	(970)	(7)
Loss related to COVID-19	10,336	2,044
Loss (gain) on sales of investment securities	(172)	(136)
Gain on forgiveness of debt	–	(313)
Decrease (increase) in trade receivables	13,272	10,776
Decrease (increase) in inventories	436	1,638
Increase (decrease) in trade payables	(13,816)	664
Increase (decrease) in advances received	8,949	4,627
Increase (decrease) in accounts payable - other	2,920	(7,921)
Other, net	9,820	(12,104)
Subtotal	21,177	11,762
Interest and dividends received	2,114	1,775
Interest paid	(2,366)	(2,290)
Proceeds from subsidy income	1,473	534
Loss related to COVID-19 paid	(7,174)	(1,606)
Income taxes paid	(1,921)	(6,337)
Net cash provided by (used in) operating activities	13,302	3,837
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(14)	(8)
Proceeds from sales and redemption of short-term and long-term investment securities	32	234
Purchase of property, plant and equipment and intangible assets	(12,646)	(14,669)
Purchase of shares of subsidiaries and associates	–	(448)
Proceeds from sales of shares of subsidiaries and associates	378	–
Net decrease (increase) in short-term loans receivable	14	(2,704)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(638)	–
Other, net	(7)	(1,420)
Net cash provided by (used in) investing activities	(12,882)	(19,017)

(Millions of yen)

	Six months ended August 31, 2020	Six months ended August 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,500	–
Proceeds from long-term borrowings	41,334	8,188
Repayments of long-term borrowings	(30,585)	(12,080)
Redemption of bonds	–	(10,045)
Net increase (decrease) in commercial papers	20,000	9,000
Repayments of lease obligations	(3,981)	(4,214)
Dividends paid	(2,000)	(2,000)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(200)	–
Other, net	(386)	(369)
Net cash provided by (used in) financing activities	31,679	(11,522)
Effect of exchange rate change on cash and cash equivalents	(2,421)	2,774
Net increase (decrease) in cash and cash equivalents	29,678	(23,926)
Cash and cash equivalents at beginning of period	88,411	105,320
Cash and cash equivalents at end of period	118,090	81,393

Qualitative Information about Consolidated Operating Results

During the cumulative consolidated second quarter (March 1 to August 31, 2021), the Japanese economy experienced mixed fortunes. Japan's GDP growth rate for the April–June quarter turned positive, the first positive growth for two quarters, signaling a rebound from the Covid-ravaged previous year. Despite this rebound, and despite hopes that the vaccination rollout would stimulate economic activity, the outlook for retail remained grim, and the industry braced for a protracted slump. Meanwhile, consumers kept their purse strings tight amid successive states of emergency and a wave of infections from July.

Our department stores constitute the source of our brand value and our core business. These department stores continued, in the period under review, to face harsh conditions amid the pandemic. The challenges included pandemic-driven changes in consumers' values, restrictions on international and domestic travel, and temporary closures of shopping facilities due to the fourth state of emergency.

The pandemic crisis also presents an opportunity—a chance to transform our organization and set it on the path of sustained growth. To this end, we must urgently revive our core business, department stores. This task forms the centerpiece of our three-year strategy (FY2021–FY2023), launched last April. Under the strategy, we will improve department stores' bottom line through a program of cost optimization, and improve store sales by merchandising better and creating new customer interfaces. In this first year of the strategy, we are working to reduce operating expenses in order to return stores to profit as soon as possible. Meanwhile, for our growing online business, we aim to achieve sales of 50 billion yen by FY2023. Accordingly, we revamped our e-commerce website Takashimaya Online Store in August. The new site featured personalized recommendations and an effective product search to improve customer experience. Alongside this, we continue to provide the kind of attractive and original products that are the hallmarks of department stores.

Toshin Development, a commercial property developer that spearheads our groupwide Machi-dukuri Strategy, continued efforts in hub development (developing assets around hubs) and business development (capturing business opportunities). In Japan, Toshin Development has focused on developing the vicinity of Nagareyama Otakanomori Shopping Center—the Nagareyama Otakanomori area in Chiba Prefecture. In March, the developer opened a new shopping facility, Flaps, next to the shopping center. In July, it signed an agreement with the municipal government of Nagareyama to designate the shopping center's parking facilities as a temporary evacuation area in emergencies. This agreement exemplifies our commitment to working with the public sector in developing communities. Toshin Development also leads the Machi-dukuri Strategy overseas. In Vietnam, Toshin Development is expanding into growing sectors. It owns a stake in Saigon Centre, a mixed-use building dominated by Ho Chi Minh City Takashimaya, and more recently it started participating in Starlake Project, a township development in Hanoi.

Regarding the finance business, we have opened a financial counters business as a new form of department store merchandise. The first financial counter was opened in Nihombashi Takashimaya Shopping Center last year. We opened a financial counter in the Osaka store in July. We will soon open another in the Yokohama store. Leveraging our customer base and store locations, the financial counters will serve to expand customer interfaces and secure a revenue base.

Regarding sustainability action, we have joined global initiative RE100 to signal our commitment to achieving, by 2050, a 100% shift to renewable sources for the energy we consume in our business activities, and in the period under review we made progress in rolling out renewables among our existing facilities. In April, we launched Depart de Loop together with JEPLAN Inc., our capital alliance partner. Depart de Loop is a retail business selling products that contribute toward a circular economy. We will continue working with government, business partners, and customers to contribute toward a sustainable 21st-century world in which everyone prospers.

We will keep creating synergies between our department store business, commercial property development business, finance business, and other businesses to achieve sustainable corporate development.

Our consolidated performance was as follows: Total consolidated operating revenue for Takashimaya Group was 347,189 million yen (up 16.8% compared with the same period of the previous fiscal year). We recorded a consolidated operating loss of 2,014 million yen (compared to a loss of 10,217 million yen in the same period of the previous fiscal year), a consolidated ordinary loss of 559 million yen (compared to a loss of 10,914 million yen in the same period of the previous fiscal year), and 4,375 million yen in consolidated loss attributable to owners of parent (compared to a loss of 23,284 million yen in the same period of the previous fiscal year).