Financial Position and Operating Results (fiscal 2023)

Overview of operating results

In fiscal 2023, the Japanese economy continued to experience a moderate recovery driven mainly by growth in service consumption and inbound demand in the context of the progressive normalization of social and economic activities, while uncertainty is growing due to the increasingly unstable international situation and slowdowns in overseas economies.

Regarding personal spending, as improvements in the employment and income environments continued, in-person services and the like grew, but price increases pushed down real wages, preventing the recovery from gaining momentum as the rally in consumption appeared to stall.

Since fiscal 2021 the Company has been promoting the Medium-term Business Plan (FY2021–FY2023), which positions sustainability at the core of management. During this Medium-term Business Plan, we have achieved a “full recovery” from the COVID-19 pandemic, positioned the period beginning in fiscal 2024 as a time of "renewed growth," and focused mainly on our three key strategies including Real× Digital Strategy, Prime Life Strategy, and Developer Strategy, on management restructuring, and on strengthening the management foundation to support medium- to long-term growth.

In fiscal 2023, the final fiscal year under the Medium-term Business Plan, we steadily promoted the key strategies and measures established by the Medium-term Business Plan to achieve "renewed growth" from fiscal 2024 onward, having created a strong foothold for “full recovery” to ensure that we captured domestic consumption, which is continuing to recover, and inbound demand.

As a result, revenue was 407,006 million yen (up 13.2% year on year). Business profit was 44,330 million yen (up 78.4% year on year), as a result of improvement in revenue, along with the effects from reduced fixed costs and expenses. Operating profit was 43,048 million yen (up 125.9% year on year), partly due to the transfer of shares of equity method associates while impairment losses were recorded at some branches of our department stores. Profit before tax was 41,343 million yen (up 145.0% year on year), and profit attributable to owners of parent was 29,913 million yen (up 110.1% year on year), demonstrating a large increase in profit.

Business results by segment

〈Department Store Business〉

With social and economic activities progressively normalizing, in addition to the results of strategies and measures aimed mainly at the solid affluent market, we also saw further growth in revenue from foreign tourists visiting Japan, resulting in a significant expansion of net sales.

By store, the Daimaru Shinsaibashi and Daimaru Kyoto stores, which had particularly strong sales from foreign tourists visiting Japan, and the Daimaru Tokyo and Daimaru Sapporo stores, which are on terminal sites, saw significant improvements in customer numbers and net sales.

In terms of executing key strategies, as well as programs centered on flagship stores involving renovations and the strengthening of key categories, such as luxury brands and high-end watches, we worked to build a higher quality shopping experience through the introduction of lounges for loyal customers and other measures. In addition, to strengthen the online business, we worked on the creation of new customer experiences using digital technologies, such as expanding subscription services for fashion, art, and food. To achieve our goal of building strong relationships with customers, we also moved steadily forward with the digitalization of customer contact points through the use of the Daimaru Matsuzakaya app, as well as implementing measures for real stores.

As a result of the measures mentioned above, revenue increased to 239,125 million yen (up 10.8% year on year). Operating profit significantly increased to 23,587 million yen (up 213.3% year on year) despite an increase in variable costs associated with the improvement of revenue.

〈SC Business〉

The number of customers visiting stores and tenant transaction volume increased primarily due to the effects of strategic remodeling centering on flagship stores and promotions such as unified plans for all stores, and an increase in the number of foreign tourists visiting Japan, including those visiting Shibuya PARCO and Shinsaibashi PARCO.

To increase the attractiveness of stores based on our key strategies, we promoted strategic renovations such as the creation of zones that integrate a number of high-profile entertainment shops at Ikebukuro PARCO, and the expansion of unisex and women’s elements and the revamp of common areas at Nagoya PARCO. We also welcomed tenants at Urawa PARCO under the themes of “proposing charming and quality lifestyles” and “comfortable daily living.” Furthermore, to increase the value of visiting stores, we worked on Parco's own promotion, such as by developing large-scale mobilization events for popular TV anime, and for Shibuya PARCO, which is celebrating its 50th anniversary, we held an exhibition titled “The Advertisements (Advertising PARCO) 1969–2023” covering the history of creative advertising spanning over half a century. We ceased operations of Shintokorozawa PARCO at the end of February 2024.

As a result of the measures mentioned above, revenue was 57,944 million yen (up 7.7% year on year). Operating profit significantly increased to 9,414 million yen (up 121.8% year on year) due to the improved revenue and a gain on sales of our properties.

〈Developer Business〉

Under our new business promotion framework launched in fiscal 2023, we worked on formulating medium- to long-term development plans centered in the key areas of seven cities in which the Group maintains its business foundation, from the standpoints of group-wide optimization. Specifically, we promoted redevelopment plans slated for completion and opening in 2026 for The Landmark Nagoya Sakae in Nagoya’s Sakae area, and the Shinsaibashi Project (tentative name) in Osaka’s Shinsaibashi area, as well as in Fukuoka’s Tenjin area. In terms of development of non-commercial facilities using our assets, we completed the construction of three residential properties.

In the construction and interior design business, we seized investment opportunities for redevelopment and store expansion in urban areas, participated in development projects for hotels and other facilities, and worked to strengthen marketing capabilities by growing orders mainly from luxury brands.

As a result of the measures mentioned above, revenue was 78,418 million yen (up 41.9% year on year), due to increases in interior and facilities work inside and outside the Group, facilities management contracting, and the sale of developed properties to a fund formed by the Company itself. As a result of the above, operating profit increased to 7,437 million yen (up 133.5% year on year).

〈Payment and Finance Business〉

In the payment business, in addition to gaining members through cooperation with the Department Stores, we implemented special events aimed at raising awareness of our unique point program (QIRA Point). We also worked to strengthen the merchant business through such measures as improving the payment environment in the Group’s commercial facilities, and collaborating with the facilities of other companies in areas where the Group stores are located. In the finance business, we promoted the development of new services for members through cooperation and collaboration with other companies.

As a result of the above efforts, revenue increased to 13,115 million yen (up 1.8% year on year), but due in part to increases in investment expenses, etc. aimed at expanding the business foundation, and costs associated with an increase in unauthorized credit card use, operating profit fell to 2,583 million yen (down 25.9% year on year).

〈Other〉

At Daimaru Kogyo, which is engaged in the wholesale business, a fall in orders in the mainstay electronic components department, declining sales in the overseas business, and other factors led to revenue falling to 51,925 million yen (down 7.1% year on year). However, operating profit increased to 1,370 million yen (up 52.3% year on year), due mainly to foreign exchange gain and gain on sale of assets held.

Financial position

Total assets as of February 29, 2024 were 1,114,726 million yen, down 6,227 million yen compared with February 28, 2023. Total liabilities were 720,494 million yen, a decrease of 29,048 million yen compared with February 28, 2023. Interest-bearing liabilities (including lease liabilities) were 364,398 million yen, down 49,551 million yen compared with February 28, 2023. Total equity was 394,232 million yen, an increase of 22,822 million yen compared with February 28, 2023. As a result, the ratio of operating profit to total assets (ROA) was 3.9%, the ratio of profit to equity attributable to owners of parent (ROE) was 8.1%, and the ratio of equity attributable to owners of parent to total assets was 34.3%.

Cash flows

The balance of cash and cash equivalents (hereinafter “cash”) as of February 29, 2024, was 71,342 million yen, up 31,468 million yen compared with February 28, 2023.

Cash flow positions in the fiscal year under review and the factors for these are as follows.

Net cash provided by operating activities was 90,692 million yen. In comparison with the previous fiscal year, cash provided increased by 25,212 million yen, largely due to an increase in profit before tax.

Net cash provided by investing activities was 13,429 million yen. In comparison with the previous fiscal year, cash provided increased by 26,800 million yen despite making capital investments, mainly due to proceeds from sales of shares of entities accounted for using equity method and of investment property.

Net cash used in financing activities was 72,746 million yen. In comparison with the previous fiscal year, cash used decreased by 32,948 million yen despite ongoing repayment of interest-bearing liabilities during the fiscal year under review.

Dividend policy

The Company’s basic policy is to maintain and enhance its sound financial standing while appropriately returning profits by providing stable dividends and enlisting a flexible and agile approach to purchasing its treasury shares in a manner that involves taking profit levels, future capital investment, free cash flow trends, and other such factors into consideration.

In accordance with this policy, during the period of the current Medium-term Business Plan (FY2024–FY2026), the Company aims to optimize the amount of equity by maintaining a consolidated dividend payout ratio of 40% or more and conducting purchases of treasury shares.

With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments to further strengthen the retail business, upfront investment in the Developer Business to realize group synergies, and growth investment.

The Company has paid an annual dividend of 36 yen per share for the fiscal year under review, comprising an interim dividend of 16 yen per share and a year-end dividend of 20 yen per share.

The Company’s basic policy on dividends of surplus is to pay a dividend twice a year in the form of an interim dividend and a year-end dividend, and the Articles of Incorporation stipulate that the Company may pay dividends based on a resolution of a Board of Directors meeting.