Financial Position and Operating Results

Overview of operating results

In the current fiscal year under review (fiscal year ended February 28, 2022), the Japanese economy encountered ongoing instability, which was partly attributable to a situation where the worldwide spread of COVID-19 persisting since last year significantly affected remote sales activities in Japan and overseas, and also attributable to rapidly mounting geopolitical risks in the latter half of the fiscal year. Despite particularly exhibiting signs of recovery beginning in October last year amid a decreasing number of COVID-19 cases and the progress made with respect to vaccinations, challenging circumstances have persisted amid a resurgence of deteriorating consumer sentiment caused by factors that include rapid proliferation of infections involving COVID-19 variants at the end of the fiscal year and the imposition of strict infection control measures.

The Company has embarked on the FY2021 to FY2023 Medium-term Business Plan, which features sustainability at the core of management and sets its sights on the corporate vision for 2030, amid the unprecedented crises of the COVID-19 pandemic. Under the Medium-term Business Plan, (1) we aim to achieve “full recovery” in terms of ensuring that our performance indicators return to the levels of fiscal 2019 prior to the COVID-19 pandemic and (2) we have positioned the period covered by the plan to be one of pausing for our “renewal” beginning in fiscal 2024.

During the current fiscal year, which constituted the initial year of the Medium-term Business Plan, the outlook remained uncertain due to COVID-19 with the infection having spread intermittently throughout the year. Amid those circumstances, we strove to manage operations in a manner that involves addressing persistently changing circumstances across our respective businesses, with our top priority placed on ensuring the safety and security of our customers and employees and achieving business growth. We took a flexible approach in terms of implementing measures that entail cutting costs and carefully selecting investments even during the fiscal year. As a result, revenue was ¥313,484 million, up 3.9% year on year. Business expense was ¥223,330 million, up 3.9% year on year, as a result of efforts throughout the fiscal year that involved strict infection control measures.

As a result of the above, and along with a rebound from suspension of store operations, among other factors, revenue was ¥313,484 million, up 3.9% year on year. Though operating loss was recorded at ¥4,594 million partly due to recording of restructuring expenses, it improved compared to the previous fiscal year (operating loss of ¥10,785 million).

In the electronic devices division and automotive components division of Daimaru Kogyo, Ltd., which is engaged in the wholesale business, revenue decreased 13.1% year on year to ¥10,785 million due to the rebound after fund raising for COVID-19 measures carried out in the previous year. "Net cash used in investing activities" was ¥9,380 million (operating profit of ¥22.2% year on year, and operating profit was ¥1,199 million, down 5.9% year on year. However, operating profit was ¥4,711 million, up 137.1% year on year, partly as a result of recording gain on sale of fixed assets.

In the finance business, we integrated the insurance agency division of Daimaru Kogyo, Ltd., which is engaged in the wholesale business, revenue decreased 13.1% year on year to ¥10,785 million due to the rebound after fund raising for COVID-19 measures carried out in the previous year. "Net cash used in investing activities" was ¥9,380 million (operating profit of ¥22.2% year on year, and operating profit was ¥1,199 million, down 5.9% year on year. However, operating profit was ¥4,711 million, up 137.1% year on year, partly as a result of recording gain on sale of fixed assets.

"Payment and Finance Business"

In the payment business, we worked to maintain and expand the customer base through initiatives that included updating cards in the previous fiscal year and introducing a new points program (QPA Point). We also achieved geographic expansion with respect to the merchant network and initiated operations such as those involving mutual transfer of customers among the Group stores. In the finance business, we integrated the insurance agency business within the Group and started offering family trust service in seeking to expand into new financial products.

As a result of the above, revenue was ¥11,037 million, up 22.2% year on year primarily due to recovery in transaction volumes handled by the Department Store and increased annual fee income associated with updating cards. Meanwhile, operating profit was ¥1,970 million, up 367.8% year on year.

"Other"

In the electronic devices division and automotive components division of Daimaru Kogyo, Ltd., which is engaged in the wholesale business, revenue decreased 13.1% year on year to ¥10,785 million due to the rebound after fund raising for COVID-19 measures carried out in the previous year. "Net cash used in investing activities" was ¥9,380 million (operating profit of ¥22.2% year on year, and operating profit was ¥1,199 million, down 5.9% year on year. However, operating profit was ¥4,711 million, up 137.1% year on year, partly as a result of recording gain on sale of fixed assets.

"Department Store Business"

The adverse business environment persisted amidst a situation where each store was forced to suspend on-site sales of items other than daily necessities mainly in the first half, along with the imposition of shorter operating hours and entry restrictions, all associated with the declaration of the state of emergency declarations and strict infection control measures.

On the other hand, we promoted digital sales activities that involved strengthening app-based communications with customers. In March, we engaged in remote sales services. Moreover, our OMO initiatives entailed launching the new AR/TV/VILLA media service for conveying the appeal of art in both physical stores and online.

To increase the attractiveness of stores, we enhanced key categories and constructed lounges for our loyal customers mainly in our flagship stores. We also renewed and responded the Daimaru Suma store in March and the Matsuzakaya Takatsuki store in July so that they would become integral to their respective communities. In addition, at the Daimaru Tokyo store we sought development of new content that entailed opening “asunae,” a showwindowing space for direct-to-consumer brands. We ceased operations of the Matsuzakaya Toyota store in September.

In addition, we engaged in initiatives involving organizational and personnel restructuring with our sights set on business model reforms in addition to absorption-type merger of a sales function subsidiary and overhaul of outsourcing operations for the sake of heightening flexibility in addressing the changing business environment as well as improving organizational and employee productivity.

As a result of the above, along with a rebound from suspension of store operations, among other factors, revenue was ¥190,739 million, up 9.7% year on year. Though operating loss was recorded at ¥4,594 million partly due to recording of restructuring expenses, it improved compared to the previous fiscal year (operating loss of ¥10,785 million).

In the previous fiscal year, as a result of efforts throughout the fiscal year that involved strict infection control measures, we sought to advance customer communications through initiatives that included digitalizing customer touch points particularly in terms of expanding app membership in partnership with our tenants, strengthening the PARCO ONLINE STORE, and enhancing app payment functions. In terms of store rebalancing, we undertook renovation centered on our flagship stores including Leuva PARCO, Sendai PARCO, and Fukuoka PARCO, and we actively operated pop-up stores that are highly distinctive to luxury brands at Shibuya PARCO. In addition, we arranged events enlisting collaboration with popular characters and furthermore held anniversary events at Shibuya and Shinbashibashi PARCO.

As a new business in the area of wellness, we entered into a new business of developing and operating medical malls and opened the first site of a new concept medical wellness mall Wilpa in Shinbashibashi PARCO in November.

Business results by segment

Data Financial Information

Basic profit distribution policy and dividends

The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company promotes a capital policy that takes a balanced approach to “undertaking strategic investment,” “enhancing shareholder returns,” and “expanding net worth being” after taking into consideration the business environment and risk readiness.

Moreover, our basic policy is to procure funds through interest-bearing liabilities by taking into account the ability to generate free cash flow and the balance of the interest-bearing liabilities and we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital.

Regarding dividends, the Company has decided to pay an annual dividend of ¥29 per share (¥27 in the previous fiscal year), up ¥2 compared to the previous fiscal year. In view of the balance of the interim dividend and year-end dividend, we have decided to pay an annual dividend of ¥7 per share, down ¥5 from the previous fiscal year.