Interim 2020/02 Financial Results

Consolidated financial results for the first half of the fiscal year ending February 29, 2020

Takashimaya

October 11, 2019

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I. 2nd quarter results for FY ending Feb 2020 (FY2019)

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2) Performance of Domestic Department Store Segment
3) Performance of Key Subsidiaries
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1) Consolidated Performance

- Operating revenue: Increased, but short of target due to slowing foreign tourist sales
- Operating income: Unchanged, but short of target—domestic department stores were main factor
- Profit attributable to owners of parent: Increased thanks to sales of non-current assets

(billion JPY)	1st half	Year-on-year		Change from projection*	
Operating revenue	453.1	11.6	2.6%	(4.9)	(1.1%)
SG&A expenses	128.5	4.0	3.2%	(1.0)	(0.8%)
Operating income	13.4	0.0	0.0%	(1.1)	(7.4%)
Ordinary income	12.7	(3.5)	(21.5%)	(0.8)	(6.2%)
Profit attributable to owners of parent	12.4	3.6	41.2%	(0.1)	(0.8%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 8, 2019.

IFRS 16 Leases has been applied in the overseas consolidated subsidiaries that follow IFRS. The standard has **not** been retroactively applied in YoY comparisons. The financial data for the previous fiscal year (FY2018) is as before the standard was applied.

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2) Performance of Domestic Department Store Segment

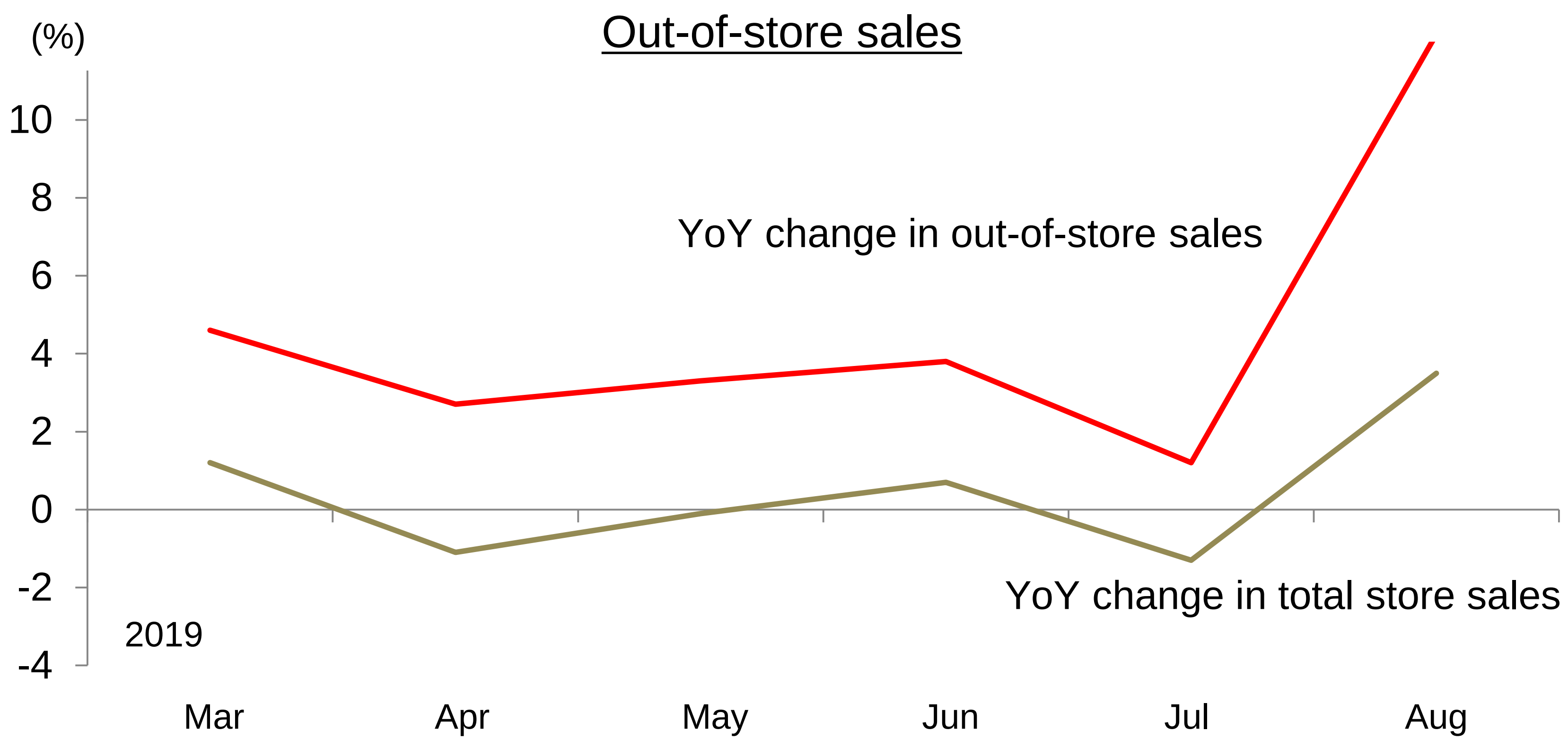
- Operating revenue: Increased, buoyed by Osaka and Nihombashi stores; but short of target due to poor duty-free sales
- Operating income: Decreased due to a decline in gross margin ratio and an increase in SG&A expenses.

(billion JPY)	1st half	Year-on-year		Change from projection*	
Operating revenue	**382.1**	4.3	1.1%	(5.5)	(1.4%)
Sales	**374.7**	3.8	1.0%	(5.8)	(1.5%)
Gross margin ratio	**23.75%**	(0.41)		(0.30)	
SG&A expenses	**93.6**	1.5	1.6%	(0.7)	(0.7%)
Operating income	**2.8**	(1.6)	(35.9%)	(1.6)	(36.4%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 8, 2019.

2) Performance of Domestic Department Store Segment: **The affluent**

- Out-of-store sales: Strong YoY increase, at +4.2% (20% of sales are out-of-store)
- August saw surge in demand for high-ticket items ahead of sales tax hike

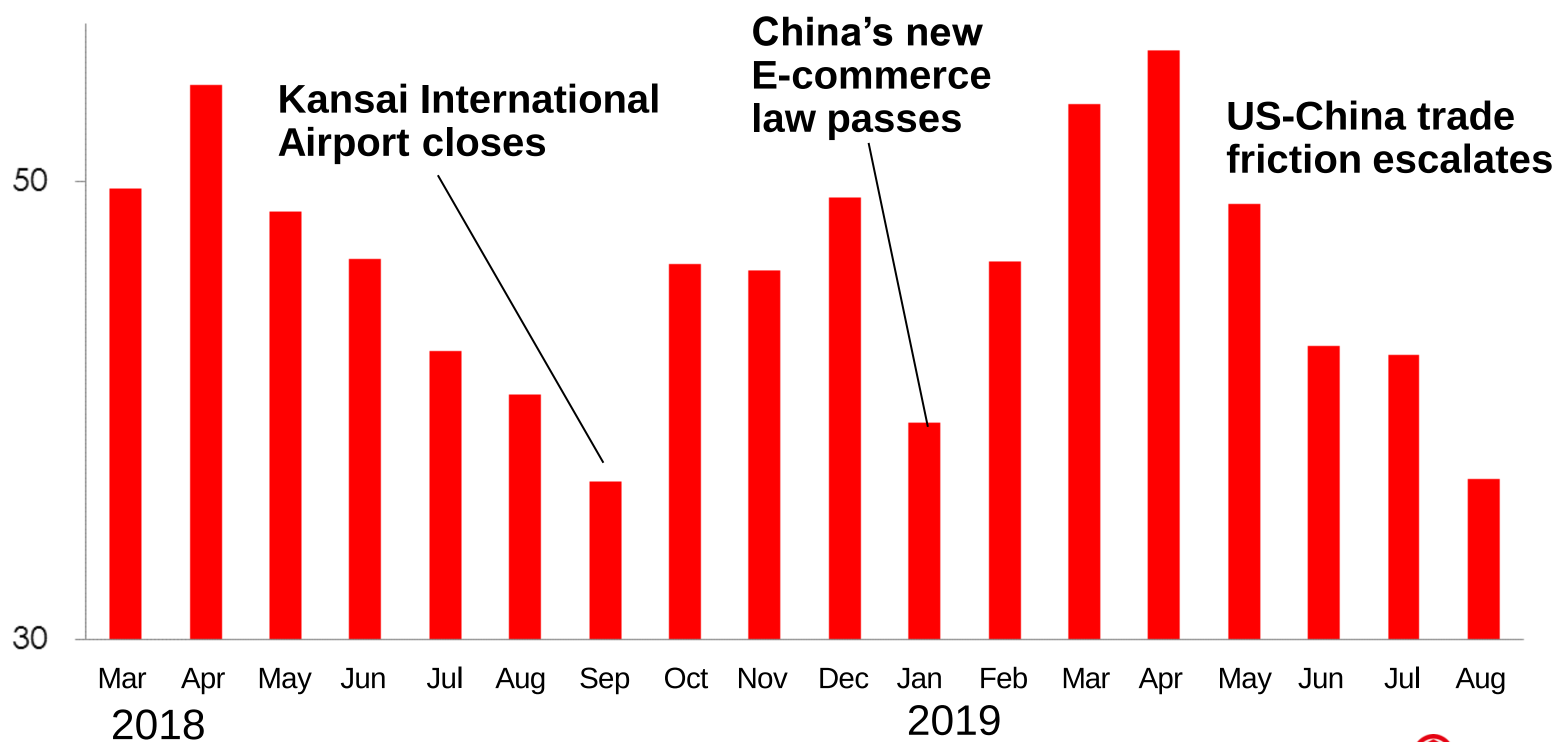


2) Performance of Domestic Department Store Segment: **Tax-Free (Inbound) Demand**

■ ¥2.3 bn short of target—US-China trade friction to blame

- 1H FY2019 result: ¥28 bn (-0.8% YoY, 8% share)
- FY2019 forecast: ¥55 bn (+0.5% YoY)

Tax-free sales



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2) Performance of Domestic Department Store Segment: **SG&A Expenses**

- Personnel related expenses: Lighter than expected thanks to lower retirement benefit expenses
- General affairs expenses: Increased YoY (due to greater depreciation and outsourcing costs) and heavier than forecasted

(billion JPY)	1st half	Year-on-year		Change from projection*	
Personnel related expenses	29.7	(0.8)	(2.7%)	(0.7)	(2.2%)
Advertising expenses	12.7	0.1	0.7%	(0.1)	(1.0%)
General affairs expenses	36.1	1.9	5.6%	0.2	0.5%
Rent and tax expenses	15.1	0.3	2.2%	(0.1)	(0.6%)
Total	93.6	1.5	1.6%	(0.7)	(0.7%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 8, 2019.

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3) Performance of Key Subsidiaries: **Domestic**

- Toshin Development: Op. revenue up (buoyed by shopping center opening), but op. income down (due to increased facility management fee)
- Takashimaya Credit: Op. revenue up (also benefitted from new shopping center)
- Takashimaya Space Create: Op. revenue & op. income up following strong orders

(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Toshin Development	**22.1**	1.1	(0.6)	**3.3**	(0.3)	0.1
Takashimaya Credit	**10.1**	0.6	0.1	**2.4**	(0.0)	(0.1)
Takashimaya Space Create (including Takashimaya Space Create Tohoku)	**18.4**	2.6	2.5	**0.8**	0.3	0.4

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 8, 2019.

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3) Performance of Key Subsidiaries: **Overseas**

- Takashimaya Singapore, Shanghai Takashimaya, Takashimaya Vietnam: Op. income exceeded target
- Siam Takashimaya: Short of target— rail infrastructure behind schedule, re-merchandising incomplete

(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Takashimaya Singapore	**8.2**	(0.4)	(0.3)	**2.2**	0.80	0.05
Toshin Development Singapore	**4.4**	(0.0)	(0.1)	**1.6**	0.40	(0.01)
Shanghai Takashimaya	**1.6**	(0.0)	(0.1)	**0.1**	0.48	0.05
Takashimaya Vietnam	**0.9**	0.1	0.0	**0.0**	0.11	0.03
Siam Takashimaya	**0.8**	0.8	(0.3)	**(0.4)**	(0.26)	(0.18)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 8, 2019.

IFRS 16 Leases has been applied in the overseas consolidated subsidiaries that follow IFRS. The standard has not been retroactively applied in YoY comparisons. The financial data for the previous fiscal year (FY2018) is as before the standard was applied.

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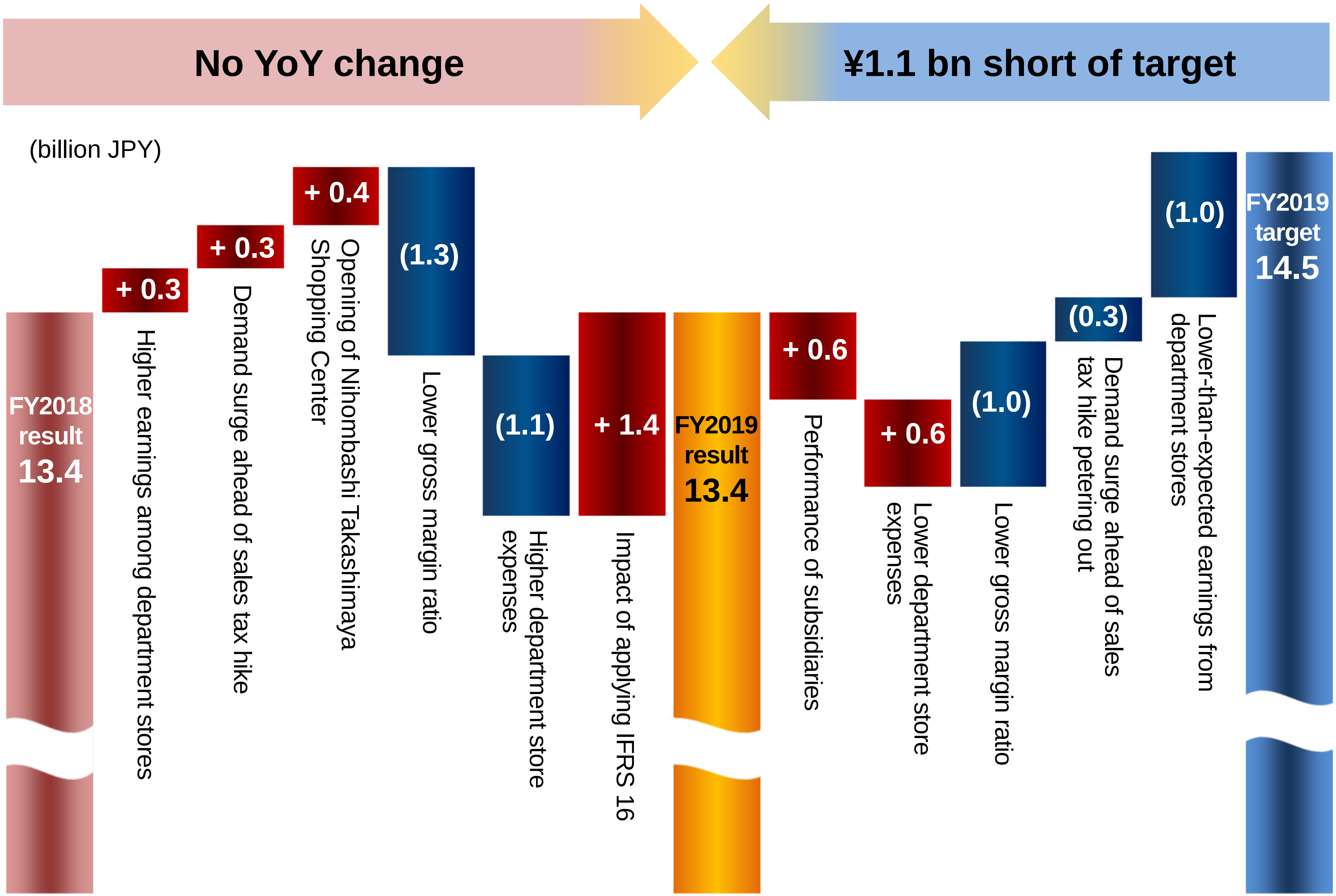
4) Factors Behind Consolidated Operating Income Result



II. Projection for FY ending Feb 2020 (FY 2019)

1) Consolidated Cost and Revenue Forecasts
2) Forecasts for Domestic Department Stores
3) Forecasts for Key Subsidiaries
4) Factors Behind Consolidated Operating Income Forecast

1) Consolidated Cost and Revenue Forecasts

- Operating income: Will increase with better revenue, but initial forecast revised downward in view of lackluster tax-free sales
- Profit attributable to owners of parent: Will increase due to asset sell-offs, but initial forecast revised in view of losses from store closures

(billion JPY)	Full-year forecast	Year-on-year		Change from projection*	
Operating revenue	933.0	20.2	2.2%	(9.0)	(1.0%)
SG&A expenses	261.1	4.4	1.7%	(1.9)	(0.7%)
Operating income	28.0	1.3	5.0%	(3.0)	(9.7%)
Ordinary income	26.0	(5.2)	(16.8%)	(3.0)	(10.3%)
Profit attributable to owners of parent	17.0	0.6	3.4%	(3.0)	(15.0%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 8, 2019.

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2) Forecasts for Domestic Department Stores

- Operating revenue: Will increase despite sales tax hike, but initial forecast revised in view of lackluster tax-free sales
- Operating income: Will decrease due to lower gross margin ratio and heavier SG&A expenses

(billion JPY)	Full-year forecast	Year-on-year		Change from projection*	
Operating revenue	790.9	8.3	1.1%	(8.5)	(1.1%)
Sales	776.2	7.7	1.0%	(8.8)	(1.1%)
Gross margin ratio	23.61%	(0.33)		(0.26)	
SG&A expenses	191.1	1.5	0.8%	(0.8)	(0.4%)
Operating income	7.0	(1.6)	(19.2%)	(3.0)	(30.4%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 8, 2019.

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2) Forecasts for Domestic Department Stores: **SG&A Expenses**

- Personnel, advertising: Cost-cutting to yield improvement from previous year and initial forecast
- General affairs: Will be heavier than previous year's result and initial forecast (due to greater depreciation and outsourcing costs)

(billion JPY)	Full-year forecast	Year-on-year		Change from projection*	
Personnel related expenses	**61.1**	(1.5)	(2.3%)	(0.9)	(1.4%)
Advertising expenses	**26.0**	(0.5)	(1.7%)	(0.4)	(1.6%)
General affairs expenses	**73.4**	2.6	3.6%	0.5	0.7%
Rent and tax expenses	**30.6**	0.9	2.9%	0.0	0.0%
Total	**191.1**	1.5	0.8%	(0.8)	(0.4%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 8, 2019.

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3) Forecasts for Key Subsidiaries: **Domestic**

- Toshin Development: Op. revenue will increase (buoyed by new shopping center), but op. income will decrease (as a reactionary decline from previous year)
- Takashimaya Credit: Operating revenue will increase with higher external use
- Takashimaya Space Create: Op. income will increase with strong external orders

(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Toshin Development	**44.9**	1.1	(0.5)	**6.9**	(0.4)	0.1
Takashimaya Credit	**21.3**	2.2	0.8	**4.9**	0.0	(0.1)
Takashimaya Space Create (including Takashimaya Space Create Tohoku)	**35.4**	3.2	3.7	**1.2**	0.5	0.5

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 8, 2019.

3) Forecasts for Key Subsidiaries: **Overseas**

- Singapore Takashimaya, Toshin Development Singapore, Shanghai Takashimaya, Takashimaya Vietnam: Operating income will increase
- Siam Takashimaya: Op. income will decrease—rail infrastructure and re-merchandising still taking time

(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Takashimaya Singapore	**17.1**	(1.0)	(0.7)	**4.8**	1.63	(0.02)
Toshin Development Singapore	**8.6**	(0.2)	(0.3)	**3.1**	0.86	(0.10)
Shanghai Takashimaya	**2.8**	(0.4)	(0.7)	**(0.1)**	0.73	(0.18)
Takashimaya Vietnam	**2.0**	0.2	0.0	**0.1**	0.20	0.04
Siam Takashimaya	**2.0**	1.7	(0.9)	**(0.9)**	(0.37)	(0.57)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 8, 2019.

IFRS 16 Leases has been applied in the overseas consolidated subsidiaries that follow IFRS. The standard has not been retroactively applied in YoY comparisons. The financial data for the previous fiscal year (FY2018) is as before the standard was applied.

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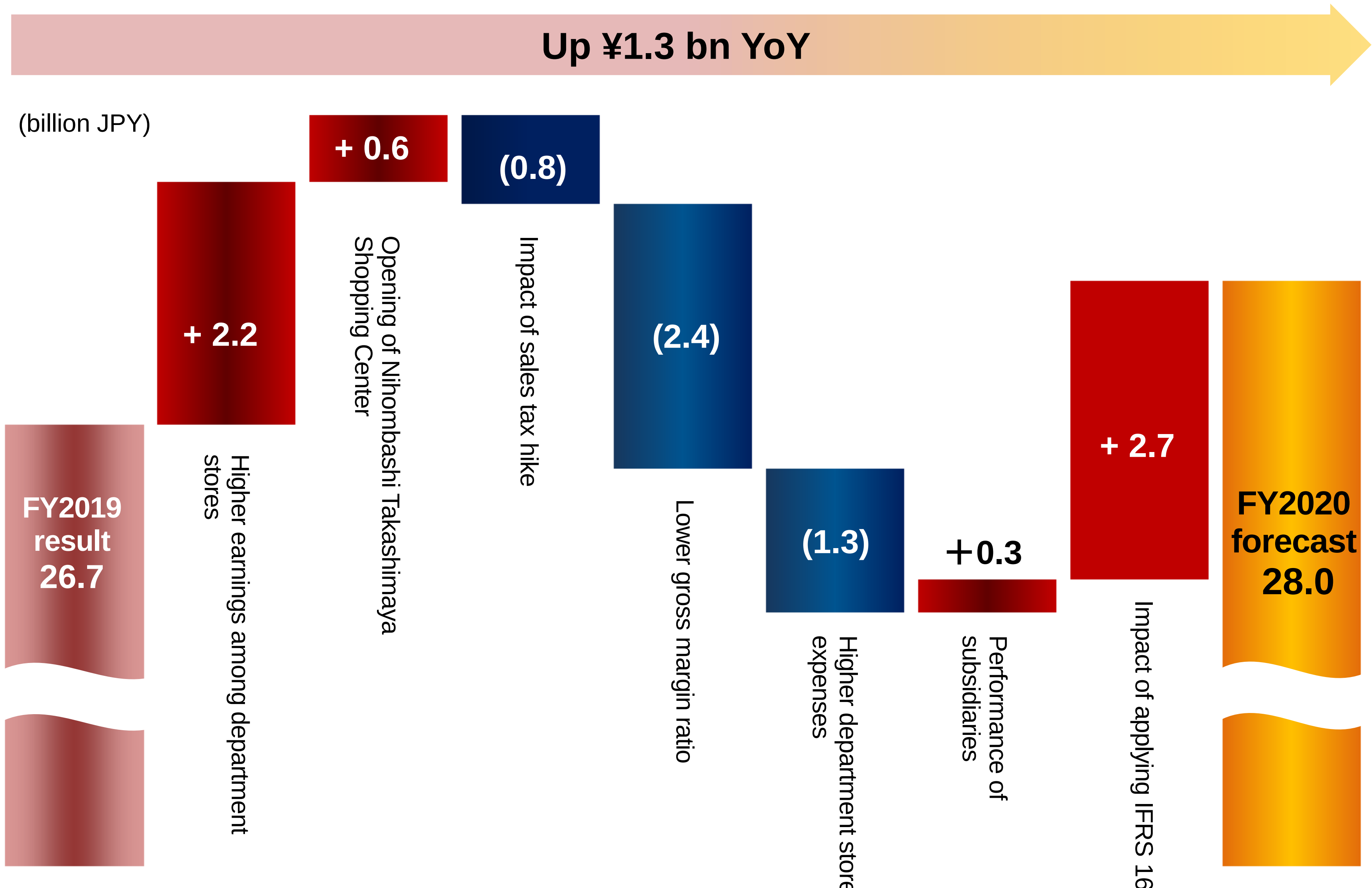
4) Factors Behind Consolidated Operating Income Forecast



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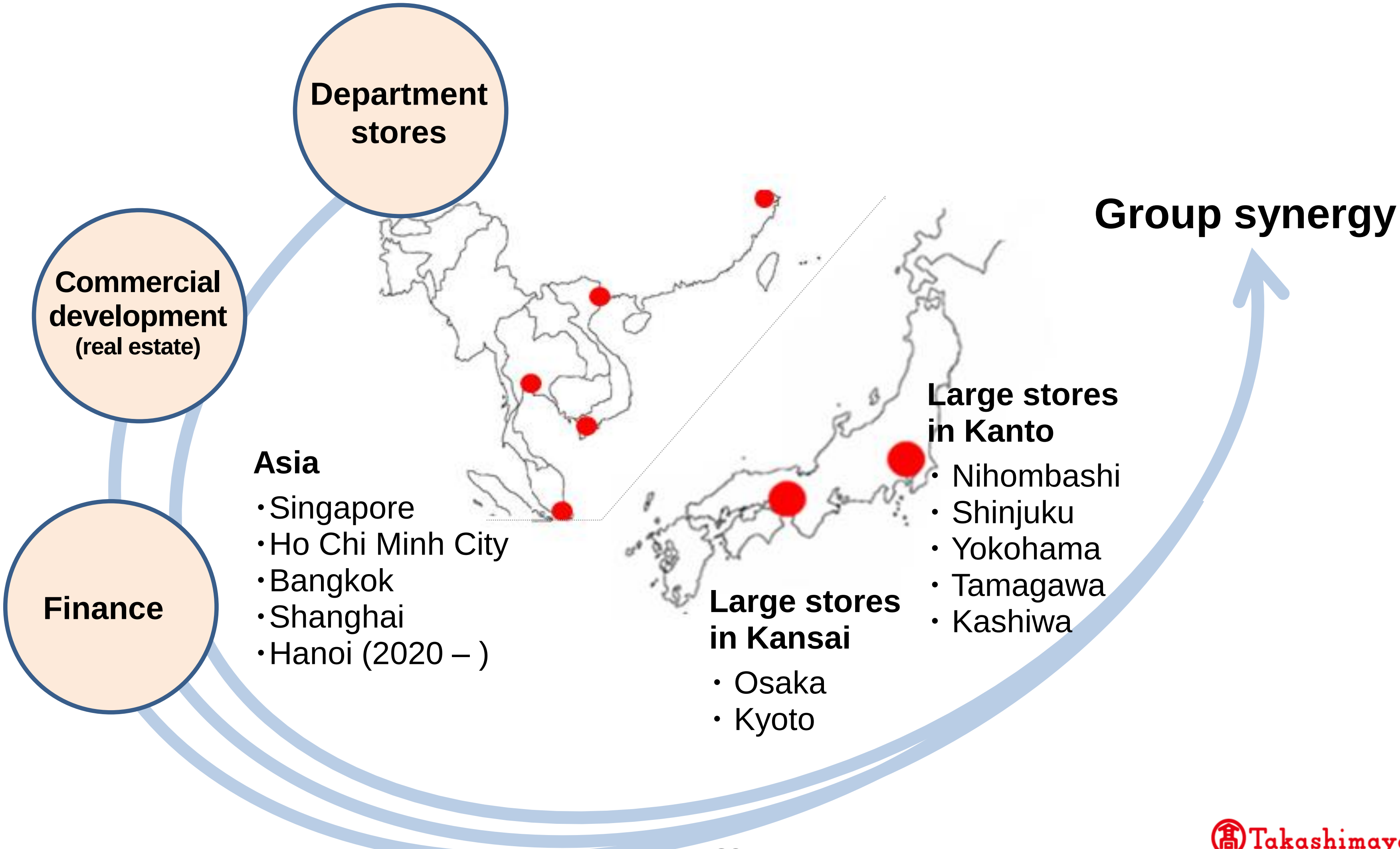
III. Group Business Strategy

1) Strategic Vision
2) Portfolio Challenges
3) Key Elements of Strategy

1) Strategic Vision

■ Leverage international customer bases to maximize group synergy



1) Strategic Vision

■ Advance the Machi-dukuri Strategy for full synergy

Department stores
Commercial development (real estate)
Finance
Contract & design
Restaurants
etc.

Fulfill community anchor role

Create shared value with communities by ensuring that our commercial complexes draw high visitor numbers, benefitting the local economy

Maximize appeal of the buildings

Leverage group knowhow to create original next-gen shopping centers that impress customers

Work with public sector and firms in other industries

How we're advancing the Machi-dukuri Strategy...

Vietnam
We're engaging in Starlake, a large devt. project in Hanoi

Nagareyama-Otakanomori
We're working with a railway company to develop real estate along the Tsukuba Express line

Takashimaya Osaka's East Wing
We're attracting a hotel tenant to East Wing to capitalize on the growing inbound tourist numbers

Yokohama
We're revamping the basement floor in conjunction with redevelopment of the station

Financial services
We've improved in-store financial products (e.g. finance options for product purchases and insurance)

1) Strategic Vision: **Nihombashi Takashimaya (Machi-dukuri in Action)**

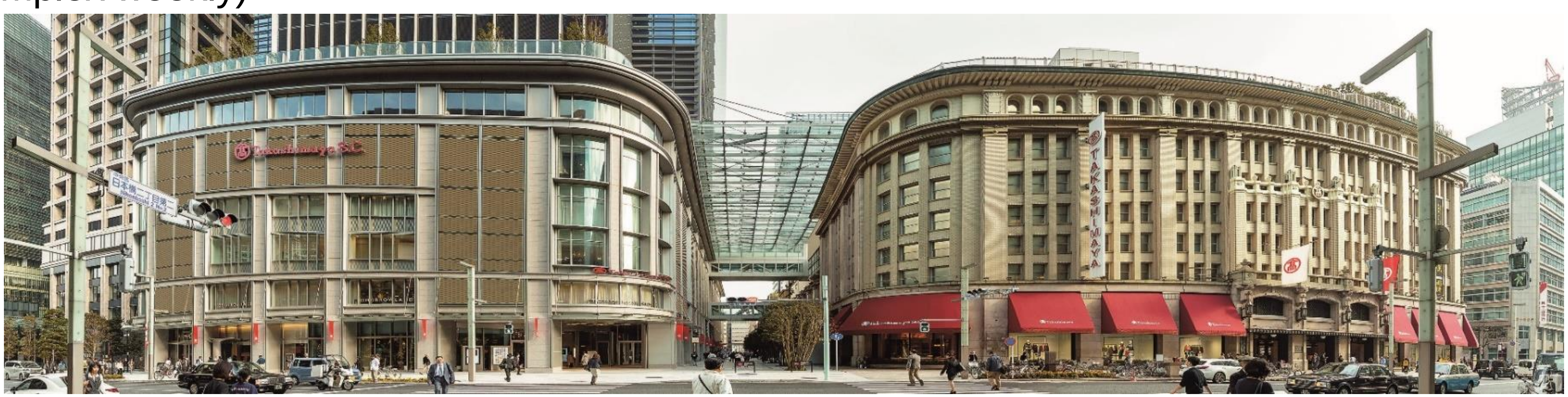
A new kind of urban shopping center
(a retail oasis in the heart of the capital)

Goals:

- Generate new foot traffic in Nihombashi area
  (Muromachi, Toyosu, Nihombashi, Kyobashi, Ginza)
- Create an attractive complex integrating department store with specialty stores
  (a 4-building complex with an Important Cultural Property at its heart)
- Create seasonal retail spaces and intangibles
  (115 tenants, including 65 restaurants and food brands)

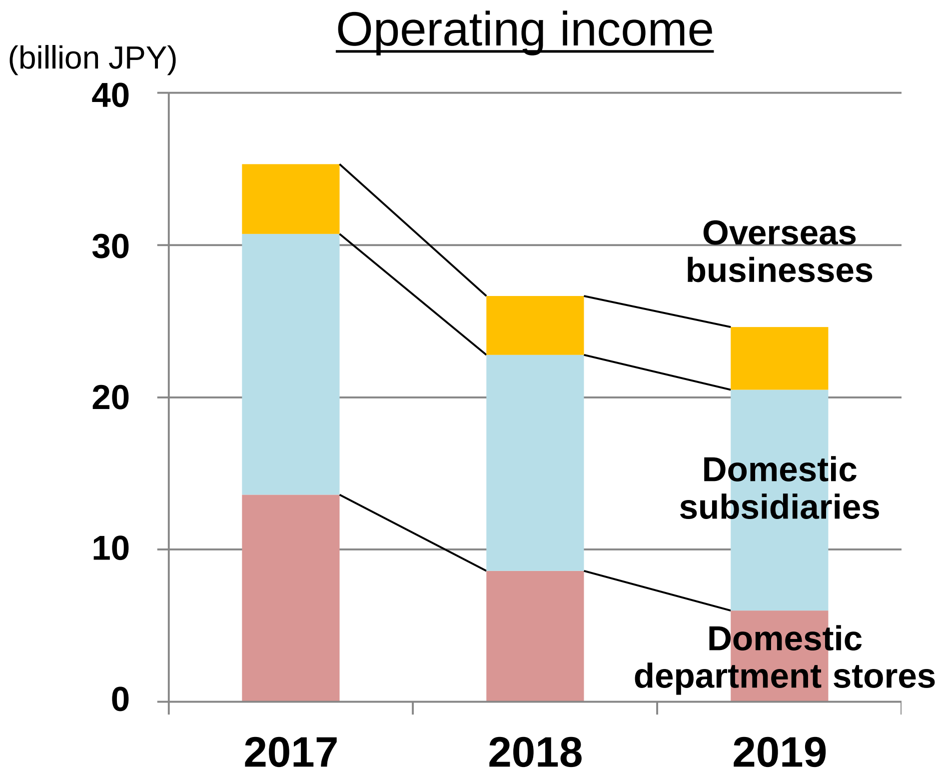
Outcome: Operating income on target (sales as forecasted, foot traffic up 43% YoY)

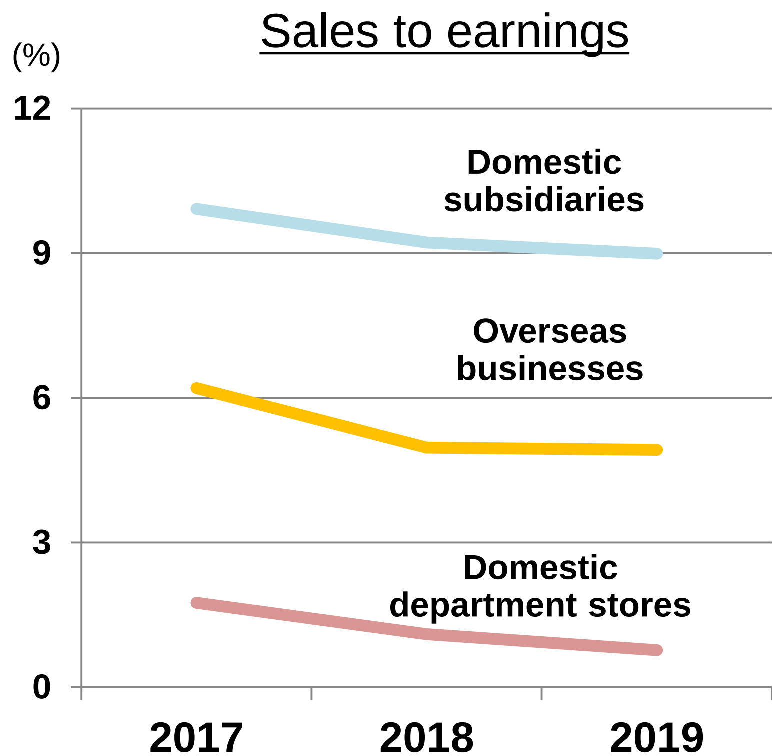
- Synergy between department store and specialty stores
  (Annex→ Main building: 68% Main building→ Annex: 47%)
- Tapping into new demand (new families in bay area and office workers) to complement existing the affluent customer (childrenswear sales up 4.2% YoY, 75% of visiting office workers use the complex weekly)



2) Portfolio Challenges

- Urgent need to increase profitability of domestic department stores (the source of the Takashimaya brand)
- Must go further in developing lucrative businesses (e.g., finance and overseas businesses such as commercial development)

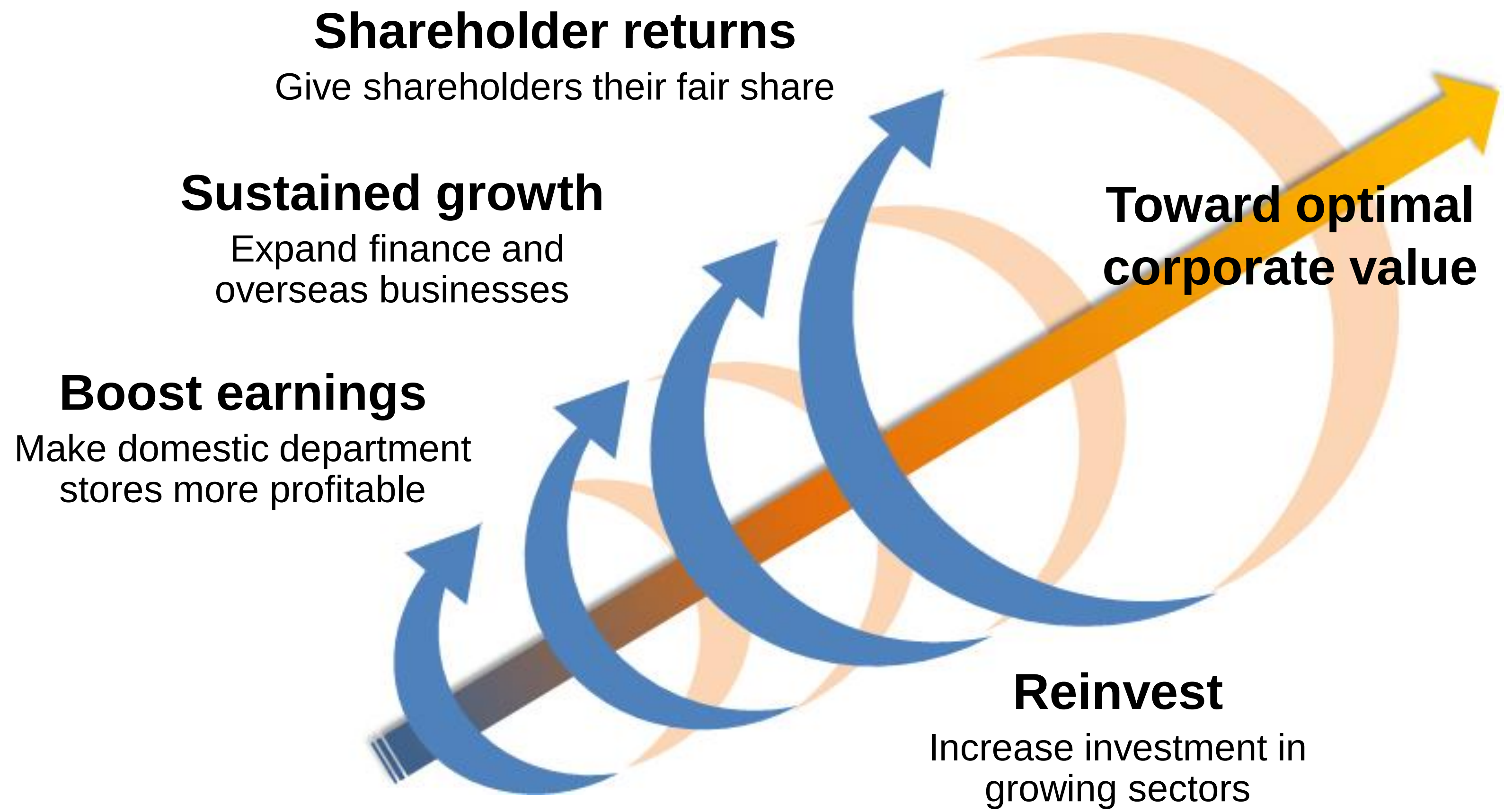




Excludes impact of applying IFRS 16. “Domestic subsidiaries” includes finance and domestic commercial development. “Overseas businesses” includes commercial development.

3) Key Elements of Strategy

- ■Optimize corporate value by boosting earnings and maintaining growth
- ■Ensure that shareholders get fair share of the sustained growth



3) Key Elements of Strategy

(1) Boost earnings

(2) Maintain growth

(3) Deliver reasonable shareholder returns

(1) Boost Earnings: **Make domestic department stores more profitable**

Problem: Depopulation, sales tax hike, falling tax-free sales, falling margins

Solution: Accelerate cost-cutting efforts to improve profitability

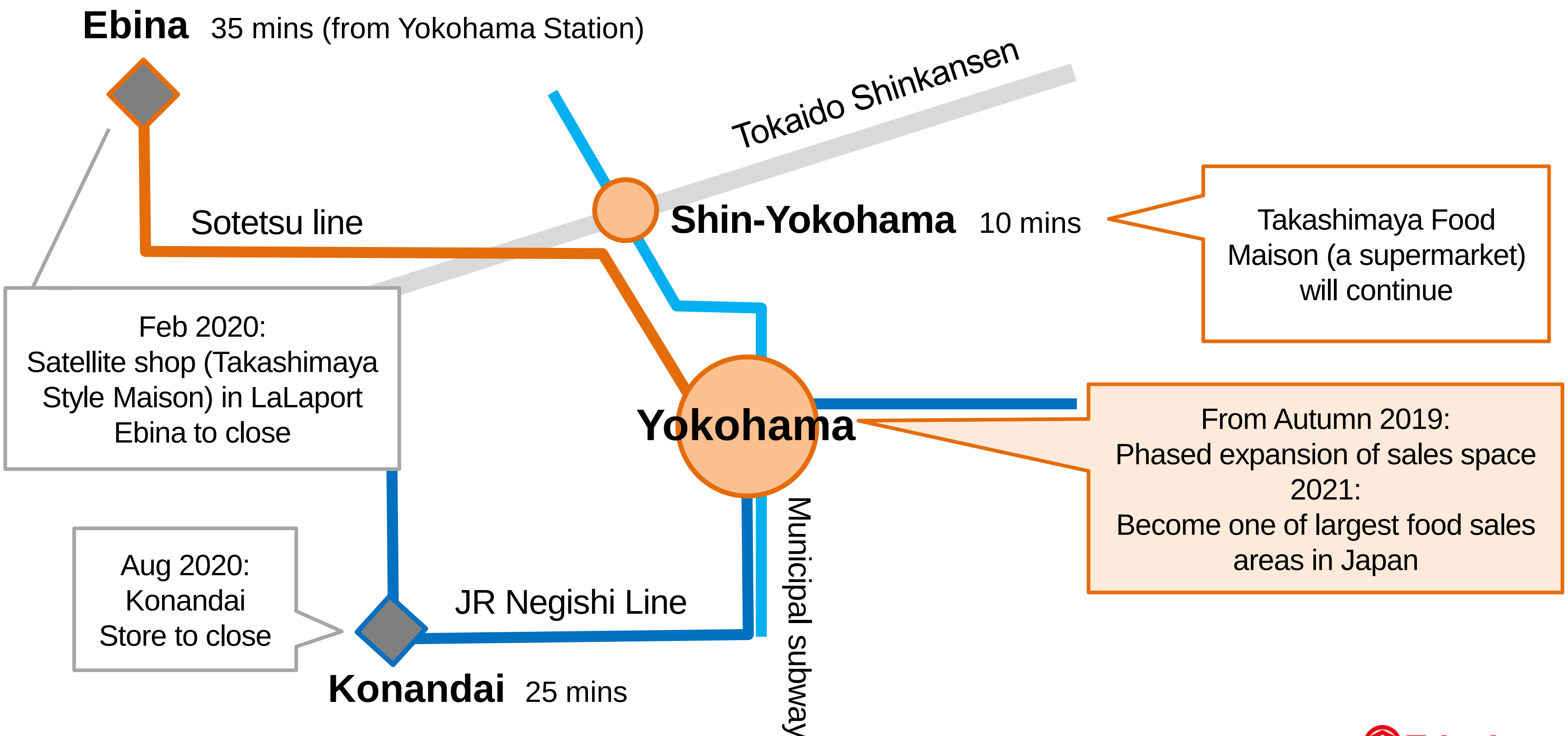
Threefold program to improve profitability

1. Rationalize stores
   Close unprofitable stores, optimize sales space
2. Rein in spending
   Overhaul investment strategy (operations, facilities, systems)
3. Slim down workforce
   Rationalize store management and back office operations

(1) Boost Earnings: **Rationalize operations in Yokohama retail area**

- Outskirts of Yokahama: Close Konandai Store and satellite shop in Ebina (Takashimaya Style Maison)
- Yokohama store to coverage in local area with phased expansion food sales area starting in Autumn 2019

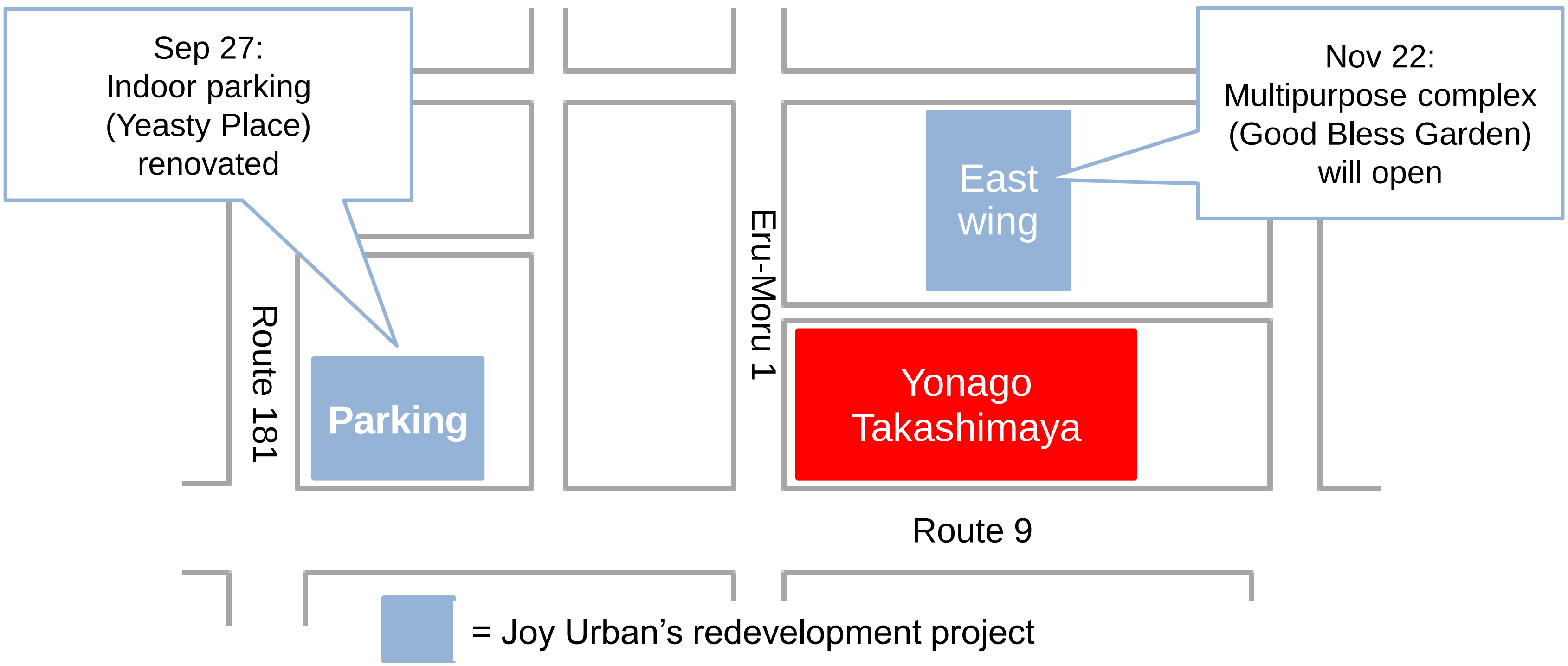
Yokohama retail area



(1) Boost Earnings: **Sell stake in Yonago Takashimaya**

- Sell entire stake in Yonago Takashimaya to local firm Joy Urban
- Joy Urban will assume the department store operation, retaining the same customers, suppliers, and workforce

Kakuban-cho, Yonago City



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(2) Maintain Growth: **Growth strategy**

To maintain growth, expand two lucrative areas of business…

1. The finance business
2. Overseas businesses, including commercial development

	1. Finance business		2. Overseas businesses	
Operating income	FY2018 result ¥5.4 bn	FY2023 target ¥10 bn	FY2018 result ¥3.9 bn	FY2023 target ¥11 bn
Background	・Synergizing well with department stores		・Machi-dukuri Strategy being advanced overseas ・Success stories (e.g. Singapore)	
Advantages	・Access to department stores' customer base (e.g. the affluent) ・Customer interfacing at stores		・Resources in Singapore ・Network of formidable partners	

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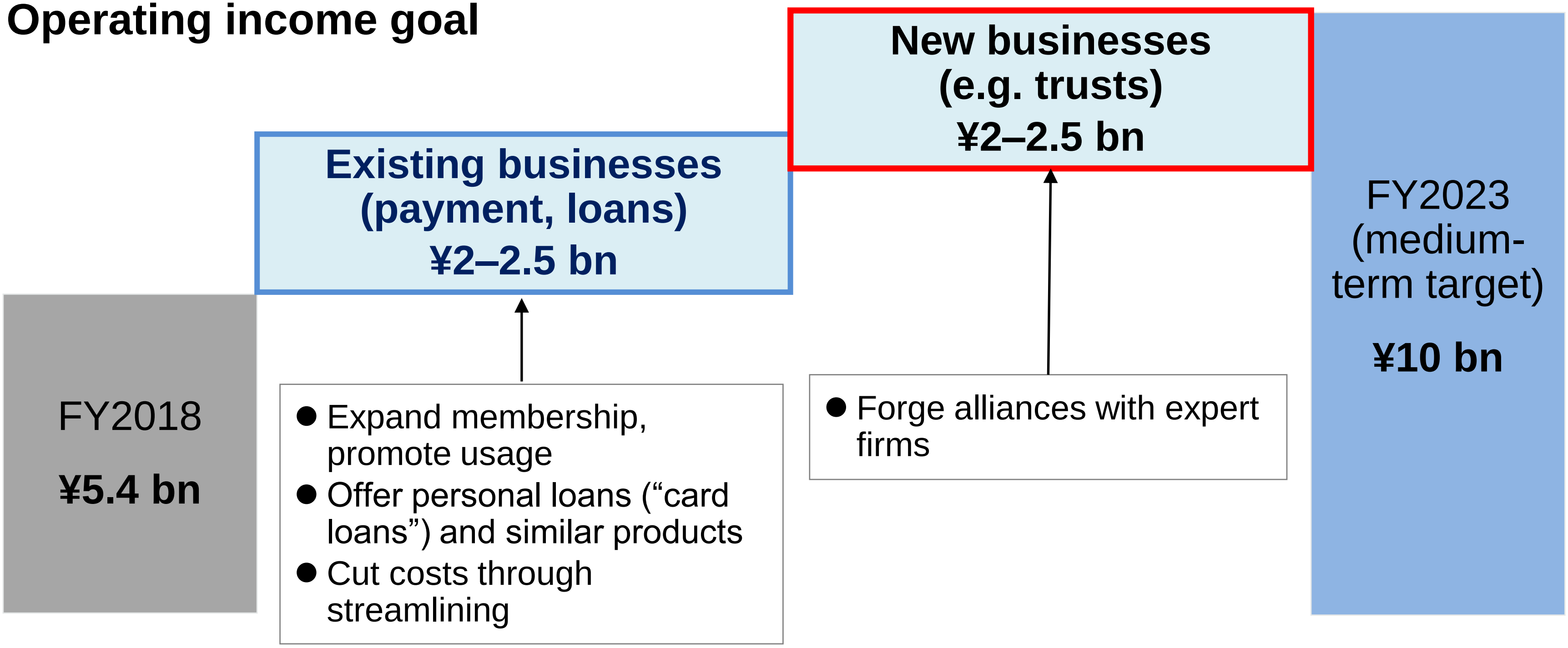
(2) Maintain Growth: **Finance business**

■Medium-term target: FY2023 operating income ⇒ ¥10 billion

■Synergize with department stores, expand into new business fields (e.g. investment trust)

Operating income goal



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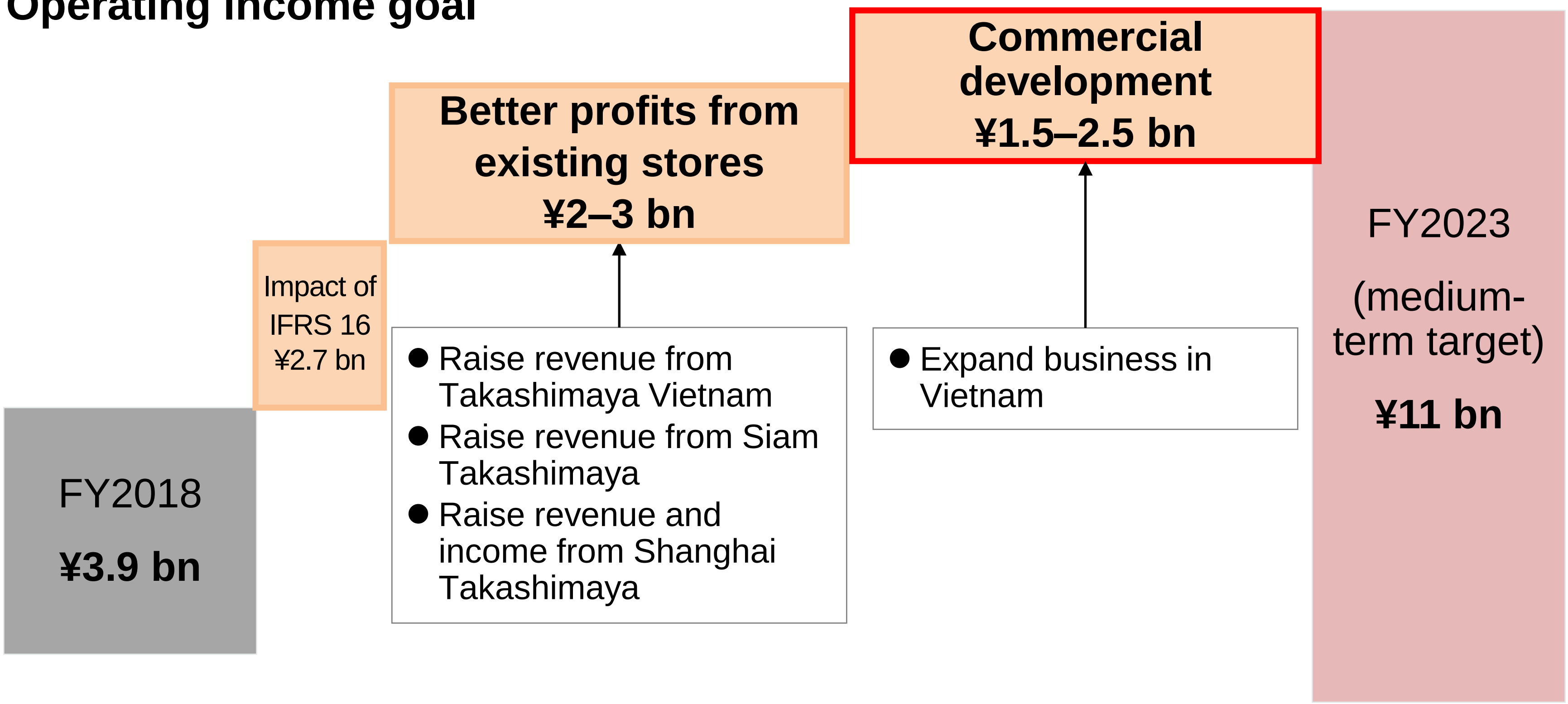
(2) Maintain Growth: **Overseas businesses**

- Medium-term target: FY2023 operating income ⇒ ¥11 billion
- Grow commercial development business leveraging existing business network

Operating income goal



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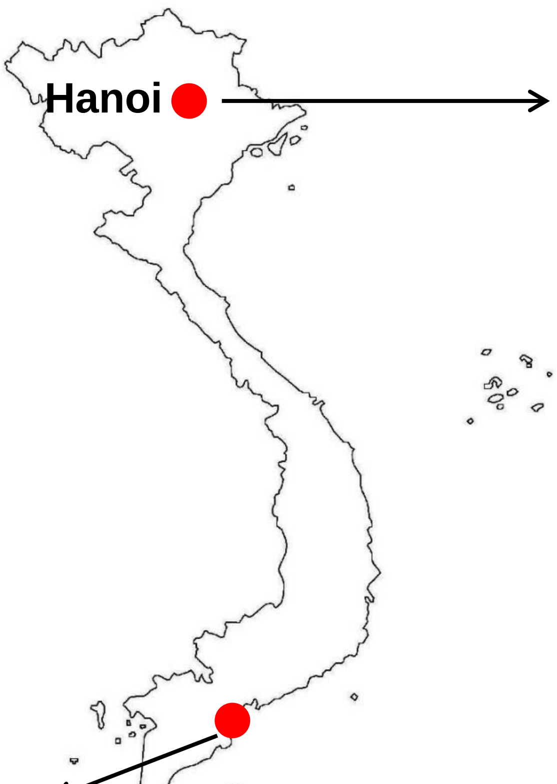
(2) Maintain Growth: **Example—The Vietnam business**

■Saigon Centre (HCMC Takashimaya) has started turning a profit

■Building on success of Saigon Centre, we are expanding commercial development in HCMC and Hanoi



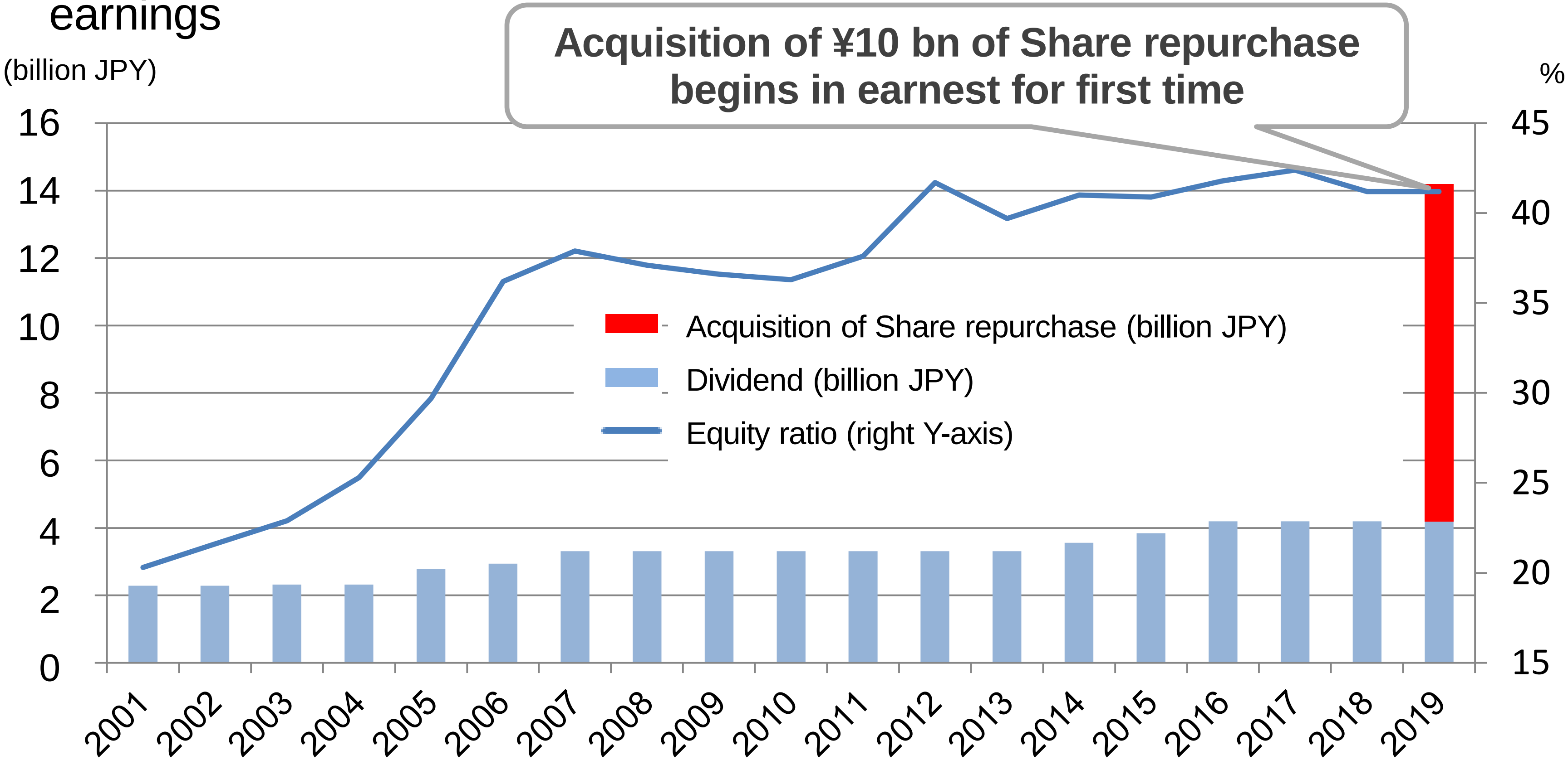
Saigon Centre
(Ho Chi Minh City Takashimaya)

Starlake project

- A large development that will form a second city center in Hanoi
- Toshin Development has obtained land-use rights for two lots within the development

(3) Shareholder Returns: **Returns policy**

- ■Focus on shareholder returns as a way to raise corporate value over medium–long term
- ■Buy back own shares expeditiously, considering the trending / market value
- ■Maintain stable dividends while ensuring shareholders get fair share of earnings



In 2015, we bought back shares from H2O Retailing Corporation (with whom we had a cross-shareholding relationship), The data for FY2019 is pre-IFRS 16

Actions to Achieve Sustainable Growth

Whole group is on board with SDGs agenda

We can only achieve sustainable corporate growth by addressing global challenges (such as climate issues and poverty)

Environment
Cutting single-use plastics

Energy
Joined RE100 and EV100

Products
More products with universal recycling symbol

Food waste
Selling food in different ways

Universal design
Better signage and customer service in stores

Workstyle
Equal pay for equal work

Employee awareness
Workshops for all employees to attend

Summary of Strategy

Boost earnings, maintain growth, focus also on shareholder returns

Boost earnings

■ Make domestic department stores more profitable with bold rationalization program that includes closing down unprofitable stores

Maintain growth

■ Expand lucrative businesses—namely, finance business and overseas businesses (e.g. commercial development)

Deliver shareholder returns

■ Ensure that shareholders get fair share of the sustained growth

Ref: Impact of IFRS 16 on Consolidated Results and Forecasts

Consolidated performance

(billion JPY)	Before applying IFRS 16 1st half	Before applying IFRS 16 Year-on-year		Impact of applying IFRS 16 1st half
Operating revenue	**453.1**	11.6	2.6%	–
SG&A expenses	**130.0**	5.4	4.3%	**(1.4)**
Operating income	**12.0**	(1.4)	(10.5%)	**1.4**
Ordinary income	**13.7**	(2.4)	(15.0%)	**(1.1)**
Profit attributable to owners of parent	**13.4**	4.7	53.0%	**(1.0)**

Consolidated forecasts

(billion JPY)	Before applying IFRS 16 Full-year forecast	Before applying IFRS 16 Year-on-year		Impact of applying IFRS 16 Full-year forecast
Operating revenue	**933.0**	20.2	2.2%	–
SG&A expenses	**263.9**	7.2	2.8%	**(2.7)**
Operating income	**25.3**	(1.4)	(5.2%)	**2.7**
Ordinary income	**28.0**	(3.2)	(10.3%)	**(2.0)**
Profit attributable to owners of parent	**19.0**	2.5	15.5%	**(2.0)**

Ref: Impact of IFRS 16 on Non-Consolidated Results and Forecasts

Performance of overseas subsidiaries

(billion JPY)	Before applying IFRS 16: Operating revenue	Year-on-year	Operating income	Year-on-year	Impact of applying IFRS 16: Operating revenue	Operating income
Takashimaya Singapore	**8.7**	0.1	**1.4**	(0.05)	**(0.5)**	**0.86**
Toshin Development Singapore	**4.4**	(0.0)	**1.1**	(0.05)	**–**	**0.45**
Shanghai Takashimaya	**1.6**	(0.0)	**(0.3)**	0.12	**–**	**0.36**
Takashimaya Vietnam	**0.9**	0.1	**(0.0)**	0.05	**–**	**0.06**

Forecasts: Overseas subsidiaries

(billion JPY)	Before applying IFRS 16: Operating revenue	Year-on-year	Operating income	Year-on-year	Impact of applying IFRS 16: Operating revenue	Operating income
Takashimaya Singapore	**18.2**	0.0	**3.2**	(0.04)	**(1.0)**	**1.67**
Toshin Development Singapore	**8.6**	(0.2)	**2.2**	(0.02)	**–**	**0.88**
Shanghai Takashimaya	**2.8**	(0.4)	**(0.8)**	0.06	**–**	**0.67**
Takashimaya Vietnam	**2.0**	0.2	**(0.0)**	0.08	**–**	**0.12**

IFRS 16 has not been applied to Siam Takashimaya

As of the year under review, IFRS 16 Leases applies to the overseas consolidated subsidiaries that follow IFRS. The standard has **not** been retroactively applied in year-on-year comparisons.

The financial data for the previous fiscal year (FY2018) is as before the standard was applied.

Statements contained herein regarding cost and revenue projections reflect our judgment based on information currently available, and do not represent a commitment from the company that they will be achieved. It should further be noted that actual results could differ materially from the cost and revenue projections stated herein due to a variety of factors.