

FINANCIAL RESULTS

FY2016



April 7, 2017

Today's Content

- 
- 1. Financial Results of FY2016
(Fiscal year ended February 2017)**
 2. Takashimaya Group's Growth Strategy
 3. Projections FY2017
(Fiscal year ending February 2018)

Consolidated Performance

- ▶ Operating income increased and reached the targeted figure following cuts in SA&A expenses
- ▶ Ordinary income and net income were negatively affected by a decline in equity-method profit and last year's reactionary downturn in gain on sales of short-term investment securities; nevertheless they exceeded the targeted figures

(billion JPY)	Full year	Year-on-year		Change from Projection	
Operating Revenue	923.6	-6.0	-0.6%	-1.4	-0.2%
SG&A Expenses	240.8	-4.8	-1.9%	-1.3	-0.5%
Operating Income	34.0	+1.0	+3.1%	+0.0	+0.0%
Ordinary Income	37.2	-0.6	-1.5%	+1.2	+3.4%
Net Income	20.9	-3.0	-12.4%	+0.9	+4.4%

Note: Comparison between planned and actual figures is based on the targeted figures announced on October 7 (same applies hereafter)

Performance of the Domestic Department Store Segment

- ▶ Operating revenue was down but reached planned figure
- ▶ Product margin was largely as projected, reflecting the success of remedial measures
- ▶ Operating income, ordinary income, and net income were down despite cuts in SA&A expenses and other streamlining efforts

(billion JPY)	Full year	Year-on-year		Change from Projection	
Operating Revenue	757.2	-8.3	-1.1%	+0.2	+0.0%
Sales	745.1	-9.9	-1.3%	+0.2	+0.0%
Gross Margin	24.24%	-0.22		-0.04	
SG&A Expenses	181.8	-1.9	-1.0%	+0.6	+0.3%
Operating Income	10.8	-0.6	-5.2%	-0.9	-7.8%
Ordinary Income	13.4	-1.2	-8.2%	-1.1	-7.5%
Net Income	4.5	-4.3	-48.6%	-2.6	-36.0%

SA&A Expenses in the Domestic Department Store Segment

- ▶ 1.9 billion yen in nominal cost savings were achieved, predominantly in advertising and general affairs
- ▶ Excluding the 1.7 billion yen in expenses associated with reforming the rental system of Shinjuku Store, the actual amount of cost savings was 3.6 billion yen

(billion JPY)	Full year	Year-on-year		Change from Projection	
Personnel related expenses	61.2	-1.0	-1.6%	-0.3	-0.5%
Advertising expenses	25.6	-1.3	-4.9%	+0.4	+1.6%
General affairs expenses	65.6	-1.6	-2.4%	+0.6	+0.9%
Accounting expenses	29.4	+2.0	+7.5%	-0.1	-0.4%
Total	181.8	-1.9	-1.0%	+0.6	+0.3%

Performance of Each Company

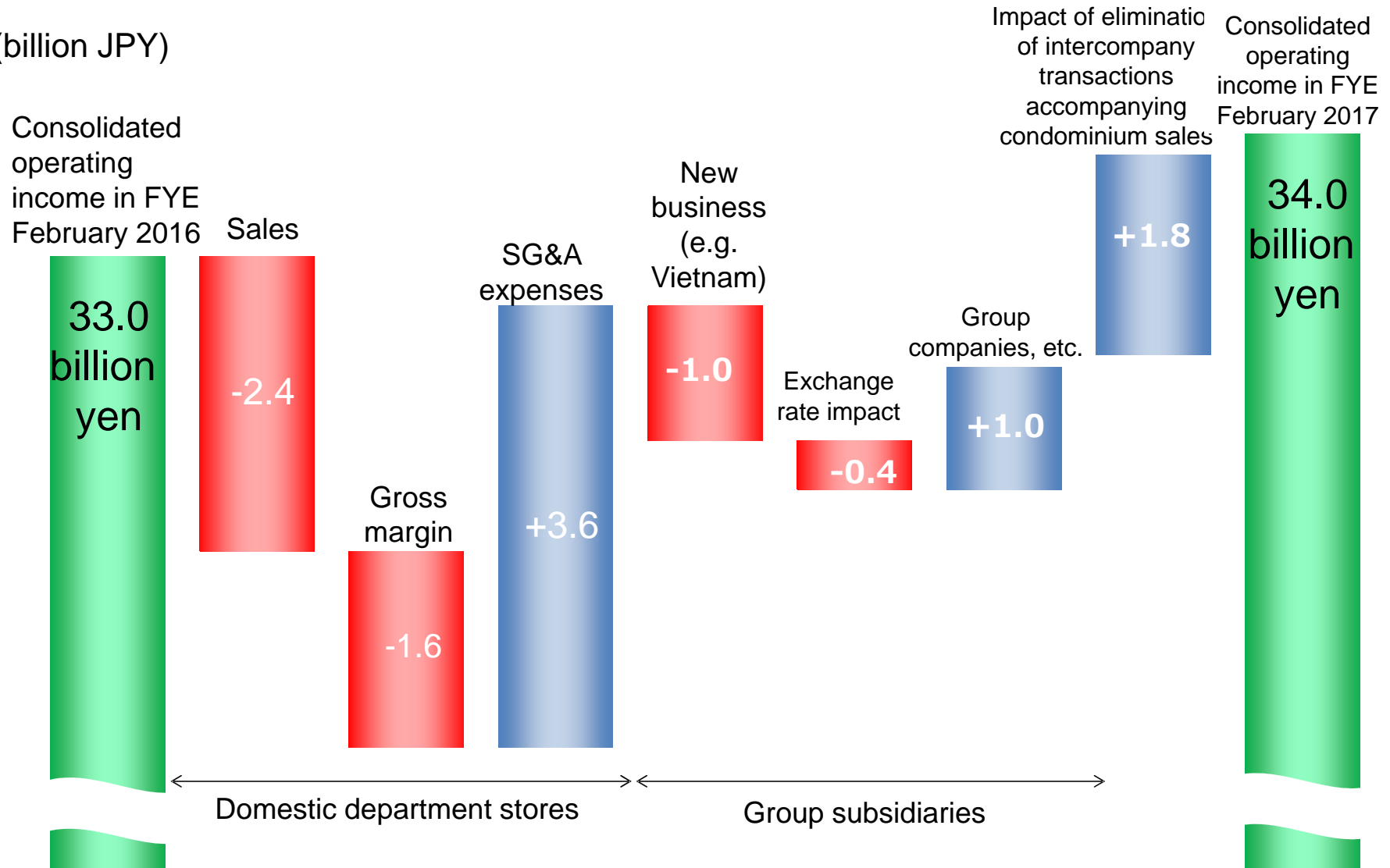
▶ Excluding the Singapore businesses, the main group companies performed well

(billion JPY)	Operating Revenue	Year-on-year	Change from Projection	Operating Income	Year-on-year	Change from Projection
Toshin Development Co., Ltd.	44.6	+9.6 +27.3%	-0.2 -0.6%	8.8	+0.8 +10.4%	+0.3 +3.8%
Toshin Development Singapore Pte, Ltd. (Local currency basis)	8.8 111 million	-0.7 -7.4% +2.9%	+0.0 +0.5% +0.1%	2.3 30 million	-0.1 -5.5% +5.1%	+0.0 +0.2% -0.1%
Takashimaya Singapore Ltd. (Local currency basis)	50.7 642 million	-7.1 -12.2% -2.5%	-0.5 -0.9% -1.3%	3.2 40 million	-0.9 -22.6% -14.0%	-0.1 -3.1% -3.5%
Shanghai Takashimaya Co., Ltd. (Local currency basis)	6.3 386 million	-1.0 -13.3% +1.4%	+0.1 +1.2% +0.2%	-1.0 -60 million	+0.3 - -	+0.0 - -
Takashimaya Credit Co., Ltd.	17.7	+0.4 +2.3%	+0.0 +0.1%	4.5	+0.1 +2.9%	-0.1 -1.4%
Takashiyama Space Create Co., Ltd. (including Takashimaya Space Create Tohoku)	35.1	+3.9 +12.6%	+0.0 +0.1%	2.3	+0.4 +23.4%	+0.3 +13.5%

Exchange rate : 1SGD=79.07JPY 1CNY=16.40JPY

Factors Contributing to Changes in Consolidated Operating Income

(billion JPY)



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Long-term Business Plans of the Takashimaya Group

- Achieve industry-leading earning power, efficiency, and stability

	FY2016	FY2021	Change from FY2016
Operating Revenue	923.6 billion yen	1 trillion yen	+76.4 billion yen
Operating Income	34 billion yen	50 billion yen	+16 billion yen
ROE	5.1%	>7%	+2%
ROA	3.8%	4.6%	+0.8%
Capital-to-asset ratio	41.8%	48%	+6%
Operating cash flow		270 billion yen	
Investment cash flow		-310 billion yen	
Financial cash flow		10 billion yen	

Takashimaya Group's Growth Strategy Strategy in Each Business

Aim for 50 billion yen in operating revenue in FY2021

- Domestic department stores will increase profits by reforming management/costs structure
- The domestic subsidiaries will pursue development by positioning financial business as a core business alongside real estate
- The overseas will expand business in Asia using Singapore as a hub

	Operating revenue	2016 YOY change	Operating income	2016 YOY change	Growth strategy investment
Domestic department stores	757 billion yen	±0	16 billion yen	+5	82 billion ye
Domestic subsidiaries	191 billion yen	+35	27 billion yen	+9	163 billion ye
Overseas	108 billion yen	+40	7 billion yen	+3	19 billion ye
Safety and security systems					56 billion ye
Total	1 trillion yen	+75	50 billion yen	+16	320 billion ye

Figures for each business indicate the values before the elimination of intercompany transactions

Takashimaya Group's Growth Strategy

Capital Strategy

● Basic approach

Place importance on balancing future growth-oriented investment with shareholder return so as to achieve both financial health and capital efficiency

Financial health: Long-term indicator = Capital-to-asset ratio

FY2016: 41.8% → FY2021: 48%

Capital efficiency: Long-term indicator = ROE

FY2016: 5.1% → FY2021: >7%

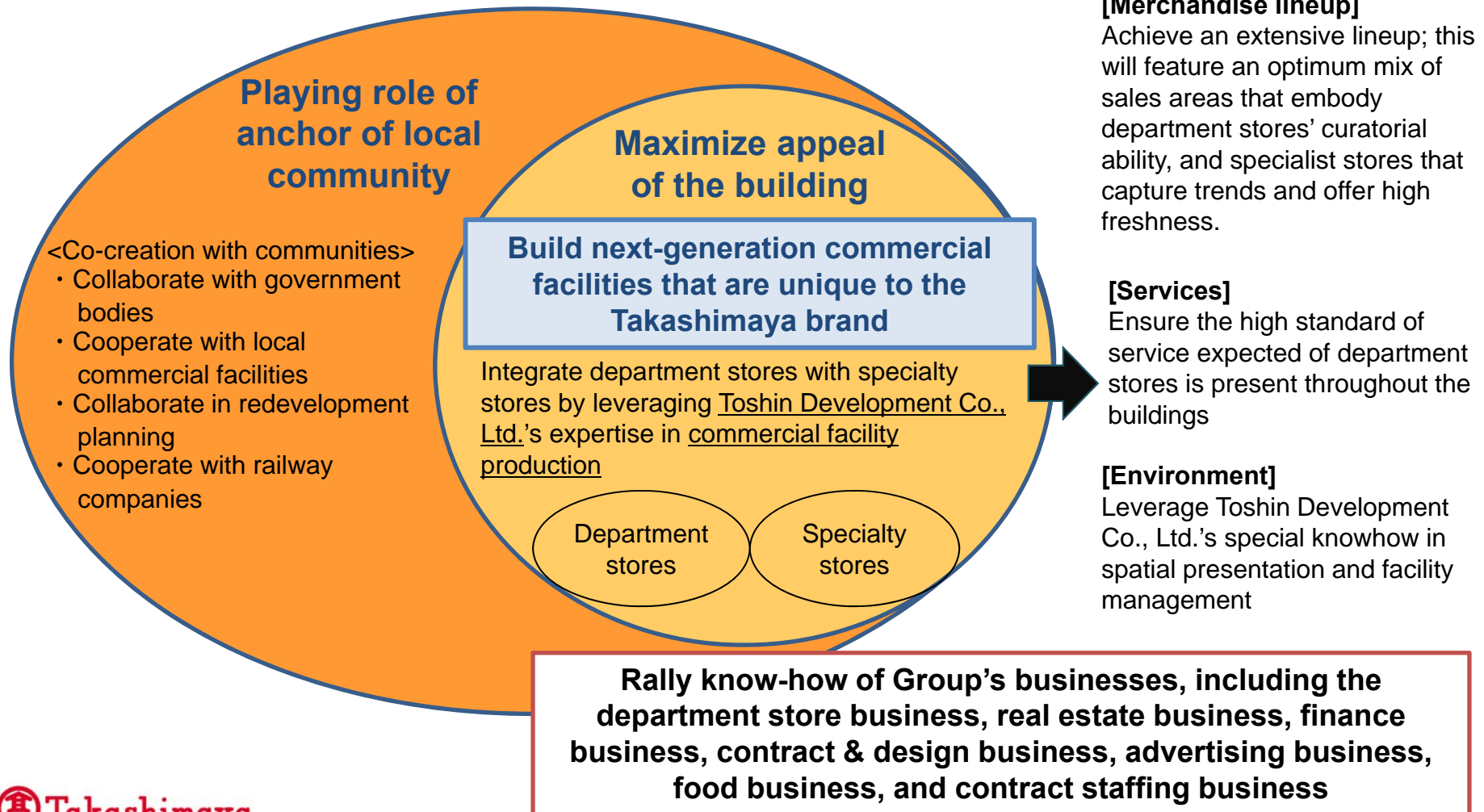
● Shareholder return

The group will implement the ideal form of shareholder return and also taking into account the various conditions for maintaining a stable dividend scale

Takashimaya Group's Growth Strategy

“Machi-dukuri”

- Rally Group's know-how and pursue customer satisfaction
- Build unique next-generation commercial facilities that integrate department stores with specialty stores



Takashimaya Group's Growth Strategy

- Development of 8 facilities in Japan and overseas that integrate department stores with specialty stores
- Nihombashi Store to get a new annex; this will create a new type of urban shopping center
- Combined Group effort to perpetually improve appeal of the buildings

1969

2018



Tamagawa: Opened in 1969



Singapore: Opened in 1993



Vietnam: Opened in July 2016



Shinjuku: Opened in 1996



Tachikawa: Restaurant area introduced in 2005



Konandai: Nitori store introduced in September 2016



Kashiwa: Opened in 1992



Osaka: Restaurant area introduced in 2010



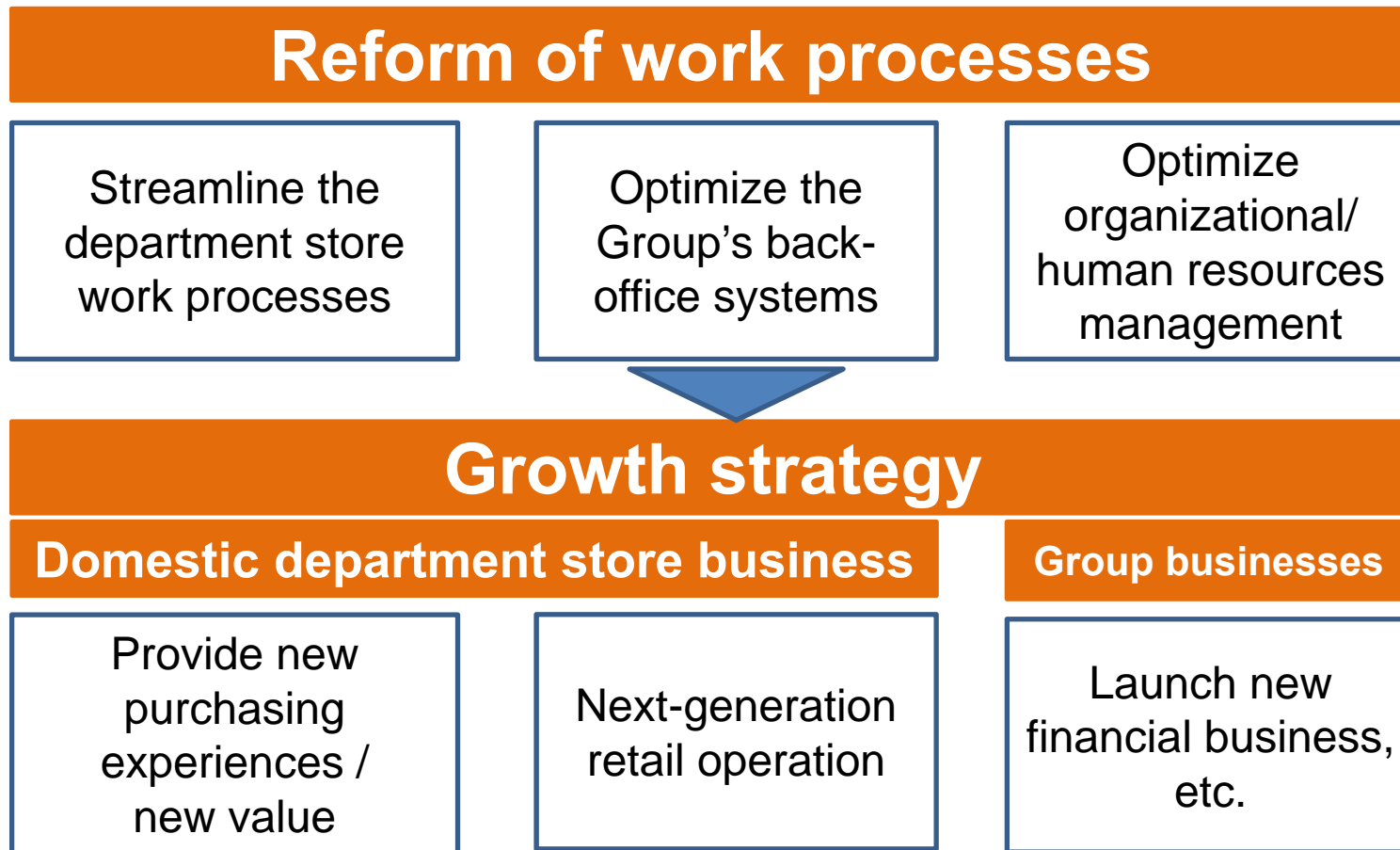
Nihombashi

Autumn 2018: Opening of new annex

Spring 2019: Refurbishment of main building

Launch of Group Reform Project

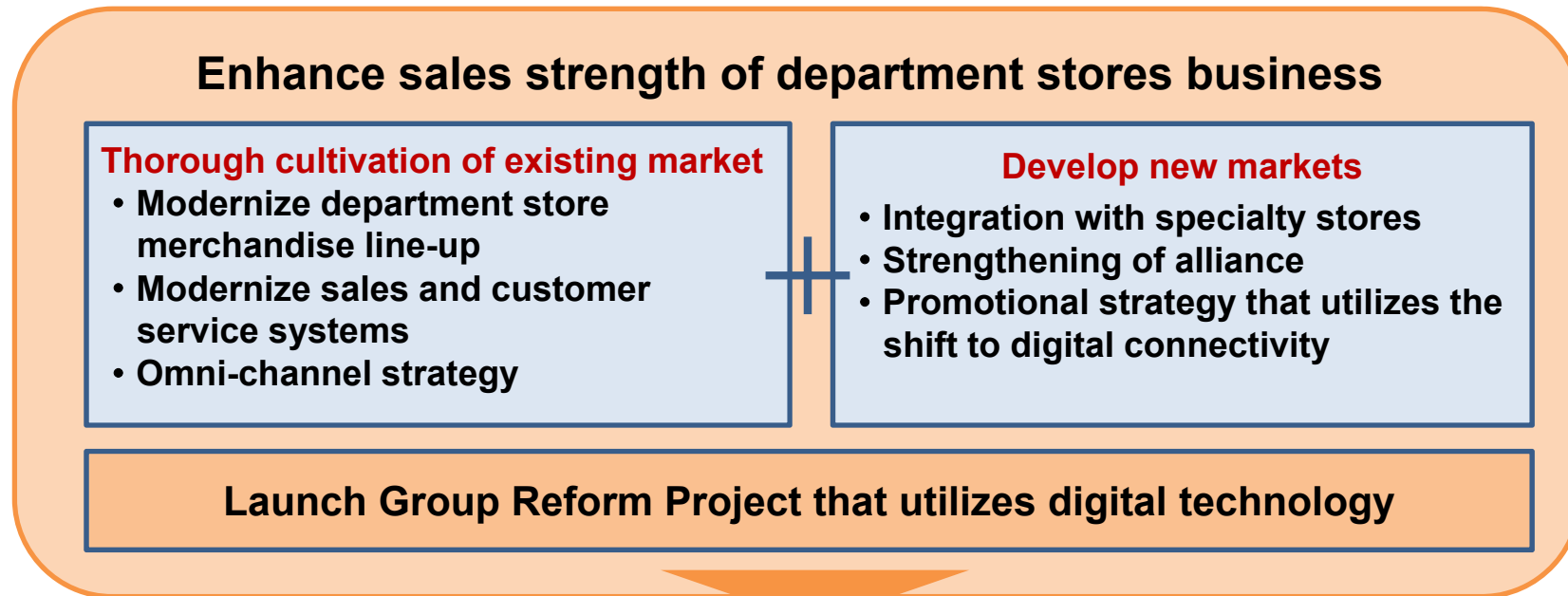
- Use digital technology to reform work processes with a view to improving management efficiency
- Resources generated in the reform will be re-invested into growth strategy



Takashimaya Group's Growth Strategy Domestic Department Store Business

Aim for 16 billion yen in operating income in FY2021

- Improve customer life-time value (LTV) and thoroughly cultivate existing market
- Broaden customer horizons and develop new markets
- Realize next-generation commercial facilities in each neighborhood



Achieve optimization by reflecting the particular characteristics of each department store and the surrounding neighborhoods

Takashimaya Group's Growth Strategy

Real Estate Business

Aim for 15 billion yen in operating income in FY2021

- **Toshin Development and Toshin Development Singapore to spearhead business expansion inside and outside Japan**
 - Redevelop Nihombashi
 - Using shopping centers inside and outside of Japan as development hubs, develop and renew surrounding areas
- **Promote the use of the Group's real estate**
 - Promote alliances with exemplary companies inside and outside Japan (e.g., CapitaLand)

Takashimaya Osaka's East Wing Annex Renovation Plan

To be launched in 2019

The East Wing Annex is located in Osaka Namba, where there are growing numbers of overseas visitors. It will be redeveloped as serviced residences owned and operated by The Ascott Limited, a subsidiary of Southeast Asia's largest listed real estate company CapitaLand Limited.

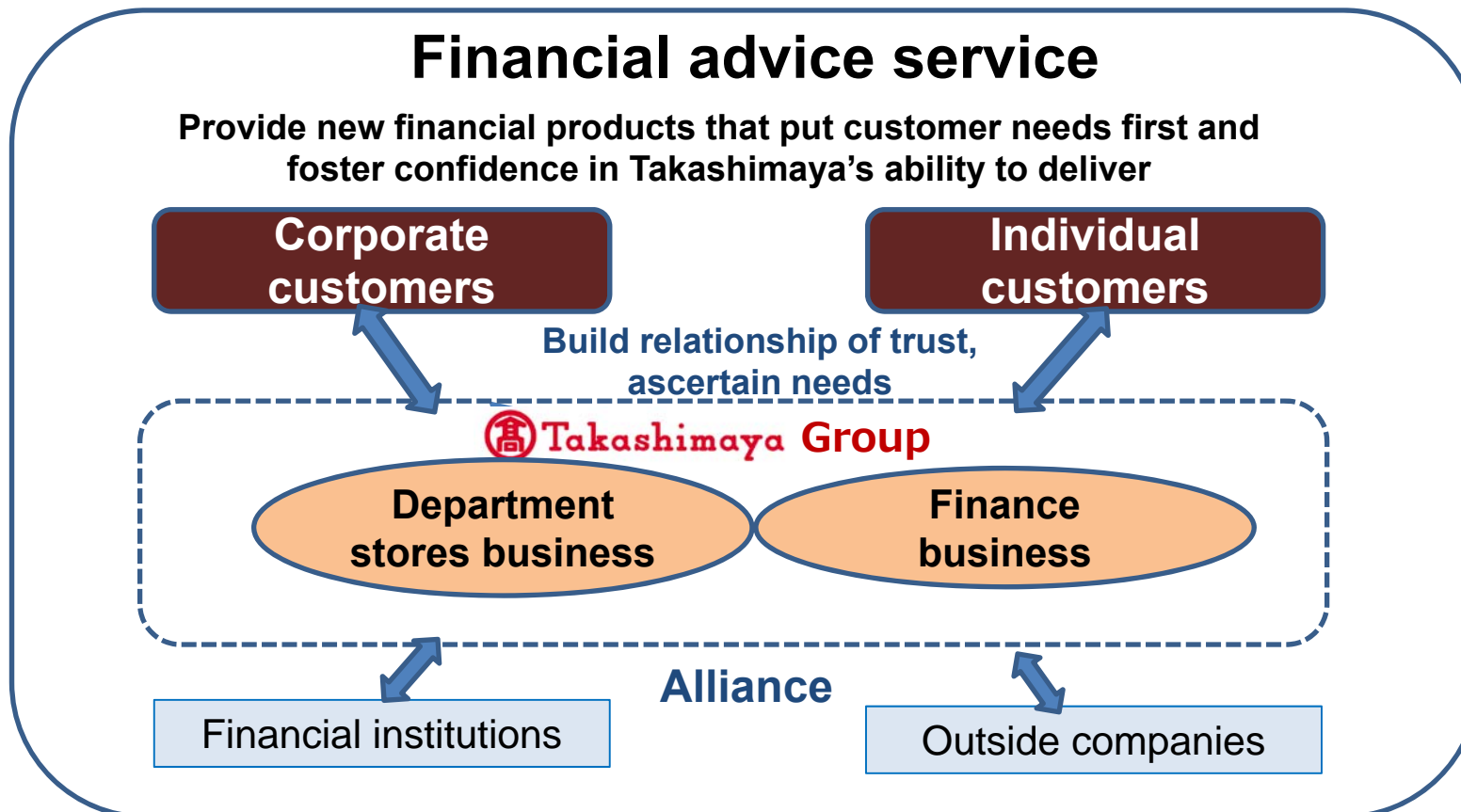


Takashimaya Group's Growth Strategy

Finance Business

Aim for 7 billion yen in operating revenue in FY2021

- Takashimaya Credit to expand by offering diverse payment services
- Examine new businesses ventures, including alliances with other companies




Long-term Plan: Current Progress and Ongoing Challenges

- Operating revenue has reached target and operating income is on the increase
- ROE is at 5.1%, capital-to-asset ratio is at 41.8%
- Interest-bearing debt has increased following a change to the initial plan

	FY2016 Targets (Numerical targets for the long-term plan announced in April 2012)	FY2016 Actual Performance
○ Operating revenue	880 billion yen	923.6 billion yen
○ Operating income	35 billion yen	34 billion yen
○ Operating margin	4.0%	3.7%
○ ROE	6.2%	5.1%
○ Capital-to-asset ratio	48.4%	41.8%
○ Interest-bearing debt	50 billion yen	Approx. 155 billion yen
○ Cash on hand	65 billion yen	Approx. 100 billion yen

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- **Domestic Department Store Business**
 - Domestic Group Business
 - Overseas Business

Domestic Department Store Business MD/Promotional Strategy

- As part of the “Machi-dukuri” strategy, expand merchandise line-ups that are unique to the department stores

(Realize this goal by renovating the Shinjuku Store, Yokohama Store, Kyoto Store, and Osaka Store)

- Modernize product proposal system by enhancing consultative sales and utilizing digital technology
- Continually reform department store sales structure to improve product margin

Targeted amount of product margin improvement: 1.8 billion yen

Shinjuku Store Wellbe Field opened



Wellbe Field also has an anti-gravity yoga studio

Yokohama Store, Kyoto Store, Osaka Store Hello Baby Salon opened



Retail area curated for various childrearing situations

Management structure geared toward enhancing consulting skills

- **P** Visualize skills
→ Identify problems
- ↓
- D** Develop training menu
Deploy on-site inspection officials
- ↓
- CA** Evaluations to be carried out by external organizations



Domestic Department Store Business Customer Strategy

- Maximize customers' LTV by pursuing omni-channel strategy
FY2017 goal: Online sales of 14 billion yen (+12% YOY)
- Use business alliances to capture new customers

Omni-channel



Alliance



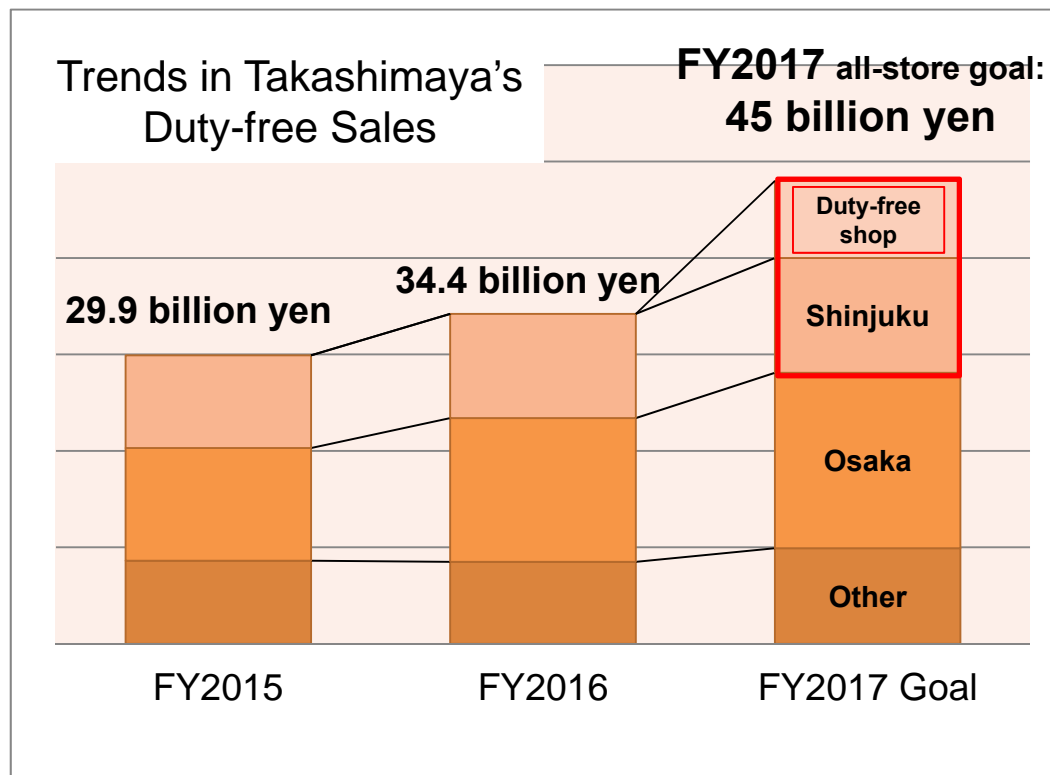
Domestic Department Store Business Inbound Demand

- Accommodate inbound demand in all stores by strengthening services and customer attraction efforts

- Airport-style duty-free shop opened in Shinjuku Times Square in April

FY2017 goal: 45 billion yen (+30.9% YOY)

Note: Figure includes 8 billion yen in duty-free sales



Strengthening services and customer attraction efforts

- Enhancement of payment services / communication environment
Enhance communication and service counter functionality using Alipay, WeChatPayment, etc.
- Strengthening of business alliances
Collaboration with China's largest travel-booking website C-trip and NTT Docomo
- Introduction of airport-style Duty-free shops (April 27)
Tax-free shopping in addition to duty-free
Utilize business partners' know-how to attract customers

Initiatives for the Current Financial Year

- 
- Domestic Department Store Business
 - **Domestic Group Business**
 - Overseas Business

Real Estate Business (Commercial development)

Toshin Development / Toshin Development Singapore

- Driven by apartment sales, revenue and profits are expected to increase again in this financial year
- Toshin Development Singapore to increase revenue and profits on a local currency basis, and increase profits on a yen basis

Real Estate Business operating revenue is anticipated to reach 11.5 billion yen (+4.3% YOY)



Branz Yokohama

Finance Business / Contract & Design Business

Takashimaya Credit

- Plan to increase profits with project to mark the tenth anniversary of new gold card
- Examine new growth-oriented business ventures such as new payment method options

Finance business operating revenue is expected to reach 4.5 billion yen (+0.0 YOY)



Takashimaya Space Create

- Revenue and profits expected to rise amid favorable business environment

Contract & Design business operating revenue is expected to reach 2.4 billion yen (+0.3% YOY)



Ocean Resort room in Sheraton Grande (Miyazaki Prefecture)

Initiatives for the Current Financial Year

- 
- Domestic Department Store Business
 - Domestic Group Business
 - **Overseas Business**

Overseas Business

- Expand business in Asia using Takashimaya Singapore Ltd. as a hub
- In Shanghai and Vietnam, aim for strong performance and early profitability
- Siam Takashimaya to open in Bangkok in spring 2018

Takashimaya Singapore

- Pursue growth strategy in the run-up to the store's 25th anniversary

Shanghai Takashimaya

- As last year, aim for double-digit profits on a renminbi basis

Takashimaya Ho Chi Minh City


- Aim for early productivity through the integrated management of the three businesses*
- * Department stores, real estate, and commercial facilities

Siam Takashimaya Opening in spring 2018

- Siam Takashimaya will open in retail mega-complex ICONSIAM
- The store will collaborate with leading Thai developer ICONSIAM Co., Ltd.



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Consolidated Cost and Revenue Projections

- ▶ There will be significant revenue increase from new business ventures (Vietnam, duty-free shopping, etc.) and apartment sales
- ▶ Operating income, ordinary income, and net income are projected to increase over the year thanks to a revenue-increase effect
- ▶ Takashimaya Vietnam will improve its revenue contribution on a full year basis

(billion JPY)	1H projection	Year-on-year	Full year projection	Year-on-year
Operating Revenue	448.0	+4.7 +1.1%	943.0	+19.4 +2.1%
SG&A Expenses	121.5	+1.6 +1.3%	244.0	+3.1 +1.3%
Operating Income	13.3	-0.5 -3.5%	35.0	+1.0 +2.9%
Ordinary Income	14.7	-0.4 -2.4%	37.5	+0.3 +0.8%
Net Income	6.8	-1.7 -19.8%	21.5	+0.6 +3.0%

Cost and Revenue Projections at Domestic Department Stores

- ▶ Revenue is projected to decline amid harsh consumption conditions in Japan
- ▶ SA&A expenses are projected to decrease following further cuts
- ▶ Operating income, ordinary income, net income are projected to increase

(billion JPY)	1H projection	Year-on-year		Full-year projection	Year-on-year	
Operating Revenue	362.7	-1.9	-0.5%	753.9	-3.3	-0.4%
Sales	356.0	-3.3	-0.9%	740.5	-4.6	-0.6%
Gross Margin	24.19%	-0.18		24.08%	-0.16	
SG&A Expenses	88.9	-0.1	-0.1%	179.7	-2.1	-1.1%
Operating Income	3.9	+0.1	+2.1%	11.9	+1.1	+10.5%
Ordinary Income	6.6	-0.3	-3.9%	14.1	+0.7	+5.2%
Net Income	2.5	-1.7	-41.1%	6.4	+1.8	+40.4%

SG&A Expenses Projections at Domestic Department Stores

- ▶ Personnel related expenses (social insurance premiums, etc.) are projected to rise while SA&A expenses are expected to decline on the whole following tighter controls on general affairs expenses
- ▶ Following the reform of the Shinjuku Store's rental scheme, the actual amount of cuts will be 1.8 billion yen for the first half, and 3.8 billion yen for the full year

(billion JPY)	1H projection	Year-on-year		Full-year projectionn	Year-on-year	
Personnel related expenses	30.2	+0.4	+1.4%	61.5	+0.3	+0.5%
Advertising expenses	12.2	-0.5	-4.2%	24.8	-0.9	-3.3%
General affairs expenses	31.0	-1.7	-5.2%	62.7	-2.9	-4.4%
Accounting related expenses	15.5	+1.7	+12.5%	30.8	+1.4	+4.7%
Total	88.9	-0.1	-0.1%	179.7	-2.1	-1.1%

Cost and Revenue Projections of Each Company

- ▶ Revenues and profits are projected to increase, particularly among domestic group companies

(billion JPY)	Operating revenue	Year-on-year		Operating income	Year-on-year	
Toshin Development Co., Ltd	55.7	+11.1	+25.0%	9.3	+0.4	+4.6%
Toshin Development Singapore Pte. Ltd (Local currency basis)	8.7 114 million	-0.0	-0.5%	2.4 31 million	+0.0	+1.0%
Takashimaya Singapore Ltd. (Local currency basis)	50.5 656 million	-0.2	-0.5%	3.3 42 million	+0.1	+3.0%
Shanghai Takashimaya Co., Ltd. (Local currency basis)	6.8 434 million	+0.5	+8.1%	-1.2 -73 million	-0.2	-
Takashimaya Credit Co., Ltd.	18.2	+0.5	+2.8%	4.5	+0.0	+0.0%
Takashimaya Space Create Co., Ltd. (Including Takashimaya Space Create Tohoku)	36.9	+1.8	+5.0%	2.4	+0.0	+0.3%

Exchange rate: 1SGD=76.98JPY 1CNY=15.78JPY

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- **Corporate Governance**
 - **CSR Management**

CSR Management

- In line with management philosophy, contribute to a sustainable society grounded in local communities
- Reform working practices, protect consumers, conserve the environment

Management philosophy “Putting People First”

The Takashimaya group contributes to society by valuing the spirit of believing in people, loving people, and serving people

<Reforming working practices>

- Rectify long working hours
- Improve working environment
- Promote diversity

<Protect consumers>

- Manage food safety/security
- Protection of private information

<Environmental activities>

- Improve recycling rate
- Energy saving, resource saving
- Eco-friendly product planning

Statements contained herein regarding cost and revenue projections reflect our judgment based on information currently available, and involve a number of risks and uncertainties. It should be noted that actual results could differ materially from the cost and revenue projections stated herein due to a variety of factors.