

# Financial Results FY2012

09 April 2013



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.

Significant factors that could affect actual performance include but are not limited to the economic environment surrounding the department store industry, market trends, and exchange rate fluctuations.

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## Results for FY2012 (the fiscal year ended February 28, 2013)

### Consolidated performance

( Yen in Billion )

	1 H	Year -on- Year	2 H	Year -on- Year	Full-year	Year -on- Year	Change from Projection
Operating Revenue	419.8	2.4% 9.8	450.5	0.5% 2.4	870.3	1.4% 12.2	(0.5%) (4.2)
SG&A expenses	119.1	2.0% 2.3	120.0	(2.2%) (2.7)	239.2	(0.1%) (0.3)	(1.2%) (2.9)
Operating Income	10.1	11.6% 1.1	15.4	27.6% 3.3	25.5	20.7% 4.4	1.9% 0.5
Ordinary Income	11.7	8.8% 1.0	18.1	33.6% 4.6	29.9	22.6% 5.5	8.6% 2.4
Net Income	6.6	22.8% 1.2	9.9	80.0% 4.4	16.5	51.8% 5.6	22.5% 3.0

#### Operating Revenue

Sales and other operating revenue increased 12.2 billion yen, mainly reflecting higher sales after the negative effects of the earthquake on the Group's core domestic Department Store segment, and the continued effects of the renovation of the Osaka Store, as well as increases in revenue at subsidiaries such as Toshin Development Co., Ltd. and Takashimaya Space Create Co., Ltd.

#### SG&A expenses

Selling, general and administrative expenses were cut by 0.3 billion yen due to the reduction of promotion expenses associated with a change in the loyalty point rate and a decrease in personnel-related expenses as a result of a reduction in the number of staff, which offset increases in advertising expenses as well as in depreciation and heating and lighting expenses due to the replacement of systems and renovations.

#### Operating income

Operating income rose 4.4 billion yen, chiefly reflecting higher income due to higher revenues.

#### Ordinary income

Ordinary income rose 5.5 billion yen, mainly due to higher operating income and a 1.2 billion yen increase in foreign exchange gains, including a rise in foreign currency deposits.

#### Net income

Net income increased 5.6 billion yen, primarily reflecting higher ordinary income.

## Performance by Individual Companies

( Yen in Billion )

	Operating Revenue	Year-on-Year	Change from Projection	Operating Income	Year-on-Year	Change from Projection
Takashimaya Co., Ltd. & Domestic Department store subsidiaries	745.8	0.8%	(0.8%)	8.4	21.8%	(9.6%)
		5.7	(5.8)		1.5	(0.9)
Toshin Development Co., Ltd. & Toshin Development Singapore PTE.Ltd.	38.2	2.7%	0.5%	7.9	7.8%	1.2%
		1.0	0.2		0.6	0.1
Takashimaya Singapore Ltd.	39.7	6.0%	1.7%	3.6	4.2%	2.4%
		2.2	0.7		0.1	0.1
Takashimaya Credit Co., Ltd.	15.8	1.4%	(1.4%)	3.6	12.3%	0.6%
		0.2	(0.2)		0.4	0.0
Takashimaya Space Create Co., Ltd.	23.6	23.3%	9.3%	0.9	300.8%	42.4%
		4.5	2.0		0.7	0.3
Others and eliminations	7.2	-	-	1.0	-	-
		(1.4)	(1.0)		1.1	0.9
<b>Consolidated</b>	<b>870.3</b>	<b>1.4%</b>	<b>(0.5%)</b>	<b>25.5</b>	<b>20.7%</b>	<b>1.9%</b>
		12.2	(4.2)		4.4	0.5

### Takashimaya Co., Ltd. and domestic department store subsidiaries

Both revenue and income rose, chiefly reflecting higher sales after the negative effects of the earthquake and the continued effects of the renovation of the Osaka Store.

### Toshin Development Co., Ltd. & Toshin Development Singapore PTE. Ltd.

Both revenue and income increased, primarily thanks to the strong performance of shopping centers in Japan, such as Tamagawa Takashimaya Shopping Center, Kashiwa Takashimaya Station Mall, and Nagareyama Otakanomori Shopping Center.

### Takashimaya Singapore Ltd.

Both revenue and income rose due to the introduction of new brands, the success of measures to attract foreign tourists, and the strong performance of seasonal events.

### Takashimaya Credit Co., Ltd.

Both revenue and income increased, attributable to an increase in credit card fees, mainly due to measures to promote usage and higher sales after the negative effects of the earthquake, and a decline in selling, general and administrative expenses, including credit losses.

### Takashimaya Space Create Co., Ltd.

Both revenue and income rose due to strong orders for luxury brands, renovations at large department stores, and an increase in orders from hotels.

## Non-consolidated performance

( Yen in billion )

	1 H	Year -on- Year	2 H	Year -on- Year	Full-year	Year -on- Year	Change from Projection
Operating Revenue	334.3	2.4% 7.8	356.0	(0.5%) (1.7)	690.3	0.9% 6.1	(0.7%) (5.2)
Gross Margin	25.47%	(0.21)	25.35%	(0.25)	25.41%	(0.23)	(0.17)
SG&A expenses	87.2	2.3% 2.0	87.9	(3.5%) (3.2)	175.2	(0.7%) (1.2)	(1.0%) (1.7)
Operating Income	1.6	(29.8%) (0.7)	6.1	49.5% 2.0	7.7	20.5% 1.3	(9.0%) (0.8)
Ordinary Income	3.5	(12.4%) (0.5)	7.3	72.4% 3.1	10.8	31.4% 2.6	3.2% 0.3
Net Income	1.9	(66.9%) (3.9)	3.2	433.8% 2.6	5.2	(19.9%) (1.3)	23.3% 1.0

### Operating Revenue

Sales and other operating revenue increased 6.1 billion yen, mainly due to higher sales after the negative effects of the earthquake, and the continued effects of the renovation of the Osaka Store.

### Operating Income

Operating income rose 1.3 billion yen, primarily reflecting a reduction in selling, general and administrative expenses, despite the adverse effect of a decline in the gross margin ratio due to the strong sales of jewelry and luxury goods.

### Ordinary Income

Ordinary income climbed 2.6 billion yen, mainly due to an increase in operating income and a rise in foreign exchange gains.

### Net Income

Net income fell 1.3 billion yen, chiefly attributable to a decrease in the difference from the liquidation of a subsidiary (New York) in the previous year, which offset the increase in ordinary income.

## Non-Consolidated SG&A Expenses

( Yen in billion )

	1 H	Year -on- Year	2 H	Year -on- Year	Full-year	Year -on- Year	Change from Projection
Personnel- related expenses	30.1	1.6%	31.2	(2.0%)	61.3	(0.2%)	(0.8%)
		0.5		(0.6)		(0.1)	(0.5)
Advertising expenses	11.9	1.7%	12.3	(9.8%)	24.2	(4.5%)	(1.7%)
		0.2		(1.3)		(1.1)	(0.4)
General affairs expenses	29.9	5.2%	29.5	(2.0%)	59.5	1.5%	(1.1%)
		1.5		(0.6)		0.9	(0.7)
Accounting- related expenses	15.3	(1.1%)	14.9	(4.3%)	30.3	(2.7%)	(0.4%)
		(0.2)		(0.7)		(0.8)	(0.1)
Total	87.2	2.3%	87.9	(3.5%)	175.2	(0.7%)	(1.0%)
		2.0		(3.2)		(1.2)	(1.7)

### Personnel-related expenses

Personnel-related expenses declined 0.1 billion yen, primarily reflecting reductions in salaries and bonuses, as well as retirement benefit expenses due to a reduction in the number of staff, despite increases in welfare expenses and educational expenses.

### Advertising expenses

Promotion expenses fell 1.1 billion yen, attributable to the decrease in promotion expenses associated with the change in the loyalty point rate, which offset an increase in advertising expenses for increasing revenue.

### General affairs expenses

Transport expenses and other/general affairs expenses climbed 0.9 billion yen due to a rise in the depreciation associated with the replacement of systems and higher heating and lighting expenses due to increases in electric power charges.

### Accounting-related expenses

Accounting-related expenses declined 0.8 billion yen, primarily reflecting lower rents as well as taxes and dues.

## Projections for FY2013 (the fiscal year ended February 28, 2014)

### Consolidated Cost and Revenue Projections

( Yen in billion )

	1 H	Year -on- Year	Full-year	Year -on- Year
Operating Revenue	431.0	2.7%	897.0	3.1%
		11.2		26.7
SG&A expenses	122.9	3.2%	245.8	2.8%
		3.8		6.6
Operating Income	10.2	0.7%	28.0	9.9%
		0.1		2.5
Ordinary Income	11.8	0.5%	30.0	0.4%
		0.1		0.1
Net Income	5.3	(19.7%)	16.7	1.0%
		(1.3)		0.2

#### Operating revenue

The Company plans to take in more revenue from its domestic department stores, taking advantage of the effects of the renovations at the Yokohama Store and other stores, which attracting more wealthy people, and responding to changes in the market to expand its business opportunities. The Company also expects a last-minute surge in demand of 1 billion yen in anticipation of the consumption tax hike. On a consolidated basis, an increase of 26.7 billion yen is projected, as steady increases in revenue are expected at major subsidiaries, including Toshin Development Co., Ltd., Takashimaya Singapore Ltd., Takashimaya Credit Co., Ltd., and Takashimaya Space Create Co., Ltd.

#### SG&A expenses

Despite Group-wide efforts to improve business efficiency to reduce selling, general and administrative expenses, SG&A expenses are expected to rise 6.6 billion yen due to the enhancement of sales promotion initiatives at department stores in Japan and abroad and development investments at Toshin Development Co., Ltd.

#### Operating income

Despite the increase in selling, general and administrative expenses, operating income is expected to rise 2.5 billion yen, primarily reflecting higher operating revenue, particularly at domestic department stores and at Toshin Development Co., Ltd. and Takashimaya Singapore Ltd., among other subsidiaries.

#### Ordinary income

Ordinary income is expected to increase only 0.1 billion yen, mainly attributable to a decrease in foreign exchange gains, including a rise in foreign currency deposits, which rose significantly due to the weaker yen in the previous year, and a decline in gains from gift certificate adjustments, despite higher operating income.

#### Net income

Net income is expected to increase 0.2 billion yen, primarily reflecting the increase in ordinary income.



## Cost and Revenue Projections of Individual Companies

( Yen in billion )

	Operating Revenue	Year-on-Year	Operating Income	Year-on-Year
Takashimaya Co., Ltd. & Domestic Department store subsidiaries	757.1	1.5% 11.4	10.4	23.4% 2.0
Toshin Development Co., Ltd. & Toshin Development Singapore PTE.Ltd.	40.6	6.1% 2.3	8.4	5.1% 0.4
Takashimaya Singapore Ltd.	44.5	11.9% 4.7	3.7	2.2% 0.1
Takashimaya Credit Co., Ltd.	16.2	2.8% 0.4	3.9	6.2% 0.2
Takashimaya Space Create Co., Ltd.	24.4	3.1% 0.7	0.9	3.6% 0.0
Others and eliminations	14.3	- 7.0	0.8	- (0.2)
Consolidated	897.0	3.1% 26.7	28.0	9.9% 2.5

### Takashimaya Co., Ltd. and domestic department store subsidiaries

Takashimaya and its domestic department store subsidiaries plan to achieve higher revenue and income chiefly by taking advantage of the effects of the renovations at large stores, including the Osaka Store and the Yokohama Store, by attracting more wealthy customers, and by responding to changes in the market to expand business opportunities. They also expect a last-minute surge in demand of 1 billion yen in anticipation of the consumption tax hike.

### Toshin Development Co., Ltd. & Toshin Development Singapore PTE. Ltd.

Toshin Development expects higher revenue and income from stepping up sales promotions at shopping centers in collaboration with department stores, and promoting renovations to enhance customer convenience in Japan, and improving the appeal of shopping centers by improving leasing and thoroughly controlling selling, general and administrative expenses in Singapore.

### Takashimaya Singapore Ltd.

Takashimaya Singapore plans to record higher revenue and income by increasing sales through promotions associated with its 20th anniversary, enhancement of initiatives to attract foreign tourists, and completion of its renovation and expansion.

### Takashimaya Credit Co., Ltd.

Takashimaya Credit plans to record higher revenue and income by increasing its card fees associated with a rise in transaction volume, by promoting the active use of cards at department stores and member stores, and by increasing income from annual membership fees through renewed efforts to attract new customers.

### Takashimaya Space Create Co., Ltd.

Takashimaya Space Create plans to increase revenue and income by strengthening sales to secure orders for large properties, responding to reconstruction demand in Tohoku, and expanding orders for private housing renovations in cooperation with department stores.

## Non-Consolidated Cost and Revenue Projections

( Yen in billion )

	1 H	Year -on- Year	Full-year	Year -on- Year
Operating Revenue	338.0	1.1% 3.7	700.0	1.4% 9.7
Gross Margin	25.50%	0.03	25.50%	0.09
SG&A expenses	88.1	0.9% 0.8	176.3	0.6% 1.1
Operating Income	1.7	3.0% 0.1	9.5	22.8% 1.8
Ordinary Income	3.5	0.2% 0.0	11.0	1.5% 0.2
Net Income	1.0	(48.5%) (0.9)	5.3	2.3% 0.1

### Operating revenue

The Company plans to record an increase of 9.7 billion yen in sales and other operating revenue by taking advantage of the effects of the renovations at large department stores, including the Osaka Store and the Yokohama Store, attracting more wealthy customers, and responding to changes in the market to expand its business opportunities. It also expects a last-minute surge in demand of 1 billion yen in anticipation of the consumption tax hike.

### Operating income

Despite the increases in advertising expenses to boost revenue, in heating and lighting expenses due to rate hikes, and in selling, general and administrative expenses, including safety investments and other repair costs, operating income is expected to increase 1.8 billion yen due to the higher income derived from increased revenue, primarily through the steady implementation of sales initiatives.

### Ordinary income

Ordinary income is expected to rise only 0.2 billion yen, with the increase in operating income mostly offset by the decrease in foreign exchange gains, which rose significantly due to the weaker yen in the previous year, and the decline in gains from gift certificate adjustments.

### Net income

Net income is expected to climb 0.1 billion yen, primarily due to higher ordinary income.

## Non-consolidated SG&A Expense Projections

( Yen in billion )

	1 H	Year -on- Year	Full-year	Year -on- Year
Personnel-related expenses	29.4	(2.4%) (0.7)	60.0	(2.2%) (1.3)
Advertising expenses	12.3	3.8% 0.4	24.9	3.2% 0.8
General affairs expenses	31.0	3.6% 1.1	61.2	3.0% 1.8
Accounting-related expenses	15.3	0.0% 0.0	30.2	(0.2%) (0.1)
<b>Total</b>	<b>88.1</b>	<b>0.9%</b> <b>0.8</b>	<b>176.3</b>	<b>0.6%</b> <b>1.1</b>

### Personnel-related expenses

Personnel-related expenses are expected to decline 1.3 billion yen, mainly attributable to the decrease in retirement benefit expenses, despite an increase in welfare expenses that is mainly due to the increase in health insurance premium rate.

### Advertising expenses

Promotion expenses are expected to increase 0.8 billion yen, primarily reflecting the rise in general promotion expenses associated with aggressive advertising and cultural events to increase revenue, and higher expenses related to the loyalty points associated with higher revenue.

### General affairs expenses

Transport expenses and other/general affairs expenses are expected to increase 1.8 billion yen, chiefly due to the rise in repair costs associated with safety investments and renovation projects, higher heating and lighting expenses due to hikes in electric power charges and fuel costs, and the increase in transport expenses associated with higher revenue.

### Accounting-related expenses

Accounting-related expenses are expected to decrease 0.1 billion yen, mainly reflecting continuing rent negotiations.

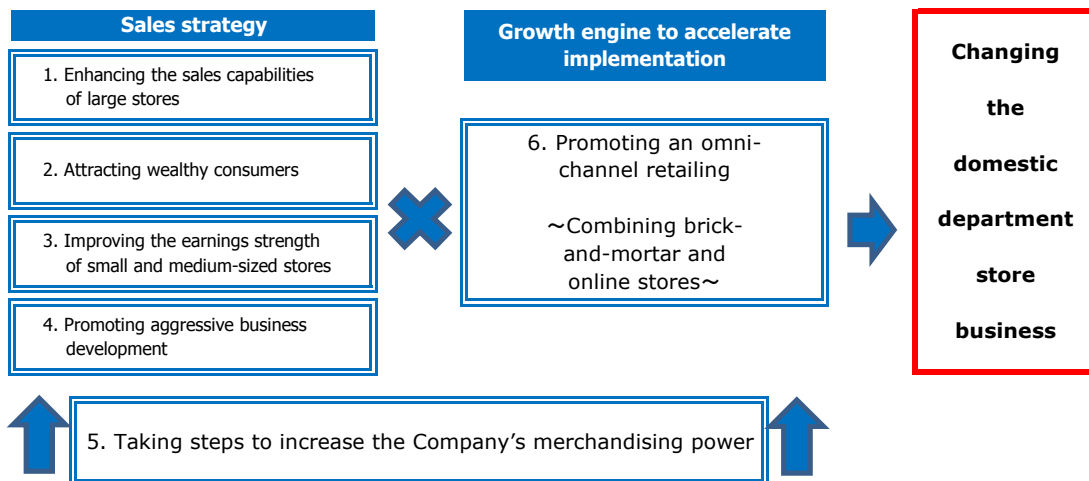
# The Takashimaya Group's Sales Strategy

## Domestic department store business

### Policy for FY2013

The Company plans to strengthen its domestic department store business through a sales strategy that capitalizes on its strengths and market development for future growth. To deal with the risk of a decline in personal spending after the consumption tax hikes, the Company aims to begin strengthening its customer base and improving operational efficiency. The Company is positioning this fiscal year as the year to consolidate its operating foundation.

Operating revenue and operating income at domestic department stores  
 FY2013 plan      Operating revenue: 757.1 billion yen (up 11.4 billion yen)  
                          Operating income: 10.4 billion yen (up 2.0 billion yen)



### 1. Expanding the revenue base by enhancing the sales capabilities of large stores

With the strong consumption of high-priced goods, the Company has renovated large stores, strategically focusing on bolstering luxury goods areas, where the Company is strong. Large stores are expected to make the most of renovations and continue to develop merchandise for the next generation.

#### Sales at three stores in FY2013: up JPY4.6 bn

#### (1) Restructuring merchandise at the Osaka Store

With the reconstruction of the Nankai Kaikan Building, a 4,300 m2 area in the western part of the building was returned to Nankai.

Despite the decreased area, the Osaka Store expects an increase in revenue by improving its merchandise, aiming to attract the attention of its strategic target (women from 25 to 44 years old).

#### (2) Renovating the entire Yokohama Store

Upgrading the women's fashion floor to attract next-generation customers

Planning to begin the renovation of the foods floor in the second half to attract customers and provide news items

#### (3) Executing a new merchandising strategy ahead of the redevelopment of the Nihombashi Store

Introducing new brands to the luxury goods area; enhancing services (e.g., creating VIP fitting rooms)

Planning to restructure the women's accessories floor and renovate the luxury brands floor in the second half



Osaka store "Kawaii Stage"

## 2. Consolidating the customer base by attracting wealthy customers

To retain out-of-store customers, the Company's main management resources, the Company plans to issue new cards and consolidate its base to enhance its sales capabilities. The Company will also develop its merchandising, strategically targeting wealthy next-generation customers.

### Out-of-store sales in FY2013: up JPY1.0 bn year on year

#### (1) Issuing a VIP card to major out-of-store customers

Planning to issue an Out-of-Store Sales VIP Card (tentative name) this fall for out-of-store customers who buy 3 million yen's worth of goods or more annually (6,000 accounts). Enhancing the appeal of member services to improve top customer loyalty and satisfaction



New credit card for VIP out-of-sales customers (image)

#### (2) Improving out-of-store sales capabilities

Incorporating the use of tablet computers this spring to enhance our ability to make proposals to out-of-store customers

#### (3) Improving merchandise to attract wealthy next-generation customers

## 3. Improving the earnings strength of small and medium-sized stores based on our expertise in managing shopping centers

The Company will manage the Tamagawa Store and the Kashiwa Store in cooperation with Toshin Development. Following the renovation of the Tachikawa Store, which is returning steady profits, the Company plans to renovate and revitalize the Omiya Store to establish an earnings model.

### Sales at small and medium-sized stores in FY2013: up JPY2.5 bn year on year

#### (1) Boosting revenue by promoting operations in cooperation with Toshin Development

Consolidating the local customer base at the Tamagawa Store and Kashiwa Store, profit-earning stores, this fiscal year through promotions in cooperation with Toshin Development and by allocating roles and collaborating on merchandising

#### (2) Revitalizing small and medium-sized stores by adding new functions

Renovating the Omiya Store this fiscal year, using the Tachikawa Store, which is earning stable profits, as a model  
Looking for popular new tenants in the region to attract more customers and promote shopping at different tenants; improving earnings power by adding new functions to the store  
Promoting community-based operations at local stores  
In April the Yonago Store started mobile catering in areas where it is difficult to shop, while keeping an eye on villages



Omiya store

#### 4. Promoting aggressive business development in response to growing markets

The Company will implement strategies in response to changes in the consumption trends of its major customer segments. The Company will focus on attracting customers in segments that are expected to grow in Japan, including senior citizens and foreign tourists.

#### Sales of goods for senior citizens and duty-free goods in FY2013: up JPY4.0 bn year on year

##### (1) Taking steps to attract more senior citizens

- (i) Merchandising
  - Focusing on health and developing a new self-collection-type floor, Kenko-no Niwa
  - Expanding the private home renovations business in cooperation with Takashimaya Space Create
- (ii) Sales promotion
  - Taking steps to respond to increasing "three-generation consumption" (e.g., proposing nursery items for grandparents)
- (iii) Store environment and services
  - Continuing to improve store environments to remove barriers; starting to review sign fonts in stores and media
  - Improving services; for example, expanding the services of store concierges who accompany customers



Yokohama store  
"Kenko-no Niwa"

##### (2) Boosting the number of foreign tourists visiting our stores

Developing a system that will follow procedures for duty exemption; taking effective measures to attract foreign tourists

#### 5. Taking steps to improve the Company's merchandising power

Taking steps to improve the Company's merchandising power  
The Company plans to strategically enhance the features of its merchandise and pursue economies of scale to strengthen its merchandising power, which is the basis for bolstering the sales capabilities of stores and promoting omni-channel retailing.

#### An increase in sales due to the enhancement of merchandise features and the pursuit of economies of scale in FY2013: up JPY9.2 bn year on year

##### (1) Promoting strategies to enhance merchandise features

Beginning to develop products that will enhance the Company's brand value to increase the profits from independently developed products  
Improving self-collection-type merchandise, striking a balance between the Company's ability to make proposals and its profitability (some merchandise will be sold on the Web)  
Aiming for 10 billion yen in sales this fiscal year from "Voice File" items, which reflect customer feedback

##### (2) Promoting merchandising strategies that pursue economies of scale

Pursuing economies of scale by expanding initial orders and orders for summer gifts and year-end gifts  
Placing orders for independently developed products directly with manufacturers; expanding the Cashmere Knit Collection to a 1.5 billion yen business  
Introducing personal gift catalogues that customers can choose from





Cashmere knitwear collection

## 6. Promoting omni-channel retailing

The Company will begin executing an omni-channel retailing strategy to maximize customer satisfaction: It will improve its information base (merchandise information, customer information, ICT) to add new value to its product lineups, ways to attract customers, sales and shopping floors.

ICT: Information and communication technology

### Goals of the omni-channel retailing strategy

Reforming the domestic department store	Product lineup	<ul style="list-style-type: none"> <li>- Developing a product database to enable customers to shop anytime, anywhere</li> <li>- Expanding the product lineup, combining different channels (brick-and-mortar stores and the Internet)</li> </ul> <p><b>-&gt; Delivering what customers want when they want it</b></p>	Maximizing customer satisfaction
	Attracting customers, sales, and communication with customers	<ul style="list-style-type: none"> <li>- Developing a customer database to make the best offers to each customer</li> <li>- Enhancing information transmission capabilities by complementing information in stores with information online</li> <li>- Strengthening customer relations through interactive communications; for example, by using social networking services</li> </ul> <p><b>-&gt; Deepening mutual trust with customers, making the Company more familiar to customers</b></p> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p><b>&lt;Social Camera&gt;</b> Customers try on clothing at stores and take pictures of themselves. Then they upload the photos to Facebook. People who are interested in the clothes then come to the stores.</p> </div> </div>	
	Shopping floor	<ul style="list-style-type: none"> <li>- Through ICT, stores can provide new shopping experiences, including a virtual experience. The Company will provide seamless service both at its stores and online to improve customer convenience.</li> </ul> <p><b>-&gt; Providing surprises and thrilling experiences that exceed customers' expectations</b></p> <div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <p><b>&lt;Interactive Hangers&gt;</b> When customers pick up a hanger, photos of coordinates and a video will be displayed.</p> </div>  </div>	

### Omni-channel retailing initiatives in FY2013

The Company will increase revenue, using the expertise and operational base of SELECT SQUARE, which became a subsidiary last year. Meanwhile, the Company will begin building a system for both brick-and-mortar stores and online stores so that each can be used seamlessly. In this system, the online store will send customers to brick-and-mortar stores.

#### Online sales in FY2013: up JPY3.3 bn year on year

- (1) **Improving sales efficiency by introducing common product lineups and unifying the management of merchandise inventory**
- (2) **Promoting mutual use by consolidating the management of customer information**  
Consolidating the management of customer information for the 0.86 million online members and 2.1 million card members, to use the data efficiently, attract customers effectively, and ultimately promote purchases both at brick-and-mortar stores and online.
- (3) **Introducing a virtual experience at stores, using the Shinjuku Store as a model**  
Introducing videos at the Shinjuku Store on a trial basis that communicate the appeal of items as well as "digital fittings"



# Domestic group business

## The Group's major business initiatives

- To take advantage of the Takashimaya Group's comprehensive strength to reform the department store business and improve the Takashimaya brand through close cooperation among the Group's companies
- To have Group companies share their expertise, and enhance the Group's competitiveness to boost profits

### Numerical targets (FY2013)

Sales and other operating revenue: 142.2 billion yen (up 5.6 billion yen)  
Operating income: 13.4 billion yen (up 1.0 billion yen)

#### (1) Toshin Development Co., Ltd. (domestic operations)

Sales and other operating revenue: 34.0 billion yen (up 1.9 billion yen)  
Operating income: 6.7 billion yen (up 0.1 billion yen)

Maximizing the synergies between department stores and shopping centers through integrated operations

- Carrying out sales promotion initiatives common to all shopping centers

Bolstering the shopping center business by developing the areas surrounding department stores (town development)

- Promoting the development of the area around the Tamagawa Takashimaya Shopping Center
- Expanding the Nagareyama Otakanomori Shopping Center



Nagareyama Otakanomori Shopping Center "Hanabizuki Terrace"

#### (2) Takashimaya Credit Co., Ltd.

Sales and other operating revenue: 16.2 billion yen (up 0.4 billion yen)  
Operating income: 3.9 billion yen (up 0.2 billion yen)

Having department stores and Group companies share customer data

Promoting the use of cards using different channels

Strengthening the operating base by gaining new customers

- Improving the system to gain new members at department stores (adding counters to attract new members and attracting new members online)

#### (3) Takashimaya Space Create Co., Ltd.

Sales and other operating revenue: 24.4 billion yen (up 0.7 billion yen)  
Operating income: 0.9 billion yen (up 0.03 billion yen)

Increasing orders for home renovations

- Receiving orders for high-priced home renovations in collaboration with department store living floors

Expanding proposal-type orders

- Understanding and responding to the needs of corporate clients

Responding to earthquake reconstruction in Tohoku

- Establishing a sales base in the Tohoku region (in Sendai, Miyagi Prefecture) to strengthen the system for receiving orders



Home renovation Catalogue



# Overseas business

## Overseas business initiatives

Promoting business development in the two main areas, China and ASEAN, to strengthen sales capabilities overseas

- Using Takashimaya Singapore's 20th anniversary as an opportunity to strengthen its sales capabilities further
- Promoting sales initiatives at Shanghai Takashimaya to stabilize its operating foundation as soon as possible

### Numerical targets (FY2013)

Sales and other operating revenue: 59.0 billion yen (up 13.0 billion yen)  
Operating income: 4.4 billion yen (down 0.4 billion yen)

#### (1) Singapore Takashimaya Shopping Center

Sales and other operating revenue: 51.0 billion yen (up 5.2 billion yen)  
Operating income: 5.3 billion yen (up 0.3 billion yen)

Planning to remodel and add sales floor area to the shopping center to make it the No. 1 department store in the ASEAN region

- Adding sales floor area, using the site of a former fitness gym (around 800 m<sup>2</sup>)
- Enhancing customer convenience based on customer feedback, adding escalators and expanding rest spaces
- Doing promotions in commemoration of the 20th anniversary



Enhancing the appeal of Singapore Takashimaya as a Takashimaya shopping center through operations in collaboration with Toshin Development Singapore

#### (2) Shanghai Takashimaya

Sales and other operating revenue: 8.0 billion yen (up 7.8 billion yen)  
Operating income: -0.9 billion yen (down 0.7 billion yen)  
(Opened on December 19, 2012)

Strengthening the revenue base by starting full-scale operations soon

Doing promotions to gain publicity and increasing members

- Enhancing member appeal by promoting VIP card initiatives

Taking steps to integrate the department store into the local community as soon as possible



# Long-Term Business Plans for the Takashimaya

## Basic concept

### The Takashimaya Group's Goals

To be a global retailing group that continually creates a better, more comfortable life with its customers

### Basic strategies

Reforming the domestic department store business by thoroughly pursuing synergies with the domestic group business and the overseas business

1. Domestic department store business: Promoting community-based initiatives, omni-channel retailing, and structural reform
2. Domestic group business: Maximizing synergies with the department store business
3. Overseas business: Increasing the number of stores by focusing on two main regions: China and ASEAN

(1) Private spending An increase of 1.8 billion yen in five years  
Private spending is likely to grow approximately 1% annually over the next five years through gradual economic growth after taking the consumption tax hike into consideration.

(2) Department store industry

- (i) Sales trends A decline of 540 billion yen in five years
- (ii) Consumption tax hikes A decline of 280 billion yen in five years  
Expected consumption tax hikes: April 2014 (5%→8%); October 2015 (8%→10%)

**Adverse effect on the industry (sales)** ( 820 billion yen )

(3) Takashimaya


- (i) Sales trends: Sales and other operating revenue, as well as operating income, are expected to fall by 39.0 billion yen and 8.0 billion yen, respectively in five years.
- (ii) Consumption tax hikes: Negative effects on sales and other operating revenue, as well as operating income, are expected to be 44 billion yen and 11 billion yen, respectively.

	( Yen in billion )	
<b>Adverse effect on Takashimaya (sales)</b>	Operating Revenue	Operating Income
Total	<b>(83)</b>	<b>(19)</b>
Sales trends	(39)	(8)
Consumption tax hike impact	(44)	(11)
Domestic department stores	(36)	(7)
Domestic group	(8)	(4)

In response to the changes in the operating environment mentioned above, the Group plans to carry out its basic strategies. (See the next page for details.)

## Numerical targets

( Yen in billion )

	FY2012		FY2017	Change
Operating Revenue	870		900	+30
Operating Income	25		40	+15
OP ratio	3.1%		4.4%	
ROE	5.2%		5.8%	
Capital adequacy ratio	41.7%		50.9%	
Interest-bearing debt	100		50	

## Basic strategies

Five years Investment amount 160billion yen  
 Operating Revenue (OR) +30billion yen (Change from FY2012)  
 Operating Income (OI) +15billion yen

	Investment	OR	OI
1.Domestic department store	70billion	- 35billion	+6billion
2.Domestic group	40billion	+25billion	+4billion
3.Overseas business	50billion	+40billion	+5billion

### 1. Domestic department store business:

Promoting community-based initiatives, omni-channel retailing, and structural reform  
 ( Yen in billion )  
 Change from FY2012

	Investment	OR	OI
(1) Sales strategy	30	+28	+6
(i) Enhancing competitiveness	17	+10	+3.5
(ii) Improving operational efficiency	13	+18	+2.5
(2) Countermeasures against consumption tax hikes	20	+12	+15
(i) Sales initiatives	15	+12	+3
(ii) Cost initiatives	5	-	+12
(3) Investment in facilities	20	-	-
(4) Effects of the downward trend in the department store market and the consumption tax hikes	-	(75)	(15)
<b>Total</b>	<b>70</b>	<b>(35)</b>	<b>+6</b>

### 2. Domestic group business: Maximizing synergies with the department store business

( Yen in billion )  
 Change from FY2012

	Investment	OR	OI
(1) Sales strategies	38	+33	+7
(2) Structural reform	-	-	+1
(3) Investment in facilities	2	-	-
(4) Effects of the consumption tax hikes	-	(8)	(4)
<b>Total</b>	<b>40</b>	<b>+25</b>	<b>+4</b>

### 3. Overseas business: Increasing the number of stores by focusing on two main regions:

China and ASEAN  
 ( Yen in billion )  
 Change from FY2012

	Investment	OR	OI
China business	13	+25	+2.5
Taking steps to improve results at Shanghai Takashimaya			
Strengthening the foundations of the China business through initiatives including opening a second store			
ASEAN business	37	+15	+2.5
Establishing a dominant position for Singapore Takashimaya			
Increasing the number of stores, including Vietnam Takashimaya			
<b>Total</b>	<b>50</b>	<b>+40</b>	<b>+5</b>

Plan to participate in the development of the 1st and 2nd phases of the Saigon Centre in Vietnam

In partnership with Keppel Land Limited, participating in a project to develop a large-scale complex that is expected to open in Ho Chi Minh City in Vietnam in 2015

- Opening a department store in which Takashimaya Singapore will have a 100% stake
- Having Toshin Development participate in the operation of the commercial facilities
- Having Toshin Development participate in the real estate business

Overview of the Saigon Center (1st and 2nd phases)

Developing a department store and a shopping center in an integrated manner and building commercial facilities through a town concept

Site area 11,084 m<sup>2</sup>  
 Floor area approx. 181,800 m<sup>2</sup>  
 (39,300 m<sup>2</sup> in the 1st phase)  
 Commercial area approx. 55,500 m<sup>2</sup>  
 (5,500 m<sup>2</sup> in the 1st phase)  
 Department store area approx. 15,000 m<sup>2</sup>  
 as well as offices and a service apartment



A local department store is expected to be established this summer.

Building a store befitting Takashimaya that will meet local needs through a thorough market analysis

To become the No. 1 commercial facility in the area, considering participating in a plan (the 3rd plan) to add sales floor area in tandem with the growth of the city.

Nihombashi Store redevelopment plan

Toshin Development is taking the lead in building a new kind of urban shopping center through a town concept

- Expanding the commercial facilities section:  
 Expanding the sales floor area from 50,000 m<sup>2</sup> to 62,000 m<sup>2</sup>

A redevelopment consortium was established this April; construction is planned to begin in spring 2014.

Making an upfront investment and implementing measures to enhance services to maintain the store's sales capabilities during the construction period.

Investment: 15 billion yen  
 Grand opening: FY2018 (projected)



	FY2012	FY2013	FY2014	~	FY2018
Main building	Investments	Transferring functions in the old wing	Doing renovation work in the main building in sequence		
Development area			Demo-lishing	Const-ruktion start	Com-pletion
					Interior work
					Grand open-ing

# CSR Management

## CSR Management of FY2013

### Basic concept

The basic policy of CSR management is to respond and contribute to the needs of a society that is becoming increasingly diversified and sophisticated.

### Action policy

To help Takashimaya move forward, the Company will promote the Takashimaya Archive Project, in which the Company will use its archives—records of its history and traditions over the past 180 years—as management resources. Through this project the Company will enhance communication with all its stakeholders and will seek to provide new values to meet social needs.

### (1) Promoting the Archive Project

#### Purpose

To look back over Takashimaya's 180-year history, confirming the Company's DNA, and ensure that the entire Company shares its basic values, such as Takashimaya's enterprising spirit, so that the Company can increase its corporate vitality to produce innovations

To strive to increase competitiveness and customer trust by promoting the Takashimaya brand that the Company has created with its customers

#### Action plan for this fiscal year

In the first year of the Archive Project, the Company will publish its history both within and outside the Company to provide materials for discussing the future of Takashimaya.

Publishing the Company's 180-year history, "180 Thanks to Your Support" (March)

Compiling the Company's history and spirit from its founding

Posting digital archives on Takashimaya's website (April)

Digitizing the artwork and documents owned by the Takashimaya Historical Museum and posting them on the Company's website

Holding a Company exhibition, Life, Art, and Takashimaya (April 20–June 23)

The Setagaya Art Museum in Tokyo will hold an exhibition on the Company that analyzes industrial history.

The exhibition will open at the Osaka Store in September.

Takashimaya Art Walk (April–June)

Takashimaya stores will hold cultural events in association with the Life, Art, and Takashimaya exhibition.



### (2) Developing a foundation for CSR management

Strengthening the functions of the Takashimaya Group CSR Committee

- Reflecting stakeholders' feedback and reviews in the Company's management

### (3) Responding to the most important social needs

Continuing to support the reconstruction of disaster-stricken areas through our core business

Developing operations in response to the local needs associated with an aging society, depopulation, and other matters

- Starting mobile catering in areas where shopping is difficult (Yonago Takashimaya; in April)