2020/02

Financial Results

(FY2019)

April 13, 2020
I. Financial Results for FY Ended Feb 2020 (FY2019)

II. Medium-Term Strategy
I. Financial Results for FY Ended Feb 2020 (FY2019)

1. Consolidated Performance
2. Performance of Domestic Department Store Segment
3. Performance of Key Subsidiaries
4. Factors Behind Consolidated Operating Income Result
5. COVID-19 Impact
1. Consolidated Performance

- Operating revenue: Increased, but short of target due to impact of COVID-19 among other things
- Operating income: Decreased and short of target—domestic department stores were main factor
- Ordinary income and profit attributable to owners of parent: Decreased and below target

<table>
<thead>
<tr>
<th>(billion JPY)</th>
<th>Full year</th>
<th>Year-on-year</th>
<th>Change from projection*</th>
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<tbody>
<tr>
<td>Operating revenue</td>
<td>919.1</td>
<td>6.2</td>
<td>(13.9)</td>
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<tr>
<td>SG&amp;A expenses</td>
<td>260.1</td>
<td>3.4</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Operating income</td>
<td>25.6</td>
<td>(1.1)</td>
<td>(2.4)</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>23.2</td>
<td>(8.0)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>16.0</td>
<td>(0.4)</td>
<td>(1.0)</td>
</tr>
</tbody>
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Note: Comparison between projected and actual figures is based on the targeted figures announced on October 11, 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.
### 2. Domestic Department Store Segment

- **Operating revenue**: Decreased due to impacts of consumption tax hike and COVID-19
- **Operating income**: Decreased due to decline in revenue and in gross margin ratio

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<tr>
<td><strong>Operating revenue</strong></td>
<td>775.2</td>
<td>(7.4)</td>
<td>(15.7)</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>760.3</td>
<td>(8.2)</td>
<td>(15.9)</td>
</tr>
<tr>
<td><strong>Gross margin ratio</strong></td>
<td>23.63%</td>
<td>(0.31)</td>
<td>0.02</td>
</tr>
<tr>
<td><strong>SG&amp;A expenses</strong></td>
<td>190.3</td>
<td>0.7</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>4.2</td>
<td>(4.4)</td>
<td>(2.7)</td>
</tr>
</tbody>
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*Note: Comparison between projected and actual figures is based on the targeted figures announced on October 11, 2019.*
2. SG&A Expenses in the Domestic Department Store Segment

- SG&A expenses: Increased YoY, but better than projected thanks to decreases in personnel related expenses and advertising expenses.
- General affairs expenses: Increased YoY (due to greater depreciation and outsourcing costs) and heavier than projected
- Rent and tax expenses: Better than projected, despite heavier fixed-assets tax.

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<tr>
<td>Personnel related expenses</td>
<td>60.3</td>
<td>(2.3)</td>
<td>(3.7%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.8) (1.4%)</td>
</tr>
<tr>
<td>Advertising expenses</td>
<td>25.5</td>
<td>(1.0)</td>
<td>(3.8%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.5) (2.1%)</td>
</tr>
<tr>
<td>General affairs expenses</td>
<td>74.2</td>
<td>3.4</td>
<td>4.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.8 (1.1%)</td>
</tr>
<tr>
<td>Rent and tax expenses</td>
<td>30.3</td>
<td>0.6</td>
<td>2.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.3) (0.8%)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>190.3</strong></td>
<td><strong>0.7</strong></td>
<td><strong>0.4%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>(0.8)</strong> (0.4%)</td>
</tr>
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Note: Comparison between projected and actual figures is based on the targeted figures announced on October 11, 2019.
3. Performance of Key Subsidiaries (Domestic Group Businesses)

- Toshin Development: Op. revenue up (buoyed by shopping center opening), but op. income down (due to increased SG&A expenses)
- Takashimaya Credit: Op. revenue up (due to higher external use), but op. income down (due in part to M&A costs)
- Takashimaya Space Create: Op. revenue and op. income increased with strong external orders

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<th>Year-on-year</th>
<th>Change from projection*</th>
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<tbody>
<tr>
<td>Toshin Development Co., Ltd.</td>
<td>44.6</td>
<td>0.8</td>
<td>(0.3)</td>
<td>6.7</td>
<td>(0.6)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Takashimaya Credit Co., Ltd.</td>
<td>20.7</td>
<td>1.5</td>
<td>(0.6)</td>
<td>4.5</td>
<td>(0.4)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Takashimaya Space Create Co., Ltd.</td>
<td>37.0</td>
<td>4.8</td>
<td>1.6</td>
<td>1.8</td>
<td>1.1</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Note: Comparison between projected and actual figures is based on the targeted figures announced on October 11, 2019.
3. Performance of Key Subsidiaries (Overseas Businesses)

- Takashimaya Singapore: Op. revenue down due to application of IFRS 16
- Shanghai Takashimaya, Takashimaya Vietnam: Op. income increased and exceeded target
- Siam Takashimaya: Short of target— rail infrastructure and re-merchandising behind schedule

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<th>Year-on-year</th>
<th>Change from projection*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takashimaya Singapore Ltd.</td>
<td>17.0</td>
<td>(1.2)</td>
<td>(0.1)</td>
<td>4.8</td>
<td>1.6</td>
<td>(0.1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(6.4%)</td>
<td>(0.8%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toshin Development Singapore Pte. Ltd.</td>
<td>8.7</td>
<td>(0.2)</td>
<td>0.1</td>
<td>3.1</td>
<td>0.9</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1.7%)</td>
<td>1.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shanghai Takashimaya Co., Ltd.</td>
<td>3.1</td>
<td>(0.0)</td>
<td>0.4</td>
<td>0.1</td>
<td>0.9</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1.4%)</td>
<td>13.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Takashimaya Vietnam Co., Ltd.</td>
<td>2.0</td>
<td>0.2</td>
<td>0.0</td>
<td>0.1</td>
<td>0.2</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12.4%</td>
<td>0.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Siam Takashimaya (Thailand) Co., Ltd.</td>
<td>1.6</td>
<td>1.3</td>
<td>(0.4)</td>
<td>(1.0)</td>
<td>(0.5)</td>
<td>(0.1)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>411.3%</td>
<td>(19.9%)</td>
<td></td>
<td></td>
<td></td>
</tr>
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1SGD=80.11JPY  1CNY=15.82JPY  1VND=0.0046JPY  1THB=3.52JPY
4. Factors Behind Consolidated Operating Income Result

FY2019 target figures were announced on October 11, 2019.
5. COVID-19 Impact

Sales Performance and Forecasts

- COVID-19 took toll in February: Total sales down 12%; tax-free down 69%
- Since March: Situation worsening, with public unease and falling stock prices
- Projection for FY2020: Will announce when more is known
Our response
• Keep customers and employees safe
• Emphasize mutual interest with trading partners
• Use crisis as opportunity to reform business practices

Customers
To prevent spread, close stores or reduce store hours (including stores Japan and those overseas)

Trading partners
Given mutual interest, showcase food exhibition items in online store

Employees
Allow teleworking for 1,000 head office staff
Store staff work single shifts to enhance customer service and productivity

Finance
Have issued commercial papers worth ¥30 bn
II. Medium-Term Strategy

1. General Strategy
2. Capital Strategy
3. ESG Strategy
4. Group Strategy
   (Machi-dukuri Strategy)
1. Medium-Term Strategy

Assumptions:
• Domestic department stores facing smaller market and higher operating costs
• Need funding sources to invest in growth sectors (finance, overseas)

Cost-cutting program to make department stores more profitable

New plan:
• Three-year emergency plan: Share targets with market
• Act dynamically in response to changing business conditions
• Uncertainties abound; will give reasonable briefings as things become clearer
1. Medium-Term Strategy

- Radically overhaul SG&A
- Current savings goal: ¥12 billion over three years
- Monitor progress; consider further cuts

| Personnel related expenses | ¥6.0 bn | ・Reorganization: Consolidate work into exec. team; cut overlapping work  
| General affairs expenses   | ¥2.0 bn | ・Cut temp labor expenses  
|                          |         | ・Overhaul/cut system running expenses  
|                          |         | ・Overhaul commission expenses  
| Depreciation             | ¥4.0 bn | ・Shift to a more pinpointed investment strategy  
|                          |         | ・Overhaul / rein in long-term capex  
|                          |         | ・Overhaul / rein in system investment  

Cuts | Reining in
2.1 Capital Strategy

• Develop and maintain solid financial footing to weather any storm

![Graph showing financial ratios and debt over time]

- **Equity ratio (%)**
- **Interest-bearing debt (billion JPY)**

- **FY1997**
  - Consumption tax hike
  - Collapse of Yamaichi Securities

- **FY1998**
  - Financial uncertainty, rising unemployment

- **H2 FY2008 – H1 FY2009**
  - The 2008 financial crisis
2.2 Capital Strategy

• Use dynamic funding strategy to ensure availability of operating funds for any emergency

Cash as of Mar 31
¥90 bn

Dynamic funding strategy

• Issue commercial papers
• Use business overdraft
• Liquidate receivables

Year-end cash
2.3 Capital Strategy

Shareholder Returns

- Maintain stable dividends
- Ensure long-term and effective funding in view of share prices

*In 2015, we bought back shares from H2O Retailing Corporation (with whom we had a cross-shareholding relationship). The data for FY2019 onward excludes impact of applying IFRS 16.
3. ESG Strategy

Problem: Environmental Impact of Our Business Activities

- Sustainability agenda spreading globally, and rapidly
- Department stores entail certain environmental risks

**Carbon emissions**
168,000 tons / year  
(equivalent to volume emitted by 37,500 households)

**Plastic waste**
1,365 tons / year  
(equivalent to waste produced by 19,000 households)

**Organic waste**
3,420 tons / year  
(equivalent to waste produced by 24,700 households)

* Estimate based on energy consumption

* Dept. stores only

Urgent need for green initiatives to ensure sustainable growth
3. ESG Strategy

Our Approach to the Problem

- Take short-term and medium- to long-term actions to promote a sustainable future
- Work with government, communities, and businesses toward common goal

**Short-term actions**
- Cut single-use plastic bags to eliminate plastic waste (bag fee from April)
- Offer more smaller-sized portions to reduce food waste
- Phase in more inclusive/accessible signage

**Med- to long-term actions**
- Ensure whole group is on board with SDG agenda; recognize need to address global challenges (such as climate issues and poverty) for sustainable development
- Develop sustainable/circular business model
- Meet commitments as RE100 and EV100 member

**Partnerships:** Government, communities, trading partners

**Address global sustainable development challenges**
3. ESG Strategy

Actions to Mitigate Environmental Impact

- We invested in JEPLAN to develop sustainable/circular business model
- We work with JEPLAN in product development, contributing our merchandising knowhow

**Takashimaya**

- Customer-pleasing merchandising
- Product development knowhow

**JEPLAN**

- Many options for materials; can recycle materials with no loss in quality

Phase 1: Develop green merchandise (send our merch experts to JEPLAN)

Phase 2: Develop platform (for suppliers and customers)

Sustainable/circular business model that mitigates our environmental impact
4. Group Strategy (Machi-dukiuri Strategy)

- The Machi-dukiuri Strategy is a group-wide project channel driven by group synergy.

Fulfill community anchor role
Commercial facilities play integral role in local community by drawing visitors into the area.

Maximize appeal of each commercial facility
Leverage group knowhow to create original next-gen commercial facilities that impress customers.

Work with local authorities and with companies in other industries.

Department stores, Commercial property development, Finance, Contract & design, Restaurants, etc.

Renovated Takashimaya East Building (Osaka)
Vietnam business

Kyoto Store to be revamped (2023)
E-commerce

Finance
Food business

Expanded food area in Yokohama Store
4. Machi-dukuri Strategy

- Finance business is third component to strategy (after dept. stores and commercial property devt.)
  Aim is to generate ¥10 bn in operating income
- Will market financial services among department stores’ customer base

**In stores & online**

- **Program linked with dept. stores**
  - Loyalty points redeemable in dept. stores
  - Thrill of saving up and spending points

- **Merchandise lineup**
  - Investment trust (SBI Securities)
  - Other trust services (Hogaraka Trust)
  - Insurance

- **Consultative services**
  - In-house/external consultants
  - Lawyers

**Department store customer base**

Develop services customer wants

Dept. stores (with their sales flare) pitch services to customer
4. Machi-dukuri Strategy  Commercial Property Development (Japan, Vietnam)

• Nagareyama: Three facilities to open from 2021, increasing sales floor 1.4-fold
• Hanoi’s Starlake project: School to open in early 2021
• Indochina Plaza Hanoi: Acquisition to shore up revenue base
Summary of Strategy

Boost earnings, maintain growth, focus also on shareholder returns

Boost earnings
- Bold cost-optimization program to make department stores more profitable

Maintain growth
- Expand lucrative businesses—namely, finance business and overseas businesses (e.g. commercial property development)

Solid financial footing
- Stable equity ratio and funding

Deliver shareholder returns
- Maintain stable shareholder returns
- Increase them as appropriate

Annual plans
- Monitor situation and give convincing explanation as things become clearer

Bought back shares in 2019
### Consolidated performance

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<tr>
<th>(billion JPY)</th>
<th>Before applying IFRS 16</th>
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</tr>
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### Performance of overseas subsidiaries

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<td>Takashimaya Vietnam</td>
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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.
As part of a group-wide system of risk management, our Risk Management Committee identifies and evaluates risks biannually. The committee proposes and implements actions for addressing the risks in order of priority (based on the materiality of the risk). It then monitors the effectiveness of these actions as part of a plan-do-check-act cycle.

Of the risk factors related to business performance and financial health, the following may potentially affect an investment decision:

1. Demographic risk
2. Climate risk (natural hazards)
3. Epidemic or terrorism-related risk
4. Cybersecurity risk

5. Risks associated with overseas businesses
6. Risks associated with management of group companies
7. Legal / regulatory risk
8. Financial risk

*The above risk factors apply as of the end of the consolidated period under review. They do not constitute an exhaustive list of the risks associated with our business activities.

*See our annual securities report for more detailed risk information.
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.