

Interim 2015/02 Financial Results

10 October 2014



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Interim 2015/02 Financial Highlights

- ✓ The core business of department stores exceeded projected revenue and income
- ✓ Domestic group companies were also generally steady
- ✓ Consolidated results also exceed projected revenue and income

Consolidated Performance

	1H	Year-on-year		Yen in billion	
				Change from Projection	
Operating Revenue	441.7	+ 6.4	+ 1.5%	+8.7	+ 2.0%
SG&A Expenses	122.0	+ 0.0	+ 0.0%	+1.1	+ 0.9%
Operating Income	12.2	+ 1.1	+ 9.5%	+0.5	+ 4.4%
Ordinary Income	14.2	+ 0.7	+ 5.3%	+1.2	+ 9.2%
Net Income	9.6	+ 2.0	+ 25.8%	+1.1	+ 12.7%

- ✓ In addition to the steady growth in sales of the major subsidiaries, operating revenue also reflected the domestic department store sales - maintaining and increasing over the previous year.
- ✓ Operating income rose primarily due to a substantial reduction in SG&A expenses of the domestic department store segment. In addition to operating revenue projections for the domestic department store segment being exceeded, the domestic group companies also remained steady, and as a result offset the decline in profits of the overseas department stores and exceeded the projection.
- ✓ Ordinary income increased and exceeded projections mainly on account of the higher operating income. Net income increased due to the addition of gain on sale of fixed assets to the ordinary income, etc. There was an increase over the projections as well.



Performance of the Domestic Department Store Segment

(Takashimaya and Domestic Department Store subsidiaries)

	1H	Year-on-year		Yen in billion	
				Change from Projection	
Operating Revenue	366.3	+ 0.0	+ 0.0%	+ 5.3	+ 1.5%
Gross Margin	25.02%	Δ 0.14		Δ 0.02	
SG&A Expenses	91.1	Δ 2.0	Δ2.1%	0	0.0%
Operating Income	4.4	+ 1.4	+ 48.2%	+ 1.3	+ 44.0%
Ordinary Income	6.8	+ 0.8	+ 13.1%	+ 1.6	+ 29.6%
Net Income	8.0	+ 4.8	+ 145.2%	+ 1.6	+ 25.3%

- ✓ Operating revenue exceeded projections and maintained the previous year sales mainly due to the success of marketing strategies such as events for attracting customers prior to the increase in consumption tax resulting in a rush of demand and the rebound thereafter.
- ✓ In addition to the measures for increase in consumption tax on both sides - sales and SG&A expenses, the cost structure reform was continued with, resulting in higher operating income. Further, with regard to the change from projection, the plan was achieved as a result of enhanced marketing strategies related to the consumption tax hike.
- ✓ Ordinary income was higher and the projections achieved primarily on account of a higher Operating income; additionally, net income was higher due to the addition of the gain on sale of fixed assets, thereby achieving the plan.



SG&A Expenses in the Domestic Department Store Segment

	Yen in billion				
	1H	Year-on-year		Change from Projection	
Personnel related expenses	31.3	△ 0.0	△ 0.1%	△ 0.1	△ 0.3%
Advertising expenses	12.7	△ 0.1	△ 0.5%	+ 0.8	+ 6.8%
General affairs expenses	33.2	+ 0.2	+ 0.7%	△ 0.5	△ 1.6%
Accounting related expenses	13.9	△ 2.1	△ 13.0%	△ 0.2	△ 1.5%
Total	91.1	△ 2.0	△ 2.1%	0	0.0%

- ✓ Personnel expenses was lower year-on-year and from the projections, due a decrease in salaried personnel.
- ✓ Advertising expenses were lower year-on-year due to a reduction in advertising costs. On the other hand, the projection was exceeded due to an increase in point card expenses consequent to increase in sales and due to additional expenses aimed at attracting customers.
- ✓ The general affairs expenses rose year-on-year because of an increase in depreciation and amortization expenses associated with the acquisition of fixed assets. It was lower than projected mainly due to a reduced cost of repairs.
- ✓ Accounting related expenses was lower year-on-year and from the projection due to a rent down consequent to the acquisition of the store real estate.



Performance of Major Subsidiaries

	Yen in billion					
	Operating Revenue	Year-on-year	Change from Projection	Operating Income	Year-on-year	Change from Projection
Toshin Development Co., Ltd.	16.9	+ 0.7 + 4.1%	+ 0.1 + 0.6%	3.8	+ 0.5 + 16.5%	+ 0.0 + 1.3%
Toshin Development Singapore PTE, Ltd.	4.1	+ 0.4 + 9.3%	+ 0.1 + 3.7%	0.7	△ 0.2 △ 21.4%	△ 0.2 △ 19.0%
Takashimaya Singapore Ltd.	25.7	+ 2.2 + 9.5%	+ 0.5 + 2.1%	1.1	△ 0.7 △ 39.7%	△ 0.7 △ 38.2%
Takashimaya Credit Co., Ltd.	8.4	+ 0.3 + 3.7%	+ 0.2 + 2.4%	2.0	+ 0.1 + 4.7%	+ 0.2 + 8.7%
Takashimaya Space Create Co., Ltd.	13.6	+ 1.7 + 14.0%	+ 1.1 + 8.5%	0.4	+ 0.0 + 9.0%	+ 0.1 + 21.3%

Toshin Development

In addition to the bolstering of the existing Shopping Centers, new retail facilities opened at the Tamagawa Takashimaya Shopping Center and the Nagareyama Ootakanomori Shopping Center, which together with the impact of the introduction of new tenants at the Hakata Riverain resulted in higher revenues and profits and exceeded the projection.

Takashimaya Singapore/ Toshin Development Singapore

Increase in rent due to impact of the overall remodeling last year and the bolstering of the specialty store, along with the foreign exchange impact due to the weakening yen resulted in a higher operating revenue and projections being exceeded. With regard to operating income, even considering the maximum reduction in rent, which is under negotiation, there is a decrease and projections were not met.

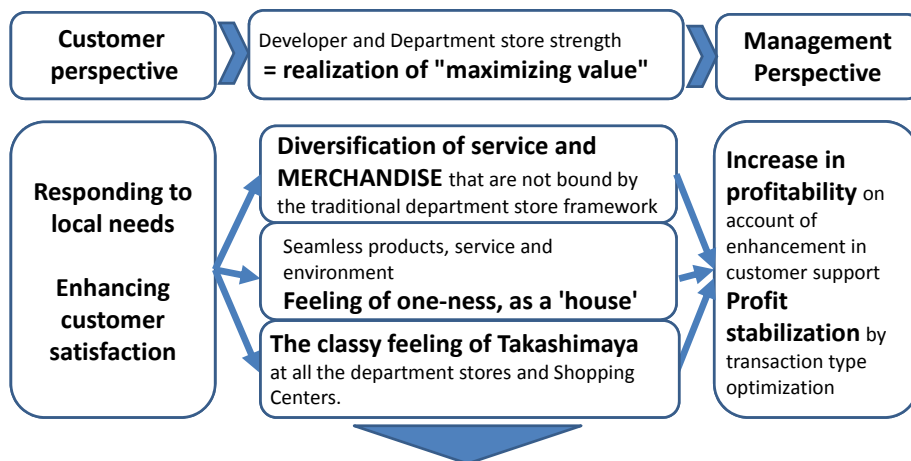
Takashimaya Credit

Due to the rush demand prior to the increase in consumption tax there was an increase in card transactions and revenues from annual membership fees, and as a result the increased SG&A expenses were absorbed, revenue and income grew and the projections were surpassed.



"Machi-dukuri- Community Development" Strategy

Aim of the "Machi-dukuri Strategy"



"Takashimaya Group" Continuously evolving through the "Machi-dukuri" perspective

- Stabilization of the management base by maximization of customer satisfaction -

"Machi-dukuri" - Shinjuku Store

Machi-dukuri by integrating the department store with "Shopping Center"

Commercial Area and location :

Enhancement of inflow into the area by multiple redevelopment activities around the South Exit

Direction :

Persistent renewal with an eye on growth in retail area

Target :

The baby-boomer generation that would expand further hereafter, domestic and international tourists

Acquisition of new customers through restructuring of department store and Shopping Center Merchandise.



"Machi-dukuri" - Tachikawa Store

Exhibit existing value as the core of the local community

Commercial Area and location :

Acceleration in centralization as the largest center in Tama district

Direction :

Growth of unique merchandise utilizing the integrated department store in front of the station

Target :

Expansion expected in the future among 40-50 year olds

The "New Department Store Business category" was built fusing the charm of the specialized stores with the strengths of the department store, thereby improving the attractiveness of the retail area.



"Machi-dukuri" - Redevelopment plan for Nihombashi

New and Urban Shopping Center through the Nihombashi area "Machi-dukuri"

"Machi-dukuri" aiming at increasing the footfalls

- Street maintenance to improve the bustle and neighborhood
- Community functions enhancement to deepen local exchange
- Strengthening of cultural dissemination function



Grand opening in Spring 2019

The commencement of main construction is scheduled for autumn this year

In anticipation of the 2020 Tokyo Olympics,
opening of new retail zone in Autumn 2018
and the grand opening in 2019

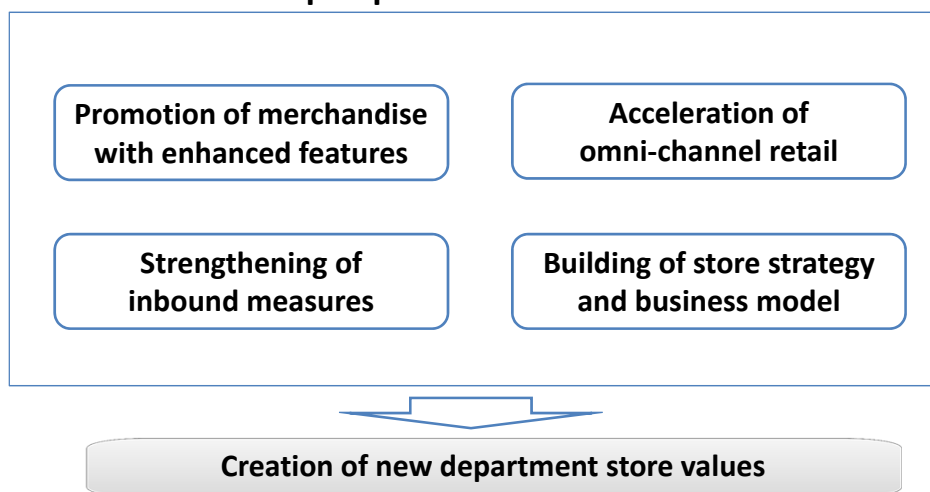
Increase retail floor space in Nihombashi from 50,000m² 62,000m²



Domestic department store business strategy

Strengthening the sales capability of the
domestic department store business

**Promote efforts for achievement of a department store
with the perspective of "Machi-dukuri"**



Promotion of merchandise with enhanced features

Expand the enhanced features strategy for "Uniqueness", "Having premium quality" and "Need of the times"

Fiscal Year 2014 Sales target for enhanced features counter 44 Billion Yen (+1.5 Billion Yen over the previous year)

Promotion of autonomy aimed at realization of "uniqueness" and bolstering of profits.

Continuation of counter development for next major brand growth and premium quality of product line

Food counter development that captures the "Need of the times".

Merchandize deployment that embodies cultural dissemination.



Takashimaya farm



Eclair de génie



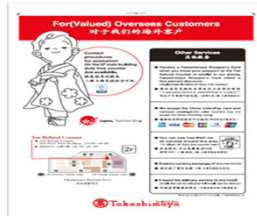
Strengthening of inbound measures

Make "Hospitality of Japan" a reality for foreign tourists visiting Japan

Fiscal Year 2014 Duty free sales target 11 Billion Yen (+ 3.6 Billion Yen over the previous year)

Expansion of infrastructure for increase in duty free items

Promotion of multi-lingual capabilities



Attractiveness of payment methods



Expanded deployment of product planning



Reinforcement of original plan merchandize for duty free products

Strengthening of the Japan Story with Cosmetics Limited Kit, combined preferred goods and grocery souvenirs

Promote efforts for strengthening attraction of customers

Partner with hotels, travel agencies and general hospitals, use SNS and media in China mainland.



Acceleration of omni-channel retail

Strengthening of cross-selling and product line-up for establishing a strong internet business

Fiscal Year 2014 Internet sales target 11 Billion Yen
(+2.6 Billion Yen over the previous year)

Promotion of common product line up across store and internet

Promote cross-usage between store and internet

Build foundation for further expansion of internet sales



Building of store strategy and business model

Development of Store merchandise and market connecting to the increasing value of Takashimaya brand

Renovation of highly sensitive Shopping Center type stores with the aim of migration between bolstering the functions of the department stores and specialty stores.

Completion of renovation of all stores for a strong start towards the best store in the region.

Opening of "small stores" with the aim of acquiring new customers and migrating them to the parent store.

Entry into the "home delivery of food products segment" to capture the seniors and next generation market.



Overseas business strategy



Singapore Takashimaya/ Shopping Center

Use the management resources and knowhow that have been accumulated since its opening, in developing a solid revenue structure based on the customer base centered around the wealthy of Singapore and neighboring countries, for the new overseas strategy

Measures for 2014 2nd Half

- ✓ Maximization of the overall floor remodeling impact
- ✓ Strengthening of customer attraction measures, such as tourist measures
- ✓ Build ASEAN development promotion organization centered around Singapore



Shanghai Takashimaya

In order to assume a central role in business in China, execute bold measures for revenue and customer attraction aimed at bolstering of the customer foundation in Shanghai area and for becoming profitable.

Measures for 2014 2nd Half

- ✓ Expansion and deepening of regular members through strengthening of acquisition of credit card members
- ✓ Enhance facilities to attract customers such as cafes, restaurants and galleries
- ✓ Promote features such as expansion of self-managed counters, and strengthening of sundry items



Plan for Vietnam "Saigon Center" business

Participate in large complex development projects as business partner to Keppel Land Limited.



Efforts for Machi-dukuri projects in Lifestyle Total of Ho Chi Minh City

Saigon Center (1st phase, 2nd phase project)

Total Floor Area Approx. 181,800m²
 Commercial Area Approx. 55,500m²
 Department Store Approx. 15,000m²
 (* Others - Office, Serviced Apartments)



August 2016 Plan for commercial area opening



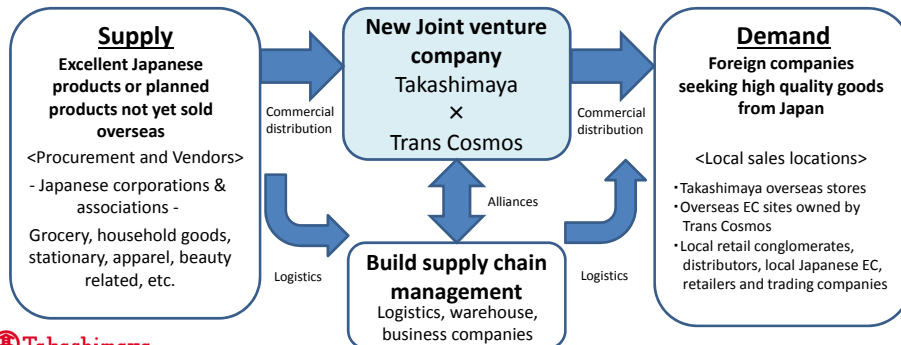
Promotion of new business development

Promoting new business development for overseas expansion and business partnerships

Details of new business initiatives

- ✓ Export and sell to overseas the high value-added products and services of Japan
- ✓ Set up a task force for establishment of joint ventures (October)

<New Business Idea>



FY 2015/02 Full year projections

Full-year projections

- ✓ Upward revision of revenue and income for Domestic Department store segment
- ✓ Overseas improvement in 2nd half
- ✓ Consolidated projections also revised upwards to reflect higher revenue and income

Consolidated cost and Revenue Projections

	Yen in billion					
	2nd Half Projection	Year-on-year	Change from Projection	Consolidated Projection	Year-on-year	Change from Projection
Operating Revenue	474.3	+5.4 +1.2%	+7.3 +1.6%	916.0	+11.8 +1.3%	+16.0 +1.8%
SG&A Expenses	122.1	+0.1 +0.1%	+1.6 +1.3%	244.1	+0.1 +0.1%	+2.7 +1.1%
Operating Income	19.8	+1.8 +10.3%	+0.5 +2.5%	32.0	+2.9 +10.0%	+1.0 +3.2%
Ordinary Income	20.8	+0.9 +4.7%	Δ 0.2 Δ 1.0%	35.0	+1.6 +4.9%	+1.0 +2.9%
Net Income	11.9	+0.8 +7.4%	Δ 0.1 Δ 0.7%	21.5	+2.8 +14.9%	+1.0 +4.9%

- ✓ Operating revenues was revised upwards from the initial plan due to the inclusion of additional marketing strategies of the domestic department stores and measures for increased revenue by the group companies.
- ✓ Operating income was revised upwards due to increased profits on account of higher sales of domestic department stores and efficient use of SG&A expenses by group companies.
- ✓ Ordinary income and net income were also revised upwards due to increased profits as there was also gain on sale of fixed assets in addition to increase in operating income.



Cost and Revenue Projections at Domestic Department Stores (Takashimaya and Domestic Department Store Subsidiaries)

	Yen in billion					
	2nd Half Projection	Year-on-year	Change from Projection	Consolidated Projection	Year-on-year	Change from Projection
Operating Revenue	395.3	+ 3.3 +0.8%	+ 5.5 +1.4%	761.6	+ 3.3 +0.4%	+ 10.7 +1.4%
Gross Margin	24.97%	+0.06	Δ 0.01	24.99%	Δ 0.04	Δ 0.02
SG&A Expenses	92.4	Δ 0.7 Δ 0.8%	+ 0.9 +1.0%	183.5	Δ 2.7 Δ 1.4%	+ 0.9 +0.5%
Operating Income	10.2	+ 1.6 +18.9%	+ 0.4 +4.4%	14.6	+ 3.0 +26.4%	+ 1.8 +13.8%
Ordinary Income	9.9	+ 1.2 +13.3%	+ 0.3 +3.0%	16.7	+ 1.9 +13.2%	+ 1.8 +12.4%
Net Income	5.2	+ 0.7 +14.7%	+ 0.2 +3.3%	13.2	+ 5.4 +69.6%	+ 1.8 +15.6%

- ✓ Efforts for new business, renovation of large stores and inbound measures have contributed to increased revenues and an upward revision of the projections to the extent of +10.7 Billion Yen in operating revenues. For the second half, with the large stores at the center, it is anticipated that the impact of the increase in tax will be substantially less
- ✓ In addition to gross profit, growth in sales through aggressive marketing measures, there is also a rent reduction on account of store acquisition of Shinjuku and Tachikawa, resulting in increased profits and +1.8 Billion Yen upward revision of operating income from the initial projections.
- ✓ Ordinary income shows increased profit and an upward revision primarily due to increased sales and an upward revision, while gain on sale of fixed assets is also reflected in net income.



SG&A Expense Projections at Domestic Department Stores

	Yen in billion					
	2nd Half Projection	Year-on-year	Change from Projection	Consolidated Projection	Year-on-year	Change from Projection
Personnel related expenses	32.6	+0.6 +2.0%	+0.3 +0.9%	63.9	+0.6 +0.9%	+0.2 +0.3%
Advertising expenses	13.0	+0.1 +0.5%	+0.6 +4.7%	25.7	+0.0 +0.0%	+1.4 +5.7%
General affairs expenses	33.3	+1.1 +3.3%	+0.1 +0.2%	66.5	+1.3 +2.0%	Δ0.5 Δ0.7%
Accounting related expenses	13.6	Δ2.5 Δ15.5%	Δ0.0 Δ0.2%	27.5	Δ4.6 Δ14.2%	Δ0.2 Δ0.8%
Total	92.4	Δ0.7 Δ0.8%	+0.9 +1.0%	183.5	Δ2.7 Δ1.4%	+0.9 +0.5%

On the one hand there is decrease in rent on account of store acquisition, and there is further reduction of 2.7 Billion Yen on projections over the previous year due to effective utilization of administrative costs in order to increase income.

- ✓ Although there is a reduction in salaried staff and temporary workers, personnel expenses increased due to over the previous year due to expected retirement benefit costs.
- ✓ Advertising expenses were kept at the same level as the previous year by conducting a thorough review of advertising and sponsorship expenses.
- ✓ General affairs expenses increased from the previous year as there is an expected increase in utility costs on account of the acquisition of the Shinjuku and Tachikawa stores, even though it has resulted in a reduction in depreciation and amortization expenses and in maintenance costs.
- ✓ Accounting related expenses reduced significantly over the previous year mainly because of a reduction in rent to be paid due to acquisition of the Shinjuku and Tachikawa stores.



Cost and Revenue Projections at Major Group Companies

	Yen in billion					
	Operating Revenue	Year-on-year	Change from Projection	Operating Income	Year-on-year	Change from Projection
Toshin Development Co., Ltd.	33.9	+0.3 +1.0%	+0.1 +0.4%	7.7	+0.8 +11.7%	+0.2 +3.0%
Toshin Development Singapore PTE, Ltd.	8.2	+0.6 +7.9%	+0.3 +4.1%	1.5	Δ0.2 Δ13.3%	Δ0.2 Δ13.3%
Takashimaya Singapore Ltd.	54.6	+4.6 +9.2%	+1.8 +3.3%	3.0	Δ0.9 Δ22.9%	Δ1.1 Δ26.2%
Takashimaya Credit Co., Ltd.	16.8	+0.6 +3.9%	+0.4 +2.7%	4.1	+0.0 +0.3%	+0.4 +10.0%
Takashimaya Space Create Co., Ltd.	29.0	+3.5 +13.8%	+1.5 +5.3%	1.2	+0.1 +12.1%	+0.1 +11.2%

Toshin Development

Increased revenues and income resulted in an upward revision on account of the new partition of the Tamagawa Takashimaya SC, the opening of the new wing of the Nagareyama Ootakanomori SC and the large tenant introduction to Hataka Riverain in addition to the existing strong Shopping Centers.

Takashimaya Singapore/ Toshin Development Singapore

Operating revenues show an increase in revenue and upward revision mainly due to an increase in rental income due to the entire remodeling effect and promotional measures to strengthen sales and bolstering of specialty stores. On the other hand, considering the likelihood of a maximum hike in the rent currently under negotiation, operating profit has been reviewed.

Takashimaya Credit

In addition to the promotion of credit card usage and striving to acquire new members, bolstering of external alliances has resulted in increased revenues and income and upward revision.



Diversity Management

Promoting the women actively

Women in management ratio 18% more than 20% (target for Fiscal 2015)

(Women Managers = Target is levels higher than section managers having subordinates)

✓ **Effort to support diverse work styles**

Apply a personnel system with equal standards for both men and women, based on the equal opportunity law already being enforced. Continue to provide child care and nursing care leave for both men and women, and enhance the work system

✓ **Active role of women in management positions and administrative roles in many fields**

Directors and executive officers* 5
Store Manager, Deputy Manager 4
Sales Manager 6
Other managerial position 10
* Includes Singapore and JR Tokai Takashimaya

✓ **Conduct training for increasing awareness of male managers**

(Planned to be executed in Fiscal 2014 2nd Half)



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.