Interim 2015/02
Financial Results

10 October 2014
Interim 2015/02 Financial Results

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
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.
### SG&A Expenses in the Domestic Department Store Segment

| Personnel related expenses | 31.3 | +0.0 | +0.1% | +0.1 | +0.3% |
| Advertisign expenses | 12.7 | +0.1 | +0.9% | +0.8 | +6.8% |
| General affairs expenses | 33.2 | +0.2 | +0.7% | +0.5 | +1.6% |
| Accounting related expenses | 13.9 | +1.3 | +13.0% | +0.2 | +1.5% |
| **Total** | **91.1** | **+2.0** | **+2.1%** | **0** | **0.0%** |

- Personnel expenses were lower year-on-year and from the projections, due to 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

<table>
<thead>
<tr>
<th>Toshin Development Co., Ltd.</th>
<th>Yen in billion</th>
<th>Change from Projection</th>
<th>Year-on-year</th>
<th>Change from Projection</th>
<th>Operating Income</th>
<th>Year-on-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>16.9</td>
<td>+0.7</td>
<td>+0.1</td>
<td>3.8</td>
<td>+0.5</td>
<td>+0.0</td>
</tr>
<tr>
<td>Toshin Development Singapore PTE, Ltd.</td>
<td>4.1</td>
<td>+0.3</td>
<td>+0.7</td>
<td>0.7</td>
<td>+21.4%</td>
<td>+19.0%</td>
</tr>
<tr>
<td>Takashimaya Singapore Ltd.</td>
<td>25.7</td>
<td>+2.2</td>
<td>+0.5</td>
<td>1.1</td>
<td>+39.7%</td>
<td>+38.1%</td>
</tr>
<tr>
<td>Takashimaya Credit Co., Ltd.</td>
<td>8.4</td>
<td>+0.3</td>
<td>+0.2</td>
<td>2.0</td>
<td>+4.7%</td>
<td>+8.7%</td>
</tr>
<tr>
<td>Takashimaya Space Create Co., Ltd.</td>
<td>13.6</td>
<td>+1.7</td>
<td>+1.1</td>
<td>0.4</td>
<td>+9.0%</td>
<td>+21.3%</td>
</tr>
</tbody>
</table>

**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"

Customer perspective
- Developer and Department store strength = realization of "maximizing value"
- Diversification of service and MERCHANDISE that are not bound by the traditional department store framework
- Seamless products, service and environment
- Feeling of one-ness, as a 'house'
- The classy feeling of Takashimaya at all the department stores and Shopping Centers.

Management Perspective
- Increase in profitability on account of enhancement in customer support
- Profit stabilization by transaction type optimization

"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 50,000㎡ to 62,000㎡
Domestic department store business strategy

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

- Promotion of merchandise with enhanced features
- Acceleration of omni-channel retail
- Strengthening of inbound measures
- Building of store strategy and business model

Creation of new department store values
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.

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

Reinforcement of original plan merchandize for duty free products

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

Overseas Strategy

- Business model of Toshin Development
- Product procurement and editing ability of Takashimaya
- Management resources and know-how of Singapore Takashimaya
- Multi-store promotion
- Promotion of new business development
- Prospect overseas business expansion to ASEAN countries
  Challenge with new business opportunities in the department store business, commercial facilities management business, real estate business and wholesale & retail business

"Long-term goals and targets"
- Investment 50 Billion Yen (2014-2020)
- Ordinary Income + 5 Billion Yen (2020 in comparison to 2013)

*(When the 2020 planned value is compared with the actuals of 2013)
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.

Department Store Business + Commercial facility management + Real estate business

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
(Other - 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>

Supply
Excellent Japanese products or planned products not yet sold overseas
<Procurement and Vendors>
- Japanese corporations & associations
- Grocery, household goods, stationary, apparel, beauty related, etc.

New Joint venture company
Takashimaya × Trans Cosmos

Demand
Foreign companies seeking high quality goods from Japan
<Local sales locations>
- Takashimaya overseas stores
- Overseas EC sites owned by Trans Cosmos
- Local retail conglomerates, distributors, local Japanese EC, retailers and trading companies

Build supply chain management
Logistics, warehouse, business companies

Logistics
Alliances
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

<table>
<thead>
<tr>
<th></th>
<th>2nd Half Projection</th>
<th>Year-on-year Change from Projection</th>
<th>Consolidated Projection</th>
<th>Year-on-year Change from Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td>474.3</td>
<td>+5.4</td>
<td>916.0</td>
<td>+11.8</td>
</tr>
<tr>
<td></td>
<td>+1.2%</td>
<td>+1.6%</td>
<td>+1.3%</td>
<td>+1.8%</td>
</tr>
<tr>
<td><strong>SG&amp;A Expenses</strong></td>
<td>122.1</td>
<td>+0.1</td>
<td>244.1</td>
<td>+0.1</td>
</tr>
<tr>
<td></td>
<td>+0.1%</td>
<td>+1.3%</td>
<td>+0.1%</td>
<td>+1.1%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>19.8</td>
<td>+10.3%</td>
<td>32.0</td>
<td>+10.0%</td>
</tr>
<tr>
<td></td>
<td>+1.8%</td>
<td>+2.5%</td>
<td>+1.6%</td>
<td>+1.0%</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>20.8</td>
<td>+4.7%</td>
<td>35.0</td>
<td>+4.9%</td>
</tr>
<tr>
<td></td>
<td>+0.9%</td>
<td>+0.1%</td>
<td>+1.6%</td>
<td>+2.9%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>11.9</td>
<td>+7.4%</td>
<td>21.5</td>
<td>+14.9%</td>
</tr>
<tr>
<td></td>
<td>+0.8%</td>
<td>+0.7%</td>
<td>+2.8%</td>
<td>+4.9%</td>
</tr>
</tbody>
</table>

✓ 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)

<table>
<thead>
<tr>
<th></th>
<th>2nd Half Projection</th>
<th>Year-on-year Change from Projection</th>
<th>Consolidated Projection</th>
<th>Year-on-year Change from Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td>395.3</td>
<td>+3.3</td>
<td>761.6</td>
<td>+3.3</td>
</tr>
<tr>
<td></td>
<td>+0.8%</td>
<td>+1.4%</td>
<td>+0.4%</td>
<td>+1.4%</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>24.97%</td>
<td>-0.06</td>
<td>24.99%</td>
<td>-0.04</td>
</tr>
<tr>
<td></td>
<td>∆ 0.7%</td>
<td>+1.0%</td>
<td>∆ 1.4%</td>
<td>+0.5%</td>
</tr>
<tr>
<td><strong>SG&amp;A Expenses</strong></td>
<td>92.4</td>
<td>-0.8%</td>
<td>183.5</td>
<td>+1.4%</td>
</tr>
<tr>
<td></td>
<td>-0.8%</td>
<td>+1.0%</td>
<td>+1.4%</td>
<td>+0.5%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>10.2</td>
<td>+3.0%</td>
<td>14.6</td>
<td>+3.0%</td>
</tr>
<tr>
<td></td>
<td>+0.8%</td>
<td>+4.4%</td>
<td>+26.4%</td>
<td>+13.8%</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>9.9</td>
<td>+12.3%</td>
<td>16.7</td>
<td>+13.2%</td>
</tr>
<tr>
<td></td>
<td>+1.2%</td>
<td>+0.3%</td>
<td>+1.9%</td>
<td>+1.8%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>5.2</td>
<td>+14.7%</td>
<td>13.2</td>
<td>+14.9%</td>
</tr>
<tr>
<td></td>
<td>+0.7%</td>
<td>+1.3%</td>
<td>+3.4%</td>
<td>+4.9%</td>
</tr>
</tbody>
</table>

✓ 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

<table>
<thead>
<tr>
<th>Personnel related expenses</th>
<th>2nd Half Projection</th>
<th>Year-on-year Change</th>
<th>Consolidated Projection</th>
<th>Year-on-year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>32.6</td>
<td>+0.6</td>
<td>63.9</td>
<td>+0.6</td>
</tr>
<tr>
<td></td>
<td>+2.0%</td>
<td>+0.9%</td>
<td>+0.9%</td>
<td>+0.3%</td>
</tr>
<tr>
<td>Advertising expenses</td>
<td>13.0</td>
<td>+0.1</td>
<td>25.7</td>
<td>+0.0</td>
</tr>
<tr>
<td></td>
<td>+1.1</td>
<td>+0.3%</td>
<td>+1.3</td>
<td>+0.5%</td>
</tr>
<tr>
<td>General affairs expenses</td>
<td>33.3</td>
<td>+3.3%</td>
<td>66.5</td>
<td>+2.0%</td>
</tr>
<tr>
<td></td>
<td>+2.0%</td>
<td>+0.2%</td>
<td>+0.2%</td>
<td>+0.7%</td>
</tr>
<tr>
<td>Accounting related expenses</td>
<td>13.6</td>
<td>Δ+2.5</td>
<td>27.5</td>
<td>Δ+4.6</td>
</tr>
<tr>
<td></td>
<td>Δ+15.5%</td>
<td>Δ+0.2%</td>
<td>Δ+14.2%</td>
<td>Δ+0.8%</td>
</tr>
<tr>
<td>Total</td>
<td>92.4</td>
<td>±0.8%</td>
<td>183.5</td>
<td>±1.4%</td>
</tr>
</tbody>
</table>

On the one hand there is a reduction in salary 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

<table>
<thead>
<tr>
<th>Company</th>
<th>Operating Revenue</th>
<th>Year-on-year Change</th>
<th>Operating Income</th>
<th>Year-on-year Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toshin Development Co., Ltd.</td>
<td>33.9</td>
<td>+0.3%</td>
<td>7.7</td>
<td>+0.8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+1.0%</td>
<td>+11.7%</td>
<td>+3.0%</td>
</tr>
<tr>
<td>Toshin Development Singapore PTE. Ltd.</td>
<td>8.2</td>
<td>+0.6%</td>
<td>1.5</td>
<td>Δ+13.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+7.9%</td>
<td>+4.1%</td>
<td>Δ+13.3%</td>
</tr>
<tr>
<td>Takashimaya Singapore Ltd.</td>
<td>54.6</td>
<td>+4.6%</td>
<td>3.0</td>
<td>Δ+0.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+9.3%</td>
<td>+3.3%</td>
<td>Δ+22.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+4.1%</td>
<td>+3.3%</td>
<td>Δ+26.2%</td>
</tr>
<tr>
<td>Takashimaya Credit Co., Ltd.</td>
<td>16.8</td>
<td>+3.9%</td>
<td>4.1</td>
<td>+0.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+2.7%</td>
<td>+10.0%</td>
<td>+0.4%</td>
</tr>
<tr>
<td>Takashimaya Space Create Co., Ltd.</td>
<td>29.0</td>
<td>+3.5%</td>
<td>1.2</td>
<td>+0.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+13.8%</td>
<td>+5.3%</td>
<td>+6.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+12.1%</td>
<td>Δ+14.2%</td>
<td>+11.2%</td>
</tr>
</tbody>
</table>

**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.
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.