

# Interim 2016/02 Financial Results

9 October 2015



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## Points of consolidated performance

- ✓ Increase in profits with decrease in selling, general and administrative expenses, in addition to growth in revenue
- ✓ Steady growth of major subsidiaries
- ✓ Operating revenue, operating income, ordinary income and net income exceeded plan

# Consolidated Performance

(Unit: billion JPY)

	1H	Year-on-year		Change from Projection	
Operating Revenue	449.8	+8.1	+1.8%	+1.8	+0.4%
SG&A Expenses	121.8	- 0.2	- 0.1%	-1.0	- 0.8%
Operating Income	13.8	+1.6	+13.1%	+0.0	+0.1%
Ordinary Income	16.2	+2.0	+14.2%	+0.8	+5.3%
Net Income	11.0	+1.5	+15.2%	+0.8	+8.2%

- Operating revenue exceeded the planned figure in sales as a result of strong overseas sales and the impact of foreign exchange in addition to domestic factors, such as domestic stores' inbound demand and wealth effect associated with high stocks, success in net product prices and favorable orders in the summer shopping season for Takashimaya Space Create Company.
- Operating income exceeded the planned profits by offsetting profit decline, which was associated with a decline in profit margins of commodities in domestic department stores, by a reduction in selling, general and administrative expenses, and the contribution of the major subsidiaries.
- Ordinary income and net income exceeded the planned figure mainly due to revenue growth in operating income



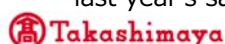
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# Performance of the Domestic Department Store Segment

(Unit: billion JPY)

	1H	Year-on-year		Change from Projection	
Operating Revenue	367.5	+1.2	+0.3%	- 1.5	- 0.4%
Sales	362.4	+1.1	+0.3%	- 1.5	- 0.4%
SG&A Expenses	90.7	- 0.3	- 0.4%	- 0.3	- 0.4%
Operating Income	3.5	- 0.9	- 19.9%	- 1.0	- 22.9%
Ordinary Income	6.7	- 0.2	- 2.4%	- 0.5	- 7.6%
Net Income	5.7	- 2.3	- 28.8%	-0.2	- 3.9%

- Operating revenue increased as a result of net product and sales expansion in summer and via various advertising media in addition to favorable inbound demand and sales of expensive goods. On the other hand, in large cities and rural suburbs, variations were observed in the recovery in consumer spending among out-of-store sales and general customers, so the planned figure could not be achieved.
- In operating income and ordinary income, despite efforts to cover a decrease in profit caused by a decrease in commodity margins by enhancing hot-selling products, special promotions and a greater than expected reduction of selling, general and administrative expenses, profits could not be achieved as planned.
- Net income also could not be achieved as planned due to factors such as reactionary decline in last year's sales of fixed assets.



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

(Unit: billion JPY)

	1H	Year-on-year		Change from Projection	
Personnel related expenses	30.6	- 0.7	- 2.1%	- 0.3	- 1.1%
Advertising expenses	13.5	+0.8	+6.4%	+0.6	+4.7%
General affairs expenses	33.1	- 0.1	- 0.3%	- 0.2	- 0.6%
Accounting related expenses	13.5	- 0.4	- 2.8%	- 0.4	- 2.8%
Total	90.7	- 0.3	- 0.4%	- 0.3	- 0.4%

- Reduction in personnel related expenses was more than planned with a year-on-year decrease due to factors, such as reduction in salaries, bonuses and benefit expenditures associated with decrease in personnel.
- Although there was a reduction in event expenses, with increased promotions via various advertising media and other similar reasons, the advertising expenses exceeded the planned figure.
- In spite of an increase in depreciation and amortization expenses associated with the acquisition of fixed assets, the general affairs expenses saw an additional decrease from planned figures with year-on-year reduction on decline in utilities and consumable expenses.
- Accounting related expense saw a year-on-year decline and lower than planned results, due to a decrease in rent attributable to acquisition of real estate (stores).



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## Performance of Major Subsidiaries

(Unit: billion JPY)

	Operating Revenue	Year-on-Year	Change from Projection	Operating Income	Year-on-Year	Change from Projection
Toshin Development Co., Ltd.	17.1	+0.2 +1.4%	- 0.0 - 0.1%	3.9	+0.2 +4.3%	+0.1 +3.1%
Takashimaya Singapore Ltd.	28.2	+2.5 +9.8%	+0.3 +1.1%	1.9	+0.8 +71.1%	- 0.1 - 4.3%
Toshin Development Singapore Pte, Ltd.	4.7	+0.6 +15.3%	+0.1 +3.0%	1.2	+0.5 +63.8%	+0.0 +3.2%
Takashimaya Credit Co., Ltd.	8.6	+0.2 +2.7%	+0.0 +0.1%	2.2	+0.1 +5.9%	+0.0 +2.1%
Takashimaya Space Create Co., Ltd. (Including Takashimaya Space Create Tohoku)	14.6	+1.0 +7.5%	+0.6 +4.5%	0.8	+0.3 +79.4%	+0.3 +52.3%

### Toshin Development

With an increase in revenues and profits, and steady growth of the shopping center business, operating income exceeded the planned figures.

Especially in enhancement corresponding to the launch of commercial facilities in the Tamagawa neighborhood and the contribution of turnaround results from Hakata.

**Takashimaya Singapore / Toshin Development Singapore** 1 Singapore Dollar: Actual 89.28 JPY; Previous year 81.20 JPY; Plan 86.55 JPY

Domestic demand has been steady, successful promotional measures for courtesy card customers and increases in rental income with yen depreciation influenced growth in sales and profits.

### Takashimaya Credit

The 30th Anniversary of Takashimaya cards saw promotional measures for strengthening card acquisition and successful member service improvement measures, and strong growth in the income of external merchant handling fees, all of which are factors leading to growth in sales and profits.

**Takashimaya Space Create** (including Takashimaya Space Create Company, Tohoku)

The success of high margin orders from hotels and large properties like commercial facilities, helped revenues and profits exceed the planned figures.



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# Returns to Shareholders

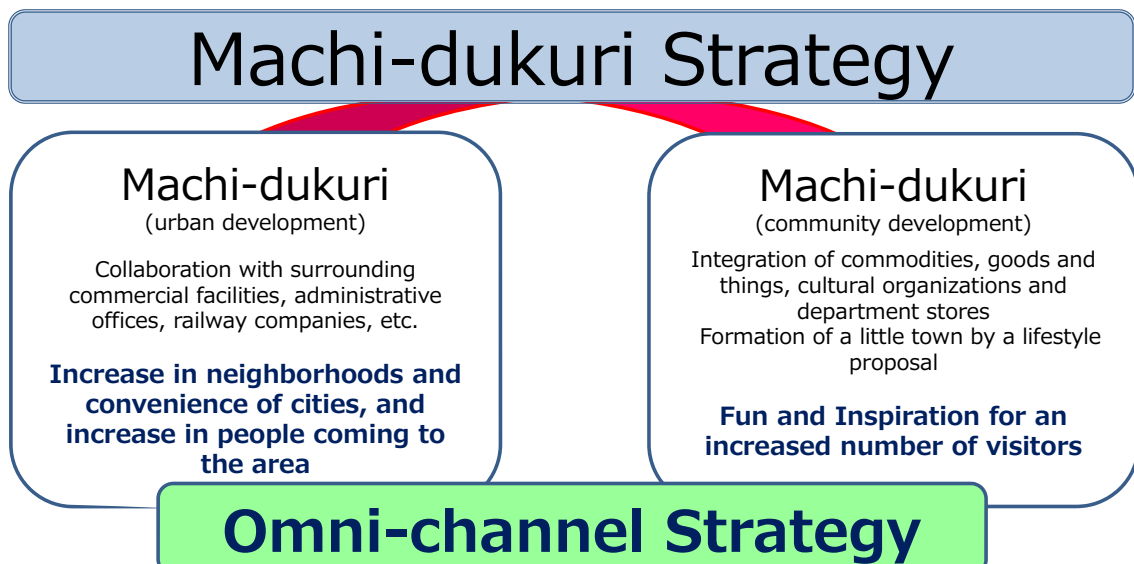
## Returns to Shareholders

- Stable dividend payment forms the basis of the company's shareholder return policy
  - Assess the current status of financial and business infrastructure
    - Dividend…Allotment of interim dividend of 1 JPY  
(Dividend increase of 1 JPY planned for year-end)
- ⇒ Study the best returns to shareholders by considering the status of funding and other environmental factors while also taking into account the balance between both financial soundness and capital efficiency.

# “Machi-dukuri” Community Development Strategy

## Machi-dukuri strategy

To promote both nationally and globally the "machi-dukuri" Community Development Strategy as one single body, which will improve convenience and the neighborhood of a whole region including shopping centers and our stores



# Machi-dukuri strategy

## Demonstration of the comprehensive strength of department stores and shopping centers

"Machi-dukuri" Development strategy can be promoted by maximizing the appeal of hotels and the city by integrating department stores and specialty stores

**Operating income of Shopping Centers + domestic department stores  
20.5 billion yen (year-on-year + 11%)**



### 7 highly profitable commercial premises and their sales on the basis of location

(Based on FY 2014 results)

	(Unit: billion JPY)
Yokohama store	133.8
Osaka store + Dining Mezos, T-terrace	122.0
Tamagawa Takashimaya Shopping Center	96.8
Nihombashi store	93.3
Shinjuku Takashimaya Times Square	92.7
Kyoto store	83.7
Kashiwa Takashimaya station mall	56.1

80% share of sales and 90% share of operating income share in domestic commercial facilities

# Domestic department store business

## Domestic department store business

### Shinjuku Store

- The opening of a large commercial facility, JR Shinjuku Marina Towers (Spring of 2016), at the south exit of Shinjuku station will attract a greater number of shoppers
- Strengthening the operating base by acquiring new customers and making it a revenue store second only to our Yokohama one
- Converting the increase in visits to a business opportunity by enlivening the grocery floor
- Building a premier restaurant zone in Tokyo (November)



Image of Shinjuku Store Entrance



# Domestic department store business

## Nihombashi Store District Redevelopment plan

- Enhancing attracting an increase in visitors prior to its grand opening in 2019
  - Increase in people coming to the area (expected to increase by more than 70,000 people) with trends, such as an increase in the business area population (rate of population inflow of Chuo-ku is the highest among the 23 wards) and increase in office workers due to development of the surrounding areas.
  - This fall, independent MD starts with a focus on women's clothing, Executive Lounge and F's Closet



Fall of 2018 Opening of the new commercial zone  
**Spring of 2019 Grand Opening**  
 Sales floor area Floor space of 50,000m<sup>2</sup> → 62,000m<sup>2</sup>

## Takashimaya Watch Maison

- Promotion of surrounding development as part of the redevelopment plan
  - Development of road side shops aimed at improving the area's neighborhood starts on October 7
  - Line-up of the world's top 83 brands



Takashimaya Watch Maison



# Domestic department store business

## Osaka store

- Further expansion in sales trends by improving the attractiveness of the hotel and shopping surrounds
  - Promoting cross MD, such as mixed development of cafes and household goods on the women's clothing floor



4<sup>th</sup> floor Maison de Famille

## Kyoto store

- Expansion of store MD aimed at strengthening the best regional shops
  - Exemplified in the expansion of the North building (Mizuho Bank site)
  - Renovating the grocery floor to further strengthen our ability to attract customers



Club Harie



# Domestic department store business

## Tachikawa store

- Strengthening the establishment of competitive measures with a focus on the store's 45th anniversary celebrations and strengthening cooperation with the government and community facilities
- Clarifying the strengths aimed at improving movement around the commercial facilities in the neighborhood
- Rearranging the system in which Toshin Development collectively manages the entire building and strengthening Facility Management

## Konandai store

- Integration of goods and things based on local needs
- Strengthening of cooperation with the specialty shopping complex, BIRDS, to improve ability to attract customers
- Rebuilding store MD to improve profitability

## Hometown tax initiatives

- Expansion of quid pro quo proposal in cooperation with local governments



# Strengthening product competitiveness

## Strengthening regional MD

- Restructuring vendor capability and increasing store buyers aimed at incorporating regional products and enhancing assorted regional products
- Enhancing product lineups that strengthen the economy by improving the accuracy of initial orders and bespoke goods expansion

## Strengthening MD characteristics

- Development of a new independent MD aimed at executive women called *Executive Lounge* (Nihombashi store, Shinjuku store)
- Expanding to leverage the integration of items that utilize the compilation power of the department store *Denim Style Lab* (Women's clothing), *WAGOTO* (Living)
- Expansion of new MD and independent MD aimed at characterization

*Salon le Chic Select* (expanding to Tamagawa store)

*F's Closet* (expanding to Nihombashi store and increasing floor space at the Kyoto store)



Denim Style Lab

# Strengthening product competitiveness

## Strengthening MD Characteristics

- Reorganization of management structure aimed at further strengthening the leverage of groceries PB
- Strengthening initiatives for collaboration with Hankyu Hanshin Department Store



Groceries PB Fauchon

## Promotion of “Koto” MD

- Development of new goods MD
  - targeting the wealthy by providing impeccable service to meet the material needs of a comfortable lifestyle

# Strengthening of efforts for market growth

## Achieving Omni-Channel Strategy

Net sales for the FY 2015 : 12 billion JPY year-on-year +20%

- Expanding with emphasis on key products
  - Emphasis on year-end, New Year, Christmas, Cashmere Knit, Valentine's Day.
- Strengthening the integration of over-the-counter sales and net sales with customer cooperation
  - Realizing sales by the use of tablets and Onward Kashiwama
- Expansion of showroom stores that utilize MD of large stores
  - Exemplified in Okayama, Gifu, Yonago, Tachikawa, Kashiwa and Takasaki stores
- Opening of an exclusive website for out-of-store sales customers



Logo of Showroom Store

# Strengthening of efforts for market growth

## Strengthening of efforts for inbound market

Tax free sales for FY 2015 planned: 30 billion JPY year-on-year +114%

- Expansion of regional cooperation and external partnerships aimed at improving the ability to attract customers
- Enhancing product competitiveness by thorough maintenance of main merchandise and product lineup features
- Realizing development of hands-on MD products that incorporate service elements
- Issue VIP cards for capturing frequent shopper foreigners



VIP card

# Strengthening of efforts for market growth

## New businesses and sales floor development aimed at opening up the market

- Shopping Center style new business targeted towards the development of next generation customers

Style Maison

(October/ Ebina city, Kanagawa)



Image of Style Maison

- Kids Patio, a child-friendly business category combining goods and things for three generations

(June/ Hakata-ku, Fukuoka)



Kids Patio

# Domestic Group Business

## Domestic group business

### Toshin development

Promoting business development by commitment to facilities management which supports both visiting customers and shopping center tenants, while aiming to improve the value of facilities and make the most of developer know-how fostered in shopping center developments and operations so far.

- Creation of a new mall and development of the neighborhood via a point-line-plane approach in the peripheral development of the existing facilities  
(September Tamagawa Shopping Center Annexe Marronniere Court extension renewal)
- Strengthening services by means of a comprehensive agency system with tax-free procedures  
(Tamagawa and Kashiwa in July, Nagareyama Otakanomori in September)
- Improving profitability associated with the opening of a new zone in Hakata Riverain Mall



Tamagawa Takashimaya Shopping Center Annex  
Marronniere Court



## Domestic group

### Takashimaya Credit

- Takashimaya cards have been issued for 30 years now and growth has been in proportion to the expansion of the credit card market
- Increase income from external fees by promoting preferential treatment merchants
- Increase turnover by promoting the first card via reviewing card use scope, etc.

### Takashimaya Space Create Co. Ltd.

- Further enhancements to the renovation of private homes business, in collaboration with department stores
- Increase revenue further by starting businesses, such as hotels, etc. supported by strong inbound demand
- Increase revenue in anticipation of the Tokyo Olympics and Paralympics



Hotel Metropolitan Marunouchi

# Overseas Business New Business

# ASEAN business

## Takashimaya Singapore Shopping Center

Further increase revenue from the shopping center unit at Takashimaya Singapore, which is supported by a strong customer base, focusing on the wealthy in Singapore and neighboring countries

At the same time, the overseas strategy is to promote ASEAN development with a focus on Takashimaya Singapore.



### 2015 Plan (Takashimaya Singapore + Toshin Development Singapore)

#### Operating Revenue 69.4 billion JPY

year-on-year +5.9 billion JPY      difference from planned +1.5 billion JPY

#### Operating Income 6.8 billion JPY

year-on-year +0.6 billion JPY      as planned



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# ASEAN business

Including the cash accumulated by Takashimaya Singapore since its opening and with a focus on management resources and know-how, we will promote the store openings of Bangkok Siam Takashimaya (tentative name) and Vietnam's Saigon Centre business plan with company-wide support



Saigon Centre, Vietnam  
Scheduled to open in the Summer of 2016  
Total floor area      about 181,800 m<sup>2</sup>  
Department Store      about 15,000 m<sup>2</sup>  
Specialty Store      about 23,000 m<sup>2</sup>



Siam Takashimaya (tentative name), Bangkok  
Scheduled to open in 2017  
Sales floor area      about 36,000 m<sup>2</sup>



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# China business

## Takashimaya, Shanghai

Move to strengthen the customer base of the Shanghai area to play a central role in Chinese operations, aim to increase sales by strengthening the independently operated stores and high quality merchandise to achieve early profits.



( year-on-year Unit:%)

Trend in store sales	Jan ~ Jun	Jul	Aug	Sep
RMB-based	+12.8	+1.0	+6.6	+9.6
Yen-based	+31.9	+13.0	+19.3	+22.6

### 2015 Plan

**Operating Revenue 7.5 billion JPY**

year-on-year +1.2 billion JPY  
difference with planned +0.8 billion JPY

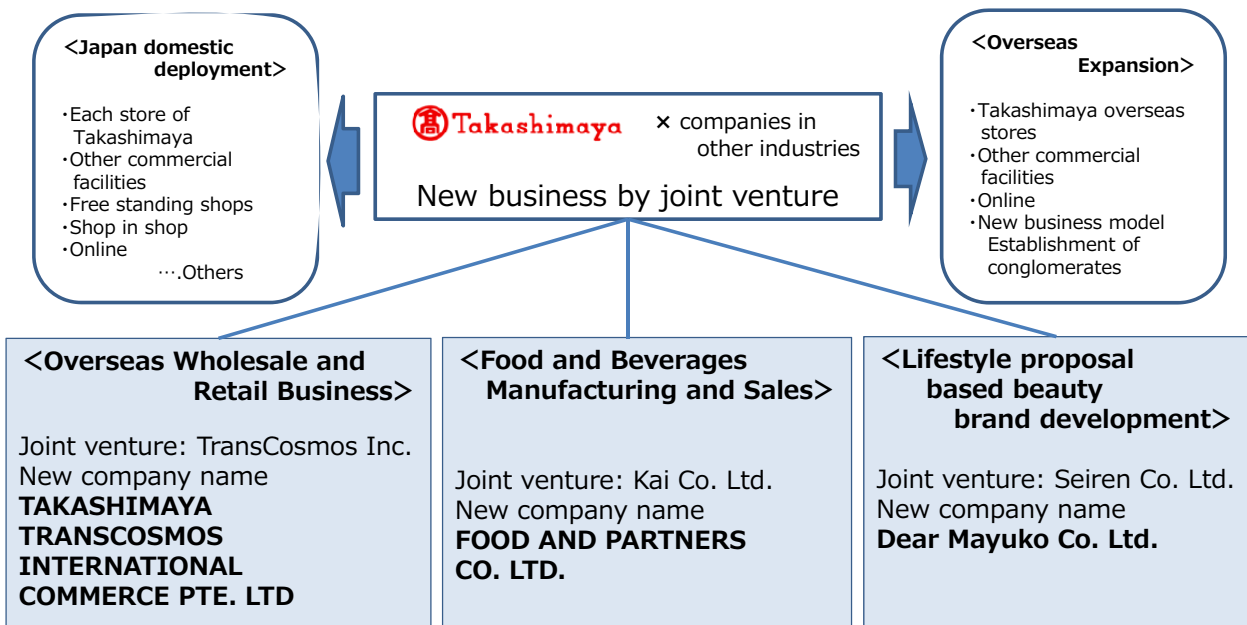
**Operating Income – 1.2 billion JPY**

year-on-year +0.8 billion JPY  
difference with planned +1 billion JPY



# New business

Promoting the development of new businesses through alliances with companies in other industries as the mainstay of our growth strategy after department stores, groups and overseas businesses. Taking advantage of the know-how of Takashimaya's sales force and product planning capabilities combined, we intend to expand our business areas demonstrating the synergy effect of department stores.





# FY 2016/02

## Full year projections

### Full-year projections

- ✓ Domestic department stores to increase sales and profits based on a wide variety of "Machi-dukuri" strategies
- ✓ Largely favorable standing of group companies, including those overseas
- ✓ Consolidated sales and profit growth for the 4th period

# Consolidated cost and Revenue Projections

(Unit: billion JPY)

	Full year	Year-on-year		Change from Projection	
Operating Revenue	933.0	+20.5	+2.2%	+8.0	+0.9%
SG&A Expenses	246.7	+3.1	+1.3%	- 0.4	- 0.2%
Operating Income	34.0	+2.0	+6.2%	+0.0	+0.0%
Ordinary Income	38.0	+2.1	+5.8%	+0.6	+1.6%
Net Income	23.7	+1.1	+5.0%	+0.4	+1.7%

- In addition to the upward revision of operating revenue due to factors like the inbound demand of domestic department stores, new store openings like Watch Maison and Style Maison, etc., the major subsidiaries like Takashimaya Space Create and Takashimaya Singapore also exceeded expectations, thereby increasing the consolidated operating revenue.
- A 2 billion yen profit in deferred operating revenue from the planned figure
- Ordinary income and net income reflect the results of the first half of the year leading to a growth in revenue and upward revision.



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# Cost and Revenue Projections at Domestic Department Stores

(Unit: billion JPY)

	Full year	Year-on-year		Change from Projection	
Operating Revenue	766.3	+11.1	+1.5%	+2.8	+0.4%
Sales	756.0	+11.0	+1.5%	+2.7	+0.4%
SG&A Expenses	183.9	+0.9	+0.5%	+0.3	+0.1%
Operating Income	12.8	+0.1	+0.4%	- 0.8	- 5.6%
Ordinary Income	15.7	+0.6	+4.1%	- 0.4	- 2.4%
Net Income	9.8	- 2.3	- 19.3%	- 0.6	- 5.8%

- Restructuring purchasing operations, strengthening regional MD by delegating authority and purchasing operations to each store, and MD headquarters specializing in the development of unique and specialized products, all of which are aimed at further enhancement of sales.
- In addition to strengthening sales capabilities, operating revenue shall see a growth and upward revision due to inbound demand and new store openings such as Watch Maison.
- Owing to factors, such as improvement measures with the promotion of MD characterization, strengthening of regional MD and expansion of net goods, etc. income from commodities shall increase by 2.1 billion yen in the second half and shall also offset the increase in selling, general and administrative expenses for the full year, leading to an increase in both sales and profits.
- As for net income, the huge reactionary decline in last year's sale of fixed assets may result in a reduction of the net income.



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## SG&A Expense Projections at Domestic Department Stores

(Unit: billion JPY)

	Full year	Year-on-year		Change from Projection	
Personnel related expenses	63.1	- 0.8	- 1.2%	- 0.0	- 0.1%
Advertising expenses	26.2	+0.1	+0.5%	+0.2	+0.6%
General affairs expenses	67.2	+0.9	+1.4%	+0.1	+0.1%
Accounting related expenses	27.4	+0.6	+2.2%	+0.1	+0.3%
<b>Total</b>	<b>183.9</b>	<b>+0.9</b>	<b>+0.5%</b>	<b>+0.3</b>	<b>+0.1%</b>

- Decrease in personnel related expenses by 0.8 billion yen due to less personnel
- A slight increase of 0.1 billion yen in advertising expenses by cost-effective review, though there are increasing factors, such as point expenses, etc. of variable costs associated with an increase in revenue
- An increase of 0.9 billion yen in the general affairs expenses with a uniform change, in addition to depreciation and amortization expenses associated with renovation and increases in repair costs
- An increase of 0.6 billion yen in accounting related expenses due to an increase in fixed property tax, etc.



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## Cost and Revenue Projections at Major Group Companies

(Unit: billion JPY)

	Operating Revenue	Year-on-Year	Change from Projection	Operating Income	Year-on-Year	Change from Projection
Toshin Development Co., Ltd.	35.2	+1.2 +3.6%	+0.6 +1.7%	8.0	+0.2 +3.0%	+0.0 +0.1%
Takashimaya Singapore Ltd.	59.7	+4.7 +8.6%	+1.2 +2.0%	4.3	+0.0 +0.5%	- 0.2 - 3.7%
Toshin Development Singapore Pte, Ltd.	9.7	+1.1 +13.5%	+0.4 +3.8%	2.5	+0.5 +27.0%	+0.2 +6.8%
Takashimaya Credit Co., Ltd.	17.3	+0.5 +3.0%	+0.0 +0.0%	4.3	+0.2 +3.8%	+0.0 +1.1%
Takashimaya Space Create Co., Ltd. (Including Takashimaya Space Create Tohoku)	31.4	+2.3 +8.0%	+1.4 +4.8%	1.8	+0.4 +25.9%	+0.4 +25.0%

### Toshin Development

Plan for revenue growth with aggregated building management of Tachikawa in addition to the profit improvement of the Hakata business, opening peripheral development of Tamagawa Takashimaya Shopping Center and Nagareyama Otakanomori Shopping Center and increasing rental income by contract renewal

**Takashimaya Singapore / Toshin Development Singapore** 1 Singapore Dollar : previous year 83.87 JPY Projected 89.28 JPY  
Revenues and profits through promotional measures for attracting existing in-house card customers and tourist customers

### Takashimaya Credit

Increase in sales and profits by planning to promote card usage through developing a 30th anniversary campaign for Takashimaya Card

### Takashimaya Space Create (including Takashimaya Space Create Company, Tohoku)

Sales and profit growth forecasting increased orders for large scale projects, such as hotel interior finish work with steady orders for commercial facilities and inbound demand as supporting factors, and increased orders for the home remodeling business



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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.