

2020/02

Financial Results

(FY2019)



April 13, 2020

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(FY2019)

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

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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

(billion JPY)	Full year	Year-on-year		Change from projection*	
Operating revenue	919.1	6.2	0.7%	(13.9)	(1.5%)
SG&A expenses	260.1	3.4	1.3%	(1.0)	(0.4%)
Operating income	25.6	(1.1)	(4.0%)	(2.4)	(8.6%)
Ordinary income	23.2	(8.0)	(25.7%)	(2.8)	(10.8%)
Profit attributable to owners of parent	16.0	(0.4)	(2.5%)	(1.0)	(5.7%)

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

(billion JPY)	Full year	Year-on-year		Change from projection*	
Operating revenue	775.2	(7.4)	(0.9%)	(15.7)	(2.0%)
Sales	760.3	(8.2)	(1.1%)	(15.9)	(2.0%)
Gross margin ratio	23.63%	(0.31)		0.02	
SG&A expenses	190.3	0.7	0.4%	(0.8)	(0.4%)
Operating income	4.2	(4.4)	(50.6%)	(2.7)	(38.9%)

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.

(billion JPY)	Full year	Year-on-year		Change from projection*	
Personnel related expenses	60.3	(2.3)	(3.7%)	(0.8)	(1.4%)
Advertising expenses	25.5	(1.0)	(3.8%)	(0.5)	(2.1%)
General affairs expenses	74.2	3.4	4.8%	0.8	1.1%
Rent and tax expenses	30.3	0.6	2.1%	(0.3)	(0.8%)
Total	190.3	0.7	0.4%	(0.8)	(0.4%)

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

(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Toshin Development Co., Ltd.	44.6	0.8 1.7%	(0.3) (0.7%)	6.7	(0.6)	(0.2)
Takashimaya Credit Co., Ltd.	20.7	1.5 8.0%	(0.6) (3.0%)	4.5	(0.4)	(0.4)
Takashimaya Space Create Co., Ltd.	37.0	4.8 14.9%	1.6 4.5%	1.8	1.1	0.6

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

(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Takashimaya Singapore Ltd.	17.0	(1.2) (6.4%)	(0.1) (0.8%)	4.8	1.6	(0.1)
Toshin Development Singapore Pte. Ltd.	8.7	(0.2) (1.7%)	0.1 1.0%	3.1	0.9	0.0
Shanghai Takashimaya Co., Ltd.	3.1	(0.0) (1.4%)	0.4 13.5%	0.1	0.9	0.2
Takashimaya Vietnam Co., Ltd.	2.0	0.2 12.4%	0.0 0.2%	0.1	0.2	0.0
Siam Takashimaya (Thailand) Co., Ltd.	1.6	1.3 411.3%	(0.4) (19.9%)	(1.0)	(0.5)	(0.1)

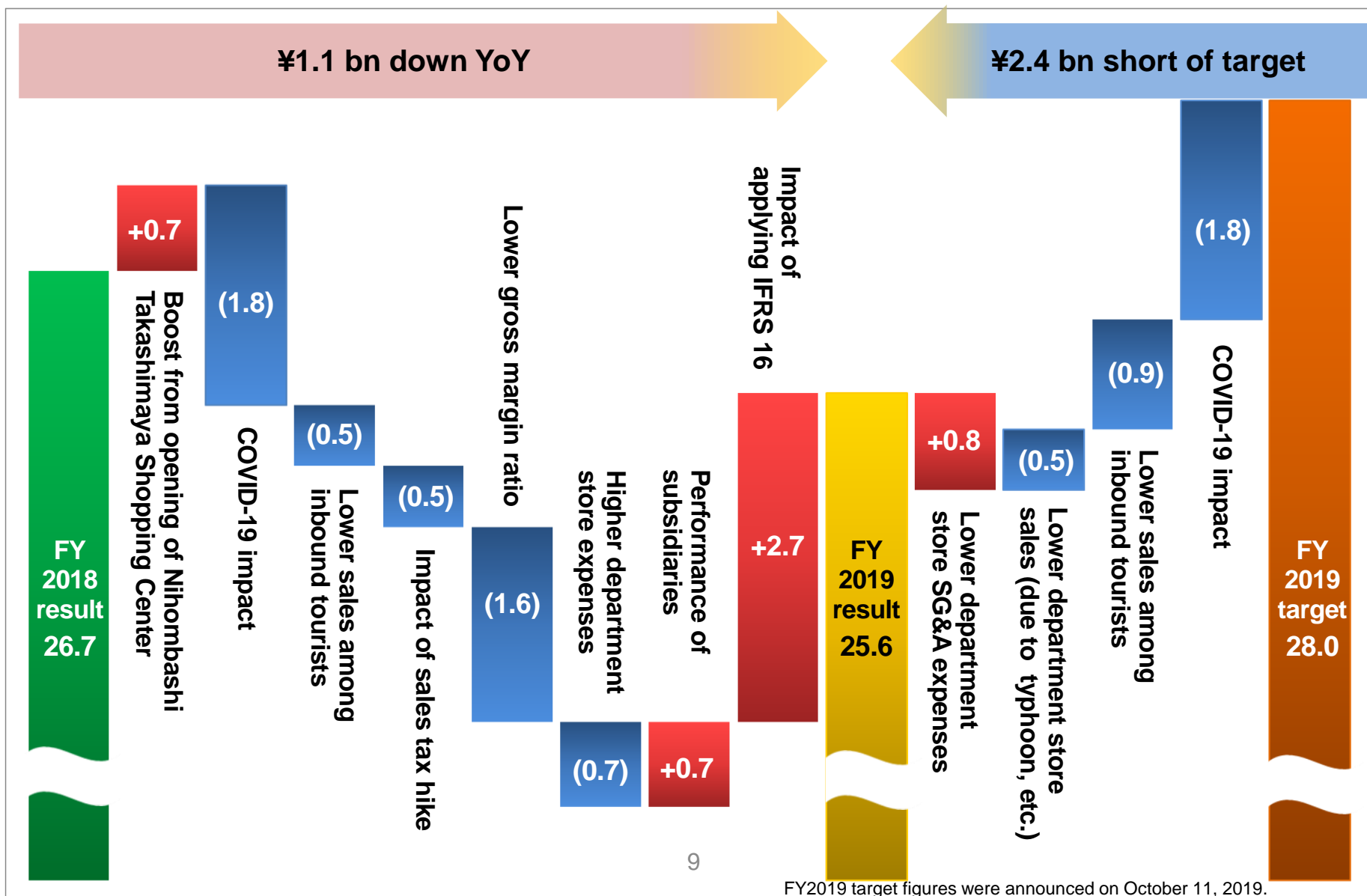
Note: Comparison between projected and actual figures is based on the targeted figures announced on October 11, 2019.

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1SGD=80.11JPY 1CNY=15.82JPY 1VND=0.0046JPY 1THB=3.52JPY

4. Factors Behind Consolidated Operating Income Result

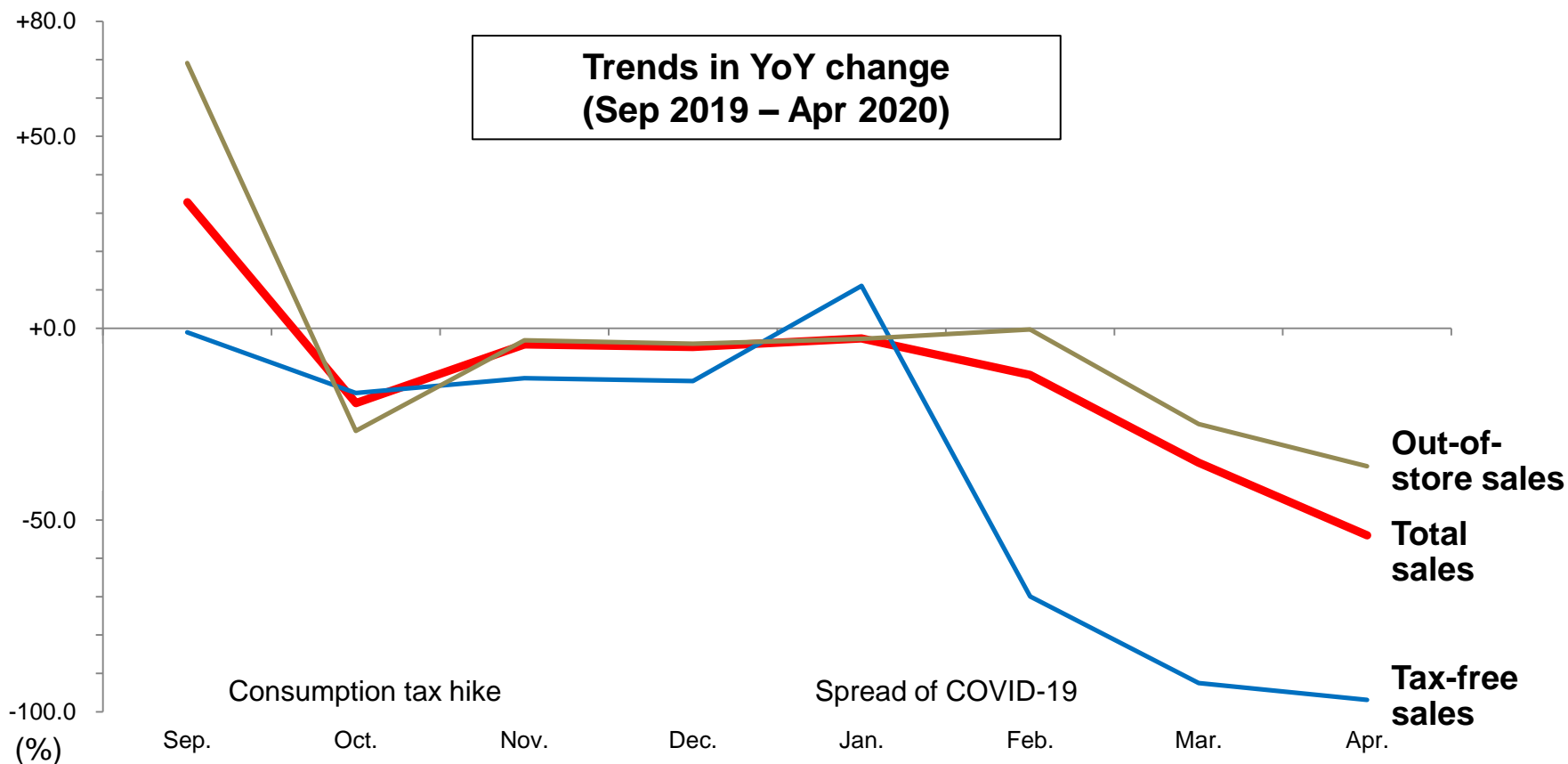
(billion JPY)



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)

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

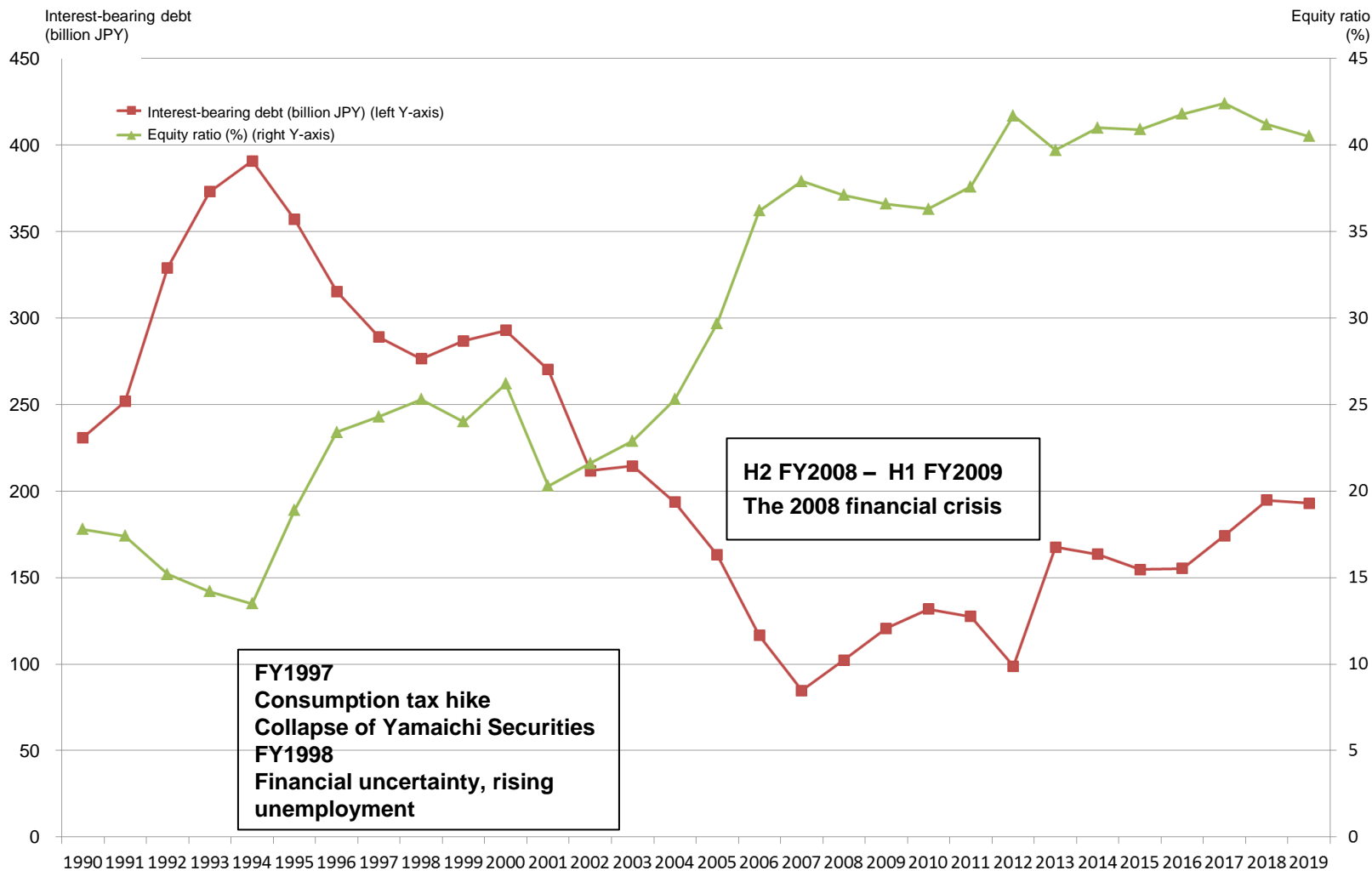
Cost-cutting Program

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

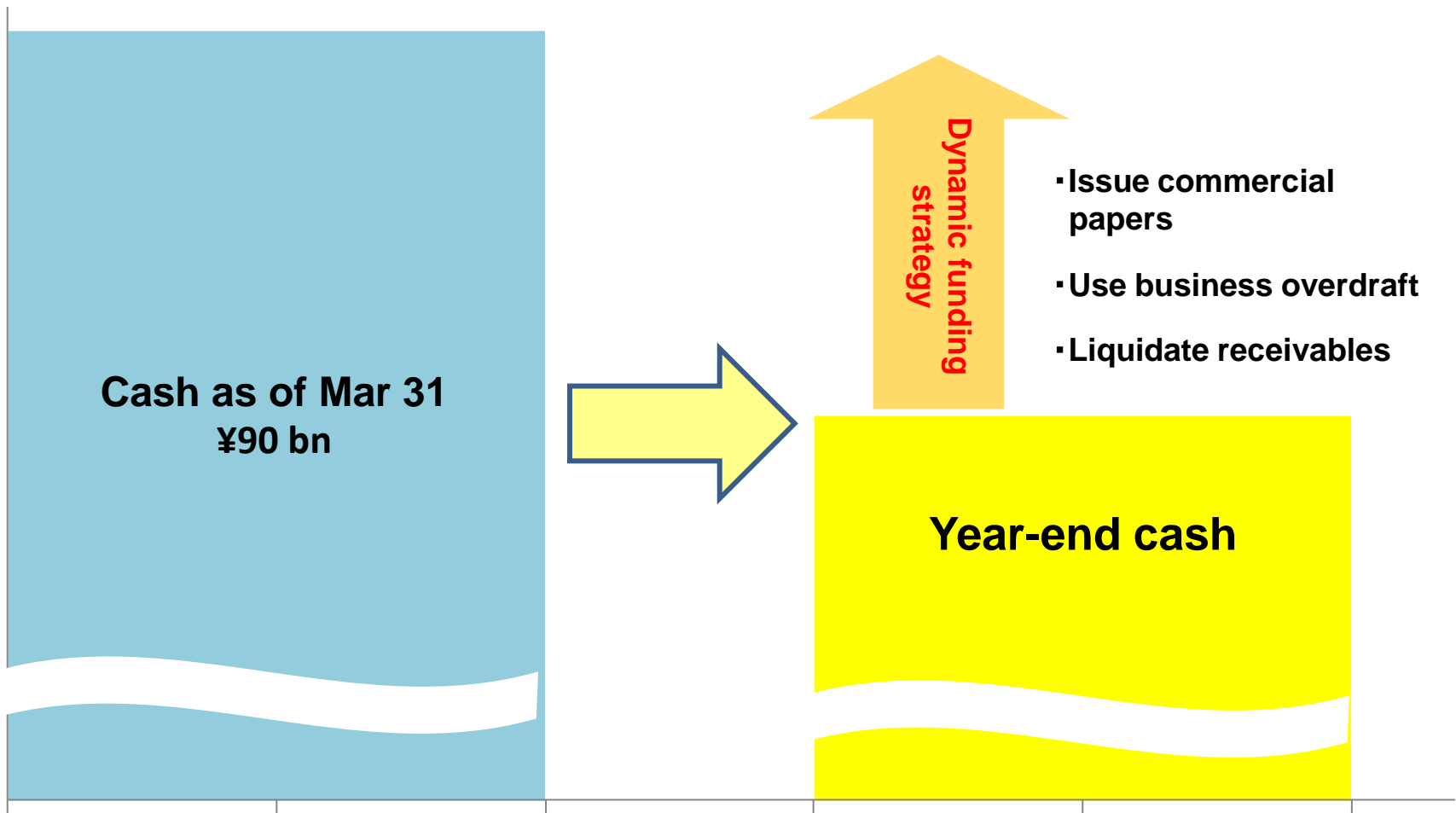
Personnel related expenses	¥6.0 bn	<ul style="list-style-type: none">• Reorganization: Consolidate work into exec. team; cut overlapping work• Hire fewer people• Adopt new store management system
General affairs expenses	¥2.0 bn	<ul style="list-style-type: none">• Cut temp labor expenses• Overhaul/cut system running expenses• Overhaul commission expenses
Depreciation	¥4.0 bn	<ul style="list-style-type: none">• Shift to a more pinpointed investment strategy• Overhaul / rein in long-term capex• Overhaul / rein in system investment

 Cuts  Reining in

- Develop and maintain solid financial footing to weather any storm



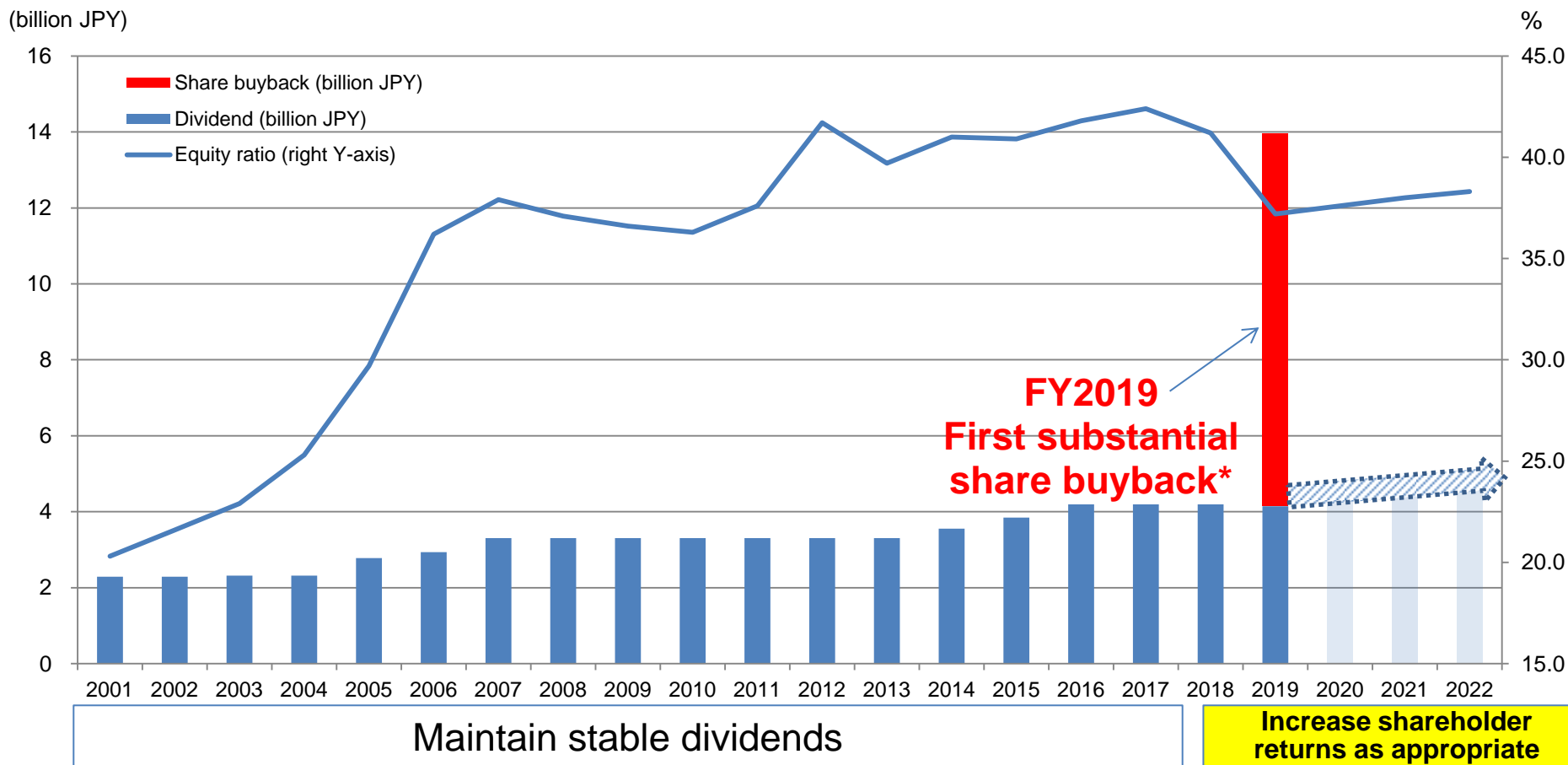
- Use dynamic funding strategy to ensure availability of operating funds for any emergency



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)

* Estimate based on energy
consumption

**Plastic
waste**

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

* Dept. stores only

**Organic
waste**

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

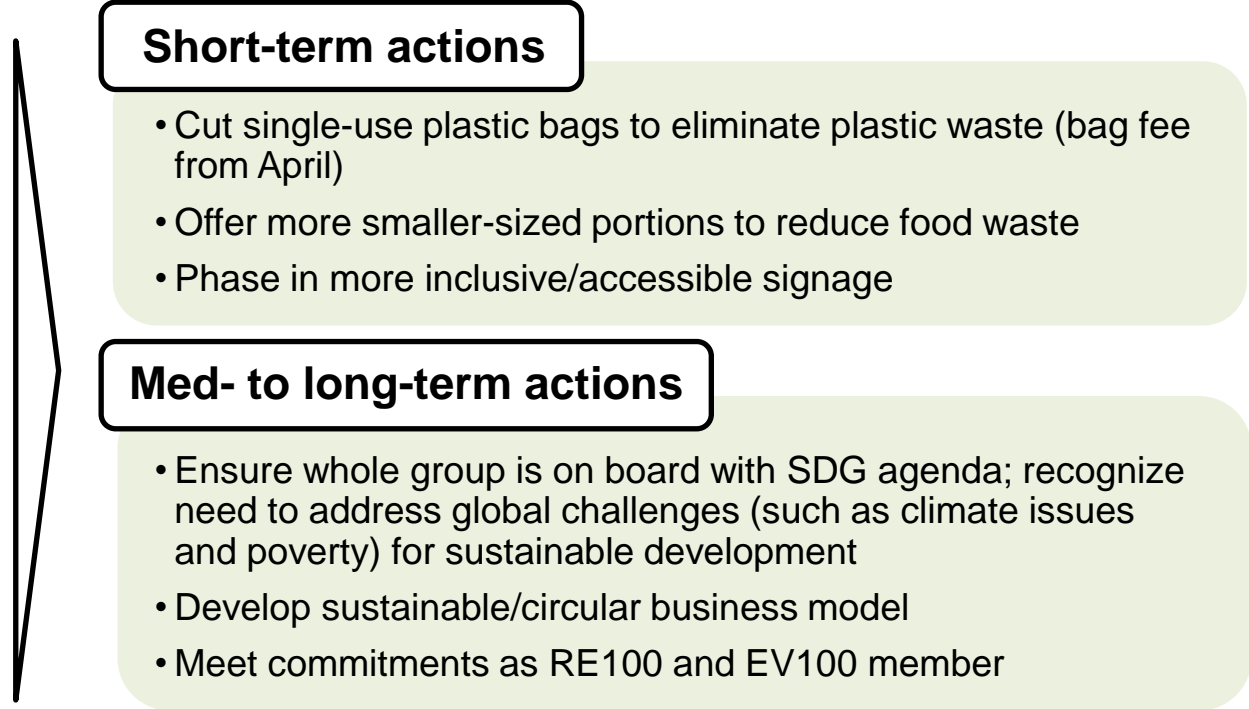
* Dept. stores only

Urgent need for green initiatives to ensure sustainable growth

3. ESG Strategy

Our Approach to the Problem

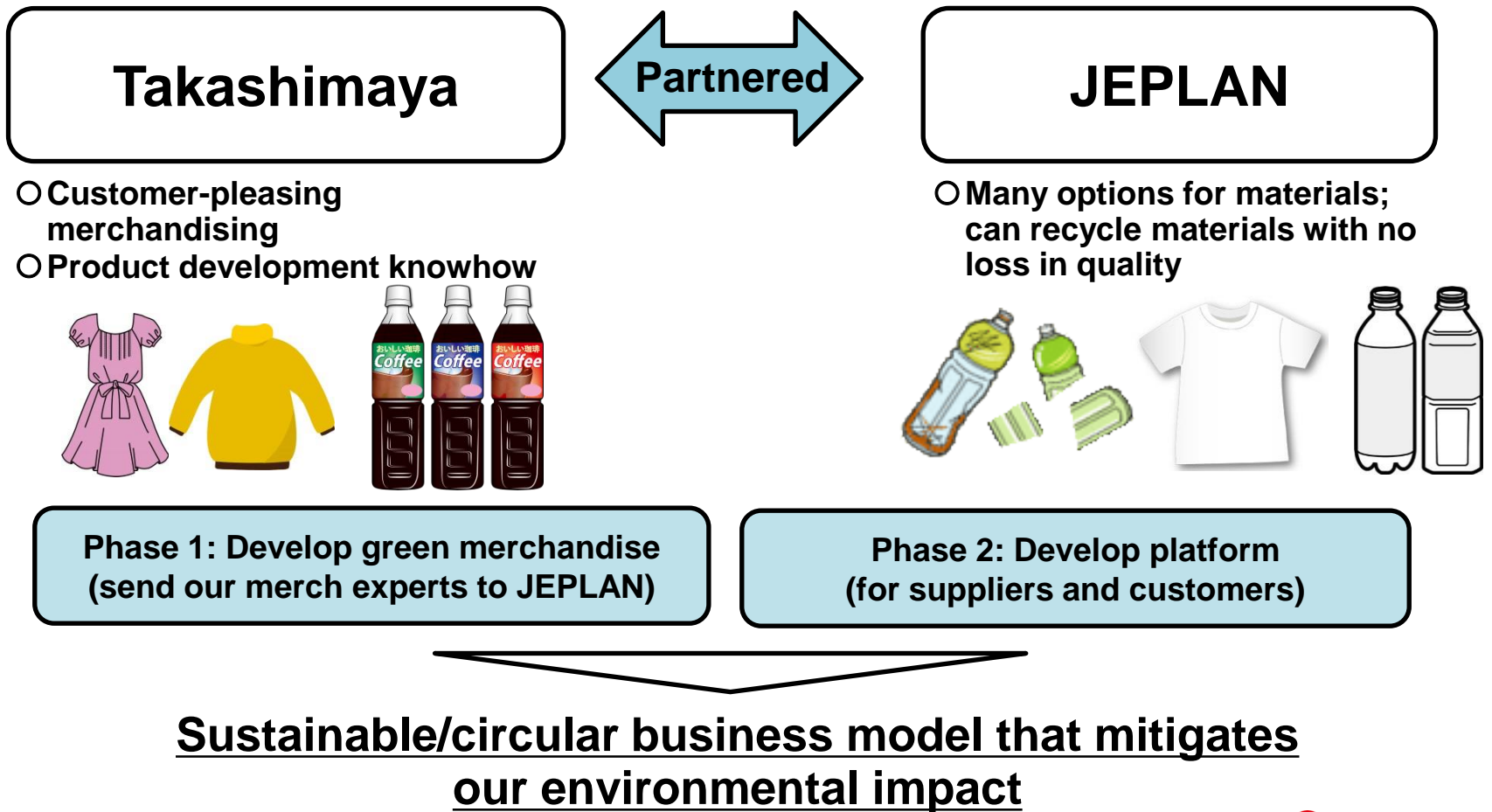
- Take short-term and medium- to long-term actions to promote a sustainable future
- Work with government, communities, and businesses toward common goal



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



4. Group Strategy (Machi-dukuri Strategy)

Concept

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

Work with local authorities and with companies in other industries

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

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



Vietnam business



Renovated Takashimaya Eastern Building (Osaka)



Finance



Food business



Expanded food area in Yokohama Store



Kyoto Store to be revamped (2023)

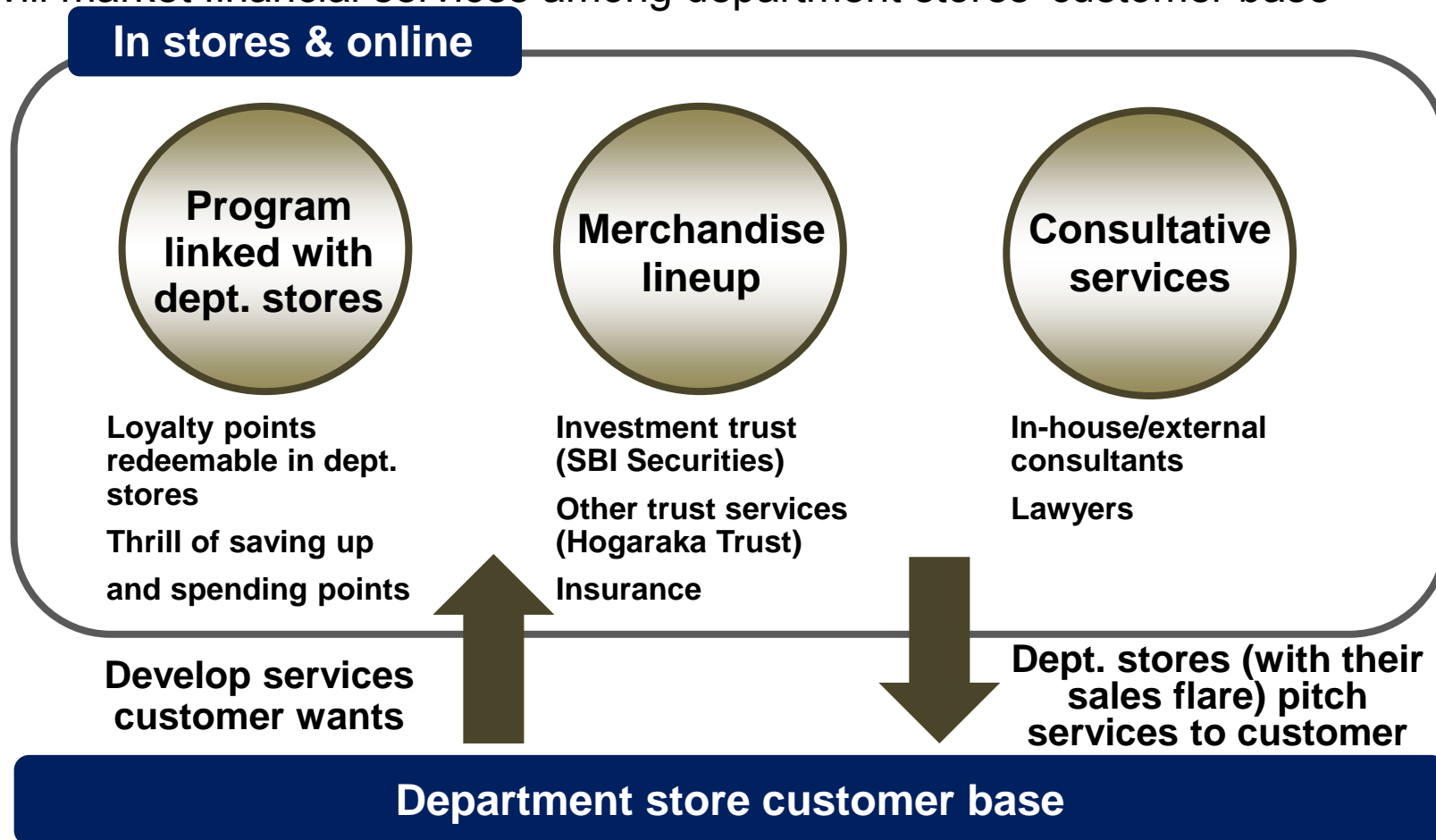


E-commerce

4. Machi-dukuri Strategy

Finance

- 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



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



Development around
Nagareyama-Otakanomori Station



Starlake project (Hanoi, Vietnam)



Indochina Plaza Hanoi

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

Ref: Impact of IFRS 16 on Consolidated Performance and Performance of Overseas Subsidiaries

Consolidated performance

(billion JPY)	Before applying IFRS 16			Impact of applying IFRS 16
	Full-year	Year-on-year		Full-year
Operating revenue	919.1	6.2	0.7%	—
SG&A expenses	262.8	6.1	2.4%	(2.7)
Operating income	22.9	(3.8)	(14.1%)	2.7
Ordinary income	25.2	(6.0)	(19.3%)	(2.0)
Profit attributable to owners of parent	18.0	1.5	9.4%	(2.0)

Performance of overseas subsidiaries

(billion JPY)	Before applying IFRS 16				Impact of applying IFRS 16	
	Operating revenue	Year-on-year	Operating income	Year-on-year	Operating revenue	Operating income
Takashimaya Singapore	18.1	(0.1)	3.1	(0.1)	(1.1)	1.7
Toshin Development Singapore	8.7	(0.2)	2.2	0.0	—	0.9
Shanghai Takashimaya	3.1	(0.0)	(0.6)	0.3	—	0.6
Takashimaya Vietnam	2.0	0.2	0.0	0.1	—	0.1

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.

Ref: Recognizing Risk

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 | (5) Risks associated with overseas businesses |
| (2) Climate risk (natural hazards) | (6) Risks associated with management of group companies |
| (3) Epidemic or terrorism-related risk | (7) Legal / regulatory risk |
| (4) Cybersecurity 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.