

Takashimaya Company, Limited FY2025/Q2 (Interim) Financial Results Briefing:
Main Q&A

The following is a summary of the questions and answers during the financial results briefing held on Tuesday, October 14, 2025.

<Department Stores in Japan>

Q: You revised the year-on-year growth rate for customers in Japan in the second half of the year in your revised net sales plan for this fiscal year from +6% in the initial plan to +4%. Meanwhile, you have kept net sales to inbound travelers at 40 billion yen in the second half of the year. Can you tell us the circumstances that led to you coming up with this plan and the likelihood of achieving it?

A: The trend in fashion, particularly in clothing products, was weak for non-VIP customers among customers in Japan due to factors such as the weather in the first quarter of the year. On the other hand, net sales show signs of recovering in the second quarter of the year. Measures to enhance our product appeal in collaboration with key business partners are supporting net sales. Net sales to VIP customers in the first quarter of the year were also below the level in the previous year. However, spending on high-ticket items has remained solid. For example, such spending turned positive in July and August.

We have now revised our plan based on the first half of the year and the current situation. Nevertheless, we plan to steadily grow net sales from the previous year. We will continue to take various measures to increase the likelihood of achieving our plan.

Net sales to inbound travelers remained strong even during the National Day period in China in October. Although uncertainty remains, such as with exchange rates and changes in consumer behavior, we fully believe that this is a level we can achieve.

Q: Can you tell us about future consumption trends in regards to net sales to customers in Japan in this fiscal year apart from core VIP customers? I am especially interested to hear about the upper-middle class segment.

A: We are targeting all customer segments. Nevertheless, we believe that capturing the upper-middle class segment is essential for growth. Once the national political situation settles down and economic measures are implemented, we can expect a further upturn in consumption among the upper-middle class segment that has been stable. We will take this opportunity to continue taking measures to enhance our product appeal. In this way, we will solidify our customer base.

Q: You upwardly revised operating profit by 2.0 billion yen from your initial plan for this fiscal year on page 23 of the interim financial results. However, you revised operating gross profit downward by 2.5 billion yen. What are your reasons for that?

A: The impact of net operating revenue has been large here. Total operating revenue is at a level in line with our initial plan. However, we have revised net operating revenue downward by about 3.0 billion yen. This has been affected by the balance between consignment purchases and acquisitions among net sales as well as changes in the gross margin ratio on a net basis.

Q: Please can you tell us what measures you will take in this uncertain consumer environment from this fiscal year to the next fiscal year to increase net sales to customers in Japan?

A: It is important to capture younger generations of customers as well to further increase net sales. We currently see consumption among customers in those generations as becoming more active. That is also evident in the strong performance of cosmetics and sports-related products. Furthermore, with the nature of consumption changing, we will continue to respond to diverse needs and boost net sales by expanding initiatives in collaboration with key business partners.

Q: You look at operating profit in the next fiscal year, the final year of the current Medium-term Management Plan, on page 35 of the interim financial results. You plan to increase profit by 1.6 billion yen from this fiscal year in Department Stores in Japan. Can you please explain the composition of that increase?

A: Uncertainty remains about net sales. Nevertheless, in the next fiscal year, we expect to see an effect on the gross margin ratio due to an increase in net sales from retail priced fashion products focused on clothing products with a high-profit ratio. Furthermore, cost reduction is a major factor. We will continue to promote the use of digital technologies, a reduction in external expenses and an improvement in logistics efficiency. This will keep down the SG&A expense ratio and lead to the generation of profits.

<Capital Policy>

Q: You have indicated that you intend to shift to shareholder returns while utilizing debt in regards to the cash allocation in the current Medium-term Management Plan. Could you please tell us how you will balance financial soundness (net interest-bearing debt) and shareholder returns?

A: The main reason that led to us reviewing our cash allocation and making the decision to utilize debt this time is the change in the “impact expected” from the new lease accounting system we will apply from FY2028. We had been looking at the risks involved when bringing large stores like our Osaka Store and Yokohama Store onto the balance sheet, but it is now more likely that the impact will not be greater than we originally expected. As we continue to promote management that emphasizes the cost of capital, we have decided to review our allocation to debt reduction and to shift toward shareholder returns while utilizing that debt based on feedback from investors.

Q: You state that you will purchase treasury shares with a focus on achieving a total payout ratio of 70% in the next Medium-term Management Plan. The current Medium-term Management Plan is an investment-driven phase. It is possible to expect an increase in cash through returns in the next Medium-term Management Plan, but could you tell us how you

perceive the financial hurdles?

A: We will consider the sources of funds to achieve a total payout ratio of 70% divided into three areas: operating cash flow, non-core assets and funding methods. First, in terms of operating cash flow, we have group companies capable of generating profit stably. If we add the power of our department stores to this, we believe that we can secure the operating cash flow we have projected. In regards to non-core assets, I think there is a view that we still have some left. We have not come up with anything in concrete terms as of this point in time. Nevertheless, we are researching areas such as changing the way we work and using schemes including those involving securitization.

We want to act nimbly when it comes to how we raise funds. This includes using methods that take into consideration the cost of capital such as mezzanine financing in addition to existing methods such as straight bonds, bank financing and convertible bonds.

Q: You have reviewed your cash allocation at the time of the interim financial results in the second year of the current Medium-term Management Plan. What are the reasons for that? Was this due to factors other than the impact of the new lease accounting system? Was there any influence from activist investors or others?

A: Aside from the impact of the new lease accounting system, one of the reasons we reviewed our cash allocation is that we are seeing positive results from our growth investments. We have determined that our finance business and overseas business will lead to sustainable growth. Therefore, we have switched our policy at this time when we are midway through the current Medium-term Management Plan.

Another reason is that we wanted to respond to feedback from investors by sending a better message in regards to the problems of dividends and dilutive shares that were challenges to increasing total shareholder returns while promoting management that is conscious of the cost of capital.

We have formulated this capital policy upon considering both what we should and should not incorporate from the opinions of specific shareholders to improve our medium- to long-term corporate value.