April 17, 2026

Takashimaya Company, Limited FY2025 Financial Results Briefing: Main Q&A

The following is a summary of the questions and answers during the financial results briefing held on Tuesday, April 14, 2026.
We refer to the Zero Coupon Convertible Bonds due 2028 as “CB” below.

<Department Stores in Japan>

Q: Your domestic net sales from both VIP customers and non-VIP customers were strong in FY2025. You also forecast further growth in net sales from domestic customers by 6% in FY2026. Did you make this forecast on the assumption that favorable conditions in the external environment will continue? Alternatively, did you come up with it by building upon sales strategies after taking into account the risks? Can you explain your way of thinking, including the current likelihood of achieving this target?

A: In FY2025, net sales from both domestic VIP customers and non-VIP customers were strong. That was because, in addition to the wealth effect from rising stock prices and other factors in the external environment, ongoing sales strategies (strengthening our customer base and enhancing our product appeal) proved successful. While we need to continue carefully assessing the impact of further increases in geopolitical risks, such as in the Middle East, on financial markets and the consumer environment, we will steadily implement various measures to achieve our forecasts.

Q: You expect net sales from inbound customers to be 84.5 billion yen in FY2026. That is a decrease of 11% YoY. You predict a particularly large decrease of 18% in the second half of the year. Can you explain your assumptions behind this forecast, including changes in the external environment?

A: Our forecast for FY2026 incorporates a certain degree of risk. This includes the impact from exchange rate fluctuations and fuel surcharge increases on the number of customers and net sales per customer. On the other hand, while taking into account these external environment risks, we will aim to create experience value and improve the repeat customer rate. In this way, we will minimize the negative impact from changes in the external environment

Q: You expect the in-store gross margin ratio to improve by 0.25% from the previous fiscal year in FY2026. Can you tell us about the initiatives you are taking to achieve this forecast amid the impact from changes in the composition ratio, such as the expansion in the share of net sales from high-ticket items including luxury brands with low gross margin ratios?

A: We plan to boost the overall gross margin ratio by increasing net sales in the fashion domain with its high gross margin ratios, such as women’s clothing and accessories. Specifically, we will further accelerate our efforts in collaboration with key business partners. These include securing products in line with changes in consumer needs and developing new products. In addition, we will aim to expand in scale by leveraging diverse sales channels, including e-commerce.

Q: You reduced SG&A expenses by 6.4 billion yen compared to your forecast of 5.8 billion yen in FY2025. You forecast a decrease of 4.5 billion yen in FY2026. Can you tell us if there is further room to cut costs depending on future net sales, cost pressures due to inflation, and other factors?

A: We were subject to unavoidable cost pressures, such as with expenses related to inflation, in FY2025. Nevertheless, we clearly defined expense managers for each category and strived to realize a high level of cost leveling while continuously monitoring the progress of cost-cutting measures. As a result, we achieved cuts beyond what we expected. We will continue these efforts. At the same time, we will create a virtuous cycle by promoting labor-saving in back-office operations by leveraging digital transformation to lead to a strengthened sales structure, such as with in-store operations. We will respond flexibly to changes in the environment and thoroughly control overall costs even amid an outlook that is expected to remain uncertain, such as in terms of the impact of inflation, in the future.

<Overseas Department Stores>

Q: You forecast consolidated operating profit in FY2026 to increase by 4.0 billion yen to 57.5 billion yen. This is the same level as you announced in the interim financial results for FY2025. Can you tell us whether you were conscious of that when you formulated your forecasts? In addition, the segments that will drive the increase in profit are Department Stores in Japan (increase by 2.8 billion yen) and Overseas Department Stores (increase by 1.1 billion yen). Can you tell us about how you have structured your forecast for each store overseas in particular, such as for Singapore where profits are large?

A: Although the external environment differs from at the time when we announced our interim financial results, we formulated our consolidated operating profit forecast for FY2026 with an awareness of that level. We are promoting initiatives to enhance our product appeal and strengthen our customer base in Singapore in the Overseas Department Stores segment. We also anticipate a recovery in domestic customer and tourist demand. We expect that we lead to increased sales and profits. Moreover, we expect Shanghai and Siam to return to profitability due to the effects from efforts such as revamping the sales floors there. Meanwhile, we project a slight decrease in profits due to exchange rate fluctuations in Vietnam.

<Commercial Property Development in Japan>

Q: You are aiming for business profit of 10.0 billion yen in FY2031 when you will celebrate the 200th anniversary of your founding (compared to 8.3 billion yen in FY2026). Nevertheless, you expect profit growth in shopping centers (SCs) to be modest. Can you explain your reasoning for not being able to expect further growth from the effects of investment?

A: We are prioritizing improving our ability to attract customers with our current investment in the conversion to next-generation SCs. Therefore, the profit ratio for SCs may not be that high. Furthermore, we anticipate facility operating costs will rise. That means we expect profit growth in the SC business to be relatively moderate. On the other hand, we believe that the ability to attract customers we obtain from this investment will have a positive impact on our other businesses, including department stores. We are making investments that place emphasis on strategic value for our entire group not just the profitability of individual businesses, including the transfer of know-how to our overseas businesses.

<Capital Policy / Shareholder Returns>

Q: You intended to alleviate concerns about EPS dilution due to the conversion of CBs into stock in regards to your policy of share buybacks in FY2026 and share buybacks with a focus on a total return ratio of 70% during the next Medium-Term Management Plan (FY2027 - FY2029) that you announced in your interim financial results for FY2025. Can you tell us again how this policy has changed since the CB purchase and cancellation?

A: We have temporarily abandoned the policy of implementing share buybacks from FY2026 that we announced in our interim financial results in light of the CB purchase and cancellation. Nevertheless, if free cash flows exceeding expectations are generated in the future, we plan to appropriately distribute profits with an emphasis on maintaining a balance among multiple stakeholders, including shareholder returns in addition to growth investments and human capital investments.

Q: Your D/E ratio is also rising due to the utilization of loans as a source of funds for the CB purchase and cancellation regarding the direction of cash allocation from the next

Medium-Term Management Plan (FY2027 - FY2029) through FY2031. Can you tell us your thoughts on utilizing debt with a focus on financial leverage going forward?

A: We announced the three-year cumulative cash allocation in the first year (FY2024) of the current Medium-Term Management Plan. Since then, we have flexibly adjusted our capital policy in light of changes in the business environment and financial situation. For example, while ensuring financial soundness, we are gradually pivoting away from our previous stance that places emphasis on reducing debt to one of utilizing debt. We also used loans as the source of funds for the CB purchase and cancellation. This is an approach that is mindful of capital efficiency. In the future, we will continue to utilize appropriate financial leverage that places emphasis on capital efficiency while closely monitoring interest rate trends. Together with this, we will consider and promote diverse fundraising methods.

Q: You have presented a new approach to assets that includes real estate and cross-shareholdings. If you sell non-core assets in the future, is it correct to understand that you will allocate the generated cash in a well-balanced manner between growth investments and shareholder returns?

A: We have not made a decision on that at present. However, even if cash is generated from asset sales, we will distribute profits appropriately with an emphasis on a balance among multiple stakeholders, including shareholder returns in addition to growth investments and human capital investments.

<Governance>

Q: Can you tell us the aim in transitioning to being a company with an audit and supervisory committee and the background that led to the decision to change your organizational structure?

A: We intend to enhance the transparency and objectivity of management by transitioning to being a company with an audit and supervisory committee. At the same time, our intention is to allow even more time for discussions on growth strategies in the Board of Directors' meetings. Our aim is also to speed up and improve the quality of decision-making by delegating operational authorities and clearly separating supervisory and execution functions. The background to this change in our organizational structure is that, as a business holding company, while there are aspects where internal officers inevitably bear the core responsibility for management, we recognize there is a need to further enhance the transparency of governance. Furthermore, Outside Directors have also expressed the opinion that more time should be secured to discuss management and growth strategies at Board of Directors' meetings. After comprehensively considering these elements, we made the decision that transitioning to being a company with an audit and supervisory committee would be the optimal approach.

Q: Your policies and approaches, including your capital policies and governance, have changed significantly. Can you explain the background to that?

A: Our fundamental approach to management has not changed. Instead, we recognize this is a result of evolving the means to realize our group-wide Machi-dukuri Strategy in response to changing times. We have also gradually evolved our asset policy in phases from a non-ownership approach to an ownership approach and then on to a utilization approach. We will continue to work flexibly and powerfully toward realizing Machi-dukuri in the future.