

Takashimaya Company, Limited FY2026/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 Thursday, October 15, 2026.

We purchased and cancelled the Zero Coupon Convertible Bonds due 2028 in the previous fiscal year. We refer to them as “CB” below.

■ **FY2026 Interim Results and Full-year Forecasts (Department Stores in Japan Segment)**

Q: You explained that consolidated operating profit for the first quarter exceeded the assumptions in the April forecasts by about 1.0 billion yen, driven primarily by the solid performance of the Department Stores in Japan segment. On the other hand, operating profit for the first half of the year in that segment is 200 million yen above the forecasts. Can you tell us whether there were any factors that changed from your assumptions, such as SG&A expenses or gross margin ratios, during the three months of the second quarter?

A: SG&A expenses tend to increase during the three months of the second quarter due to higher distribution expenses and utility bills associated with our key midyear gift (chugen) campaign and other factors. As a result, profit levels exhibit seasonality. Moreover, gross margin ratios fluctuate according to the net sales composition ratio across product categories, such as clothing and accessories, high-ticket items, and foods.

The primary reason the amount by which results exceeded the forecasts narrowed in the second quarter was an unavoidable increase in procurement costs.

Q: The description of the factors driving the increase in SG&A expenses in the first half results and full-year forecasts has been changed from “inflation” last time to “procurement costs” this time. Can you tell us the reason why you changed the term and the specific details of what “procurement costs” cover?

A: The term “procurement costs” essentially covers the same elements that we described as “inflation” last time. We have switched to the term “procurement costs” to more concretely describe the rising costs of the various products and services we procure in the course of our business operations.

Q: The projected reduction in G&A expenses in the full-year forecasts for your cost optimization program has been revised from 3.5 billion yen in the April forecasts to 1.9 billion yen. Nevertheless, the overall expected reduction stands at 4.3 billion yen. This is virtually unchanged from the figure of 4.5 billion yen that it was in the April forecasts. Is it correct to understand that this reflects adjustments between expense categories and that the overall cost optimization program is progressing steadily?

A: We have factored in an unavoidable increase in procurement costs for G&A expenses of 1.8 billion yen for the full year (up from 1.0 billion yen in the April forecasts). The main factors for this are higher unit prices for utilities and increased outsourcing expenses associated with various operations. These factors have led to the overall SG&A expenses increasing by 700 million yen from the April forecasts. Given these risks of increases in procurement costs, we have reviewed our full-year forecasts and cost-cutting amounts for each expense category. Although we have revised the projected reduction in G&E expenses, we have reallocated the reductions to other expense categories. Accordingly, our overall cost optimization program is progressing steadily as forecast.

Q: In light of first half net sales from domestic and inbound customers and recent trends, your decision to keep the full-year operating profit forecast unchanged appears somewhat conservative. Can you tell us the rationale for keeping the forecast unchanged and what risk factors, such as an increase in SG&A expenses in the second half, you have factored into the forecast?

A: We have factored several potential risks going forward into our full-year forecasts for the Department Stores in Japan segment. For instance, regarding net sales, it is difficult at the present time to forecast how factors such as exchange rate fluctuations may affect inbound consumption or spending by the affluent (outbound spending, etc.). Similarly, it is hard to gauge the extent to which rising procurement costs in the future may impact SG&A expenses. It may seem that our forecasts this time are conservative when looking at recent net sales trends, but we have formulated them taking into account those uncertainties.

Q: Can you tell us how you view the recent spending environment among non-VIP customers in particular in terms of net sales from domestic customers that have remained robust and how you have factored this outlook into your forecasts for the second half?

A: Net sales from non-VIP customers were up 9% YoY in the first quarter and up 5% YoY during the three months of the second quarter, resulting in a 7% increase YoY in the first half. Therefore, performance remains solid, mirroring results with VIP customers (up 8% YoY in the first half). Going forward, although there are concerns about the impact of inflation and other factors on spending, we believe that demand for high-ticket items, including watches, and the products and services in which our department stores excel will remain resilient even among non-VIP customers. We have factored a degree of risk related to potential restraint on spending into our forecasts for the second half. At the same time, we intend to further strengthen our merchandise and services to meet these needs, thereby capturing demand from a broad customer base.

■ Direction for Profit Growth and the Evolution of Capital Policy

Q: In your explanation concerning non-core real estate other than store properties, you mentioned that negotiations are underway on multiple properties in addition to the four properties for which contracts have already been concluded. Can you, to the extent possible, provide a timeline for whether the gains on the sale of these properties will peak in the current fiscal year or whether you expect to realize them on an ongoing basis over the coming years?

A: We are steadily advancing initiatives for non-core real estate based on our previously stated policy of carrying out sales and other measures. The properties subject to sale include store back offices, logistics facilities, and real estate we have held for a long time that has little relevance with our core business. We are continuing to conduct a detailed review of our non-core properties. However, when it comes to large-scale properties, we need to carefully consider measures to enhance value before sale as well as the optimal method for monetizing them. This is a process that can take some time. Therefore, the recognition of gains on sales will not be concentrated in the current fiscal year but may take place over a relatively long period moving forward.

Q: In regard to dividends, in addition to a dividend increase in the current fiscal year, you have significantly raised targets for FY2031 compared to your initial forecasts. You are now aiming for a dividend payout ratio of 50% or higher and a DOE of 5% or higher (up from a dividend payout ratio of 30% or higher and a DOE of 2.5% or higher in the initial forecasts). Can you explain the background and your way of thinking behind raising your dividend level, taking into account the balance with growth investments?

A: We have implemented a significant shift in our capital policy during the period of the current Medium-Term Management Plan. Our basic policy is to place importance on dialogue with the market and then respond to the expectations expressed in that process. We allocate the cash generated from our business to our shareholders whenever there is a surplus while taking into account the balance with growth investments. The recent upward revision of the targets for our medium- to long-term shareholder return indicators clearly reflects this approach to capital allocation.

Q: I feel it is a positive change that you have outlined the direction of your capital policy ahead of the announcement of your new Medium-Term Management Plan that will begin in the next fiscal year. In addition to raising your dividend level, you have set forth a target for FY2031 of an ROE of 10% or higher. To achieve these KPIs, is it correct to understand that your direction is to also set a target level for the total shareholder return ratio, including share buybacks, going forward?

A: Our target for an ROE of 10% or higher in FY2031 is a message that we will manage our business with an awareness of our target figures while enhancing our cash-generating capability and appropriately allocating that cash to growth investments and shareholder returns.

As we have approached the final fiscal year of our current Medium-Term Management Plan, we have carefully assessed the extent to which we can sustainably generate cash. We had considered presenting an overview of our capital policy in our new Medium-Term Management Plan that will begin in the next fiscal year. However, our confidence in our ability to generate a certain level of cash has risen, including the upward revision of our earnings forecasts this time and other actions. Therefore, we have decided to disclose in advance the policies that we can share at the current time.

We had previously set a target for a total shareholder return ratio of 70% in the announcement of our interim financial results in the previous fiscal year to address concerns about the dilution of earnings per share resulting from the conversion of CBs. Subsequently, we purchased and cancelled the CBs to enhance shareholder value over the medium to long term at an earlier stage. That led to us temporarily withdrawing that target. Nevertheless, we continue to have a total shareholder return ratio of about 70% in mind for the future. We intend to outline our specific shareholder return policy, including share buybacks, in the next Medium-Term Management Plan.

Q: You explained that the current Medium-Term Management Plan, which runs through the current fiscal year, is the “upfront investment phase” while the next Medium-Term Management Plan will be the “harvesting phase” when you will reap the results of the growth investments you have made to date. Has there been any change to this basic approach? In addition, can you tell us whether the recent expansion in shareholder returns is based on increased confidence concerning profit growth in the next Medium-Term Management Plan?

A: We have not changed our view that the next Medium-Term Management Plan will be the “harvesting phase” when we reap the results of our investments to date. In growth areas, the Vietnam business in particular has reached a stage in which it is contributing to profits while our Finance segment is also beginning to generate steady profits. Consequently, we view the next Medium-Term Management Plan as a phase in which the results of our investments to date will manifest in earnest. At the same time, while steadily generating profits from existing investments, we intend to continue investing for growth beyond that.

In terms of our Vietnam business, the impact of the external environment and other factors mean that we now forecast some anticipated investment results to materialize gradually over the course of the next Medium-Term Management Plan. From this perspective as well, it would be more accurate to characterize the next Medium-Term Management Plan as the “start of the harvesting phrase” rather than a period in which we will simply recoup past investments.

Q: You have raised your target for FY2031 for business profit, calculated by adding together operating profit, the share of profit of entities accounted for using equity method, and dividend incomes, such as from your Vietnam business, to 80.0 to 85.0 billion yen from your initial forecast (75.0 to 80.0 billion yen). Can you tell us the specific factors you have incorporated into this upward revision of the target?

A: We are promoting ROIC management aimed at realizing a well-balanced business portfolio capable of responding flexibly to changes in the business environment. We have set business profit as a KPI to enhance the effectiveness of that approach. There are several elements behind this upward revision to our business profit target. We have factored in a net increase of at least 3.0 billion yen as the economic benefit from the seamless integration of our group. In addition, profit growth in our Finance segment and Overseas business, particularly our investments in Vietnam, will also contribute. Taken together, these factors have led us to upwardly revise our initial forecast by approximately 5.0 billion yen.