July 7, 2025

Takashimaya Company, Limited FY2025/Q1 Financial Results Briefing | Main Q&A

The following is a summary of questions and answers during the financial results briefing held on Monday, June 30, 2025.

<Department Stores in Japan>

Q: You made downward revisions to your April forecast. What are the differences between the two? Based on the current situation, how did you go about creating the new forecast?

A: Net sales to inbound travelers increased significantly from March to July of last year, backed by the weak yen. This year, we had factored in a recoil from the previous year, but sales of high-ticket items have fallen more than expected. In addition, we expected net sales to domestic customers to increase owing to the improvement in consumer environment, but due to inflation and other factors, these net sales have remained below expectations. These are the main factors behind the difference.

The new plan has been revised with a focus on net sales, taking into account the situation in the first quarter. For the profit plan for fiscal 2026, the final year of the Medium-term Management Plan, we will take a closer look at the situation and provide an explanation during the presentation of the second quarter financial results.

Q: What are your assumptions for net sales? Are you taking a conservative view in terms of inbound travelers? Also, what are the trends in VIP and non-VIP net sales in terms of domestic customers?

A: Regarding inbound travelers, the second half will see an upswing due to seasonal factors such as National Day and Lunar New Year, but we have also taken into account the impact of exchange rates (strong yen) going forward. It is true that we are taking a somewhat conservative view.

Net sales to VIPs in Japan fell short of last year's results in the first quarter, partly due to the recoil from the previous year's robust consumption of luxury items. Yet, we do not see this as a sign of a decline in consumer confidence and we foresee a recovery in the second half of the year. Net sales to non-VIP customers in the first quarter exceeded last year's results. These net sales are expected to remain stable even amid an uncertain consumer environment.

Q: Will the effects of the measures you announced in April, such as “enhance our product appeal” and “strengthen our customer base,” begin yielding result? Also, net sales figures are weaker than your competitors. How do you account for this?

A: In terms of strengthening our customer base, we renewed our app in June. We are considering organizing customers around this and retaining them through a loyalty program as a medium-term

plan. It is difficult to assess the effect of the change we made in April permitting Takashimaya Card customers to earn and use 1 point for every 1 yen spent as only three months have passed. However, effects are beginning to materialize. This includes a decline in fees paid to other credit card providers and an increase in the sales share of Takashimaya Card. We believe that the effects of our efforts to "strengthen our customer base" will be seen over a relatively long period of time.
Regarding "enhance our product appeal," our efforts together with 60 key business partners, which we have been expanding this fiscal year, are gradually producing results.
In order to provide the appeal of one-stop shopping to all customer segments, strengthening our merchandise lineup through collaboration with business partners is extremely important. I would like to explain the results of these initiatives at a later date.

In addition, when comparing net sales with competitors, there are special factors in play. This includes the closure of a store last year (Gifu store) and changes in accounting treatment this year (delivery basis). Excluding these factors, net sales to domestic customers have been solid and exceeded the results of the previous year. For this reason, we do not feel that we are inferior to competitors.

<SG&A Expenses>

Q: Regarding SG&A expenses, the current forecast has a 9-billion-yen downward revision on a consolidated basis compared to the April forecast. Department Stores in Japan only has a 500-million-yen downward revision. Are there any expenses being moved around?
A: In the Department Stores in Japan segment, there has been a greater-than-expected increase due to external factors that are difficult to control, such as surging utility costs. Although we have strengthened cost reduction efforts, at present, we have not yet been able to absorb the rising costs, leaving only a small decrease. On the other hand, in addition to the decrease in SG&A expenses of the overseas business due to the appreciation of the yen, we have also factored in cost reductions at domestic Group companies, so the decrease on a consolidated basis is large.

Q: Regarding SG&A expenses, do you consider "advertising expenses" to be a controllable expense? Also, are there any other expenses that you can control?
A: Controllable expenses can largely be categorized as "outsourcing expenses" and "advertising expenses." However, with the current consolidated operating profit at the 50-billion-yen level, we do not think it is time to start touching advertising expenses, which will help to strengthen sales capabilities and lead to sustainable profit growth.
Regarding "outsourcing expenses," we promoted reductions through in-house production in the previous Medium-term Management Plan (FY2020-FY2023). Going forward, we will continue to review controllable expenses as needed. As for other expenses, we will control overall SG&A expenses by taking flexible measures to reduce them.

<Capital Policy>

Q: You have announced the sale of non-core assets and share buybacks. Is there a

possibility that you will revisit your approach to owned assets and policy on cash allocation in the future?

A: The decision to sell non-core assets and use them to buy back shares was made after taking into consideration the opinions and advice of investors over the past year. In order to demonstrate our strengths, our basic policy is that we should own and manage core assets such as shopping centers with department stores at their core, ensuring operational freedom by owning them. However, for assets that do not fall into this category, such as Rivage Shinagawa, we will consider ROIC and explore selling them.

This time, we have made the flexible decision to use the cash we do not plan to use for shareholder returns, but our basic policy on cash allocation remains unchanged, including being aggressive with investments in growth markets.

Q: Was the selling of non-core assets something planned for some time and just announced now? Or was the decision made after looking at business performance? Is there still room for selling non-core assets or share buybacks in the future?

A: We did not decide on asset sales based on our current performance. We had been moving ahead with these moves for some time. Regarding "owning core assets and selling non-core assets," we believe that this property falls under the category of a non-core asset and have therefore decided to sell it. As for extra room going forward, although we do not have many non-core assets, we will continue to study asset-light schemes in non-commercial areas and make flexible decisions, such as securitizing existing assets.