

Interim 2019/02 Financial Results



12 October 2018

- 
- 1. 2nd quarter results for FY ending Feb 2019 (FY2018)**
 2. Takashimaya Group's growth
 3. Projection for FY ending Feb 2019 (FY2018)

Consolidated Performance

- Operating revenue increased above expectations, with strong contributions from domestic department stores and the airport-style duty-free shop.
- Operating income decreased due to anticipatory investments, but it remained above the targeted figure.
- Ordinary income increased above expectations thanks to increased dividends-received and foreign exchange gain.
- Net income decreased due to heavier special loss, but it remained above the targeted figure.

(billion JPY)	1st half	Year-on-year		Change from projection*	
Operating revenue	441.5	8.2	1.9%	2.5	0.6%
SG&A expenses	124.5	3.1	2.6%	(0.8)	(0.6%)
Operating profit	13.4	(0.5)	(3.4%)	1.4	11.8%
Ordinary profit	16.1	0.5	3.1%	2.1	15.2%
Profit attributable to owners of parent	8.8	(0.2)	(2.5%)	2.5	39.4%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 9, 2018.

Performance of the Domestic Department Store Segment

- Operating revenue increased above expectations thanks to strong inbound tourist sales and solid domestic consumption.
- Despite anticipatory investments and increased variable costs, SG&A expenses were lighter than expected.
- Operating, ordinary, and net income decreased, but they remained above the targeted figures thanks to a revenue boost.

(billion JPY)	1st half	Year-on-year		Change from projection*	
Operating revenue	377.7	3.5	0.9%	3.3	0.9%
Sales	370.9	3.5	0.9%	3.4	0.9%
Gross margin ratio	24.16%	0.03		0.09	
SG&A expenses	92.1	1.2	1.3%	(0.3)	(0.3%)
Operating income	4.4	(0.2)	(4.1%)	1.4	45.7%
Ordinary income	7.2	(0.3)	(3.8%)	2.0	39.0%
Profit	3.7	(0.9)	(18.9%)	2.4	181.1%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 9, 2018.

SG&A Expenses in the Domestic Department Store Segment

- Personnel related expenses increased after department stores took on staff from subsidiaries; however, the expenses were lighter than expected.
- Advertising expenses and general affairs expenses increased YOY above expectations. This was due to anticipatory investments (e.g., opening of Nihombashi Takashimaya Shopping Center), higher variable costs (associated with higher earnings), and higher transportation costs.
- Accounting related expenses were lighter than expected. A key factor was a decrease in rent burden following Shinjuku Store's acquisition of leasehold interests.

(billion JPY)	1st half	Year-on-year		Change from projection*	
Personnel related expenses	30.5	0.4	1.5%	(0.8)	(2.5%)
Advertising expenses	12.6	0.3	2.3%	0.0	0.3%
General affairs expenses	34.1	1.1	3.4%	0.5	1.4%
Rent and tax expenses	14.8	(0.7)	(4.4%)	(0.0)	(0.1%)
Total	92.1	1.2	1.3%	(0.3)	(0.3%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 9, 2018.

Performance of Each Company (Domestic)

- Toshin Development's operating revenue increased following the opening of Nihombashi Takashimaya Shopping Center's east wing; however, its operating income declined due to anticipatory investments.
- Takashimaya Credit posted increases in operating revenue and operating income. A key factor was steady growth in external commission fees.
- Takashimaya Space Create posted an operating revenue increase after gaining a larger number of orders; however, price competition put downward pressure on margins, causing operating income to decrease.

(billion JPY)	Operating revenue			Operating income		
		Year-on-year	Change from projection*		Year-on-year	Change from projection*
Toshin Development Co., Ltd.	21.0	0.8 4.0%	(1.0) (4.6%)	3.6	(0.4) (9.3%)	0.1 3.1%
Takashimaya Credit Co., Ltd.	9.5	0.4 4.1%	0.0 0.4%	2.4	0.2 7.9%	0.1 2.5%
Takashimaya Space Create Co., Ltd. (including Takashimaya Space Create Tohoku)	15.8	0.8 5.5%	(0.3) (1.9%)	0.4	(0.3) (40.2%)	(0.3) (40.3%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 9, 2018.

Performance of Each Company (Overseas)

- Takashimaya Singapore posted increases in operating revenue and operating income reflecting the success of its 25th anniversary sales campaign.
- TDS posted an operating revenue increase; however, its operating income remained the same as last year due to some lease renegotiations.
- Shanghai Takashimaya and Takashimaya Vietnam continued to improve their performance.

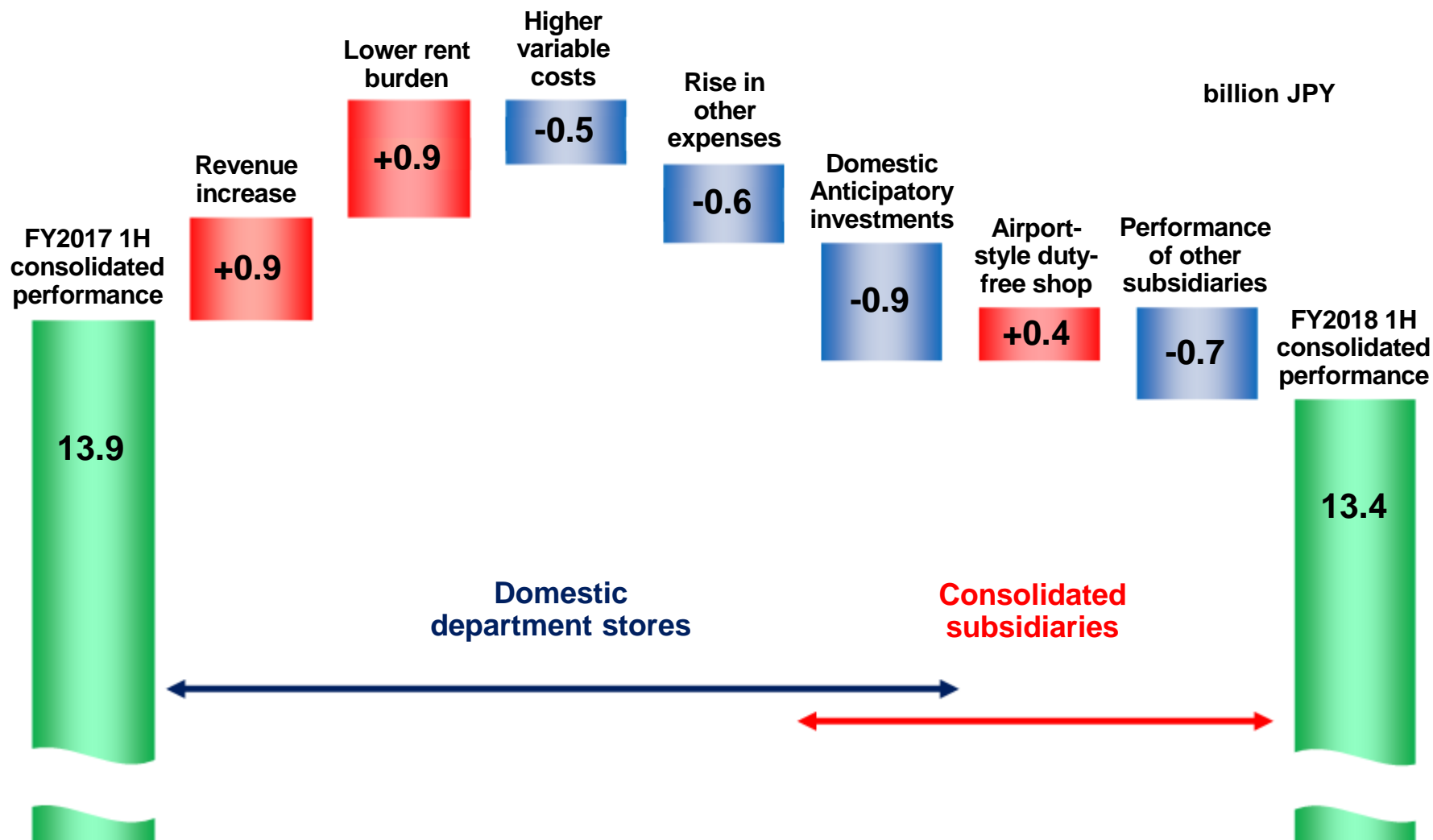
(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Takashimaya Singapore Ltd.	8.6	0.3	(0.0)	1.4	0.08	(0.00)
(Local currency basis)	106mil.	3.7%	(0.6%)	18mil.	5.7%	(0.2%)
		2.1mil.	(0.7mil.)		0.7mil.	(0.0mil.)
Toshin Development Singapore Pet, Ltd.	4.5	0.0	(0.1)	1.2	(0.01)	(0.02)
(Local currency basis)	55mil.	0.8%	(1.4%)	14mil.	(1.0%)	(1.8%)
		(0.5mil.)	(0.8mil.)		(0.4mil.)	(0.3mil.)
Total sales	5.1	0.4	(0.3)			
Shanghai Takashimaya Co., Ltd.	1.6	0.1	(0.1)	(0.4)	0.14	(0.00)
(Local currency basis)	97mil.	6.4%	(7.3%)	(25mil.)	-	-
		2mil.	(7mil.)		10mil.	(0mil.)
Takashimaya Vietnam Co., Ltd.	0.8	0.1	0.1	(0.1)	0.07	0.07
(Local currency basis)	172.4bil.	17.4%	10.8%	(14.5bil.)	-	-
		28.6bil.	20.1bil.		15.0bil.	13.4bil.


Exchange rate: 1SGD=81.54JPY 1CNY=17.00JPY 1VND=0.0047JPY

Total sales: The sum of Shanghai Takashimaya sales and tenant sales

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 9, 2018.

Factors Contributing to Changes in Consolidated Performance



- 
1. 2nd quarter results for FY ending Feb 2019 (FY2018)
 - 2. Takashimaya Group's growth**
 3. Projection for FY ending Feb 2019 (FY2018)

Takashimaya Group's Growth Strategy

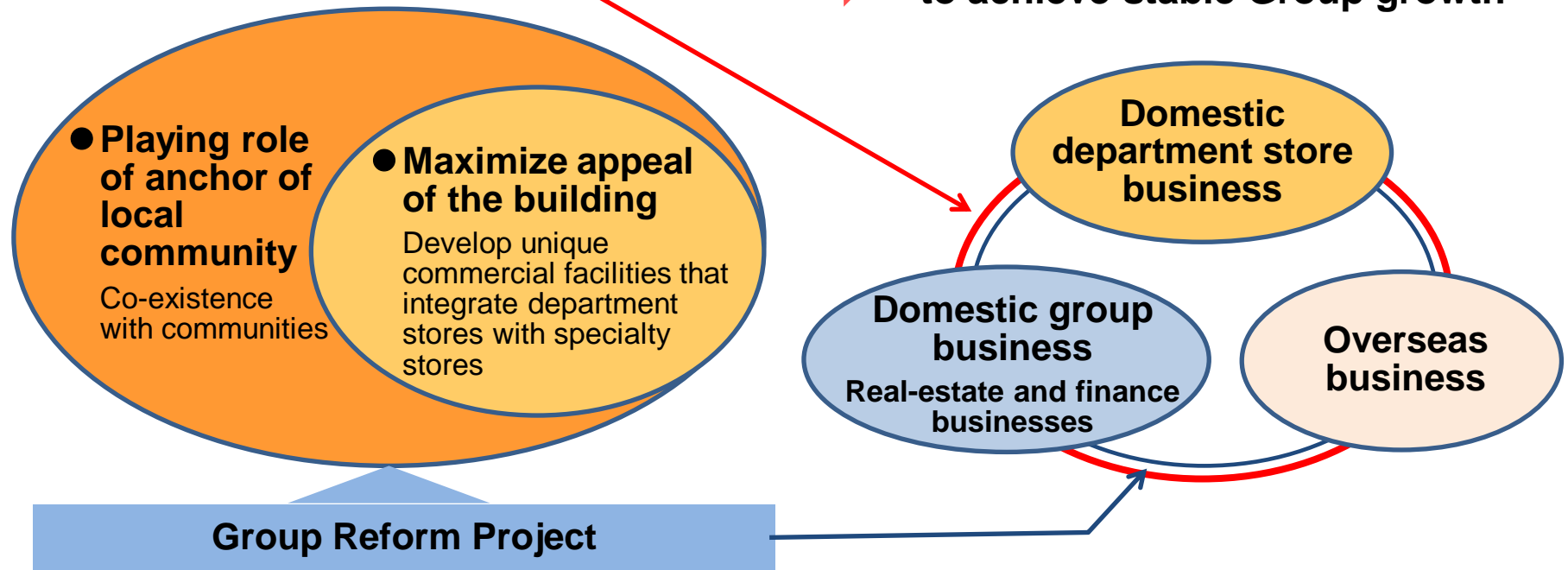
Pursue Group-wide Machi-dukuri Strategy and achieve stable growth

Co-exist with local communities and channel Group's energies into developing unique commercial facilities

Pursue Machi-dukuri Strategy



Use department stores' synergy to achieve stable Group growth



Nihombashi Takashimaya Shopping Center (Machi-dukuri Strategy)

Nihombashi Takashimaya Shopping Center to open in Sep 25, full opening in March next year

- ✓ A new symbol of the Machi-dukuri Strategy that will set the standard for next-generation department stores
- ✓ A four-wing system that combines specialty stores with department store
- ✓ The shopping center will meet a broad spectrum of needs through the unique appeal of each specialty store and the cosmopolitan environment



Nihombashi Takashimaya Shopping Center
New wing (in front) and main building (behind)



“365 Nichi to Nihombashi”



libery

Nihombashi Takashimaya Shopping Center (Machi-dukuri Strategy)

Meeting a broad spectrum of needs by combining the strengths of department store and specialty stores

- ✓ A shopping environment that draws on the department store's curation and service-provision prowess
- ✓ The opening of the new wing is an opportunity to develop a broad customer base
- ✓ Flagship store's efforts will serve as a model for advancing the Machi-dukuri Strategy



Belle Sympathique:
A new curated sales space
for beauty needs



Shoe World:
The largest women's shoe store in the neighborhood



Takashimaya app

Nihombashi Takashimaya Shopping Center (Machi-dukuri Strategy)

In March 2019, the renovation of the main wing be complete, and Nihombashi Takashimaya Shopping Center will fully open.

- ✓ A new cultural center to open: Takashima Archives Tokyo (following after Osaka's Takashimaya Archives)
- ✓ The new porch entrance and rooftop garden will create a pleasant shopping environment



Takashimaya Archives Tokyo (exhibition space)



Rooftop garden

Siam Takashimaya (ASEAN Strategy)

Siam Takashimaya to open in November 10 as a core tenant of ICONSIAM

- ✓ Takashimaya to make its debut in Thailand with support of major local player Siam Piwat
- ✓ Sales target for first year: 13 billion yen (first year from opening)
- ✓ Expected to achieve profitability in second year



ICONSIAM

Floor 4	Daily Life Products	Kids Products	Restaurants	
Floor 3	Men's Clothes	General Men's Fashion		Café
Floor 2	Women's Bags	Women's Shoes	Watches	Café
Floor 1	Women's Clothes	Luxury Products		Café
Floor M	Cosmetics			Café
Floor UG	Desserts	Hokkaido Dosanko Plaza	Concept Store	Café
Floor G	Food Court	Souvenir Shops		Supermarket

Siam Takashimaya floor guide

Siam Takashimaya (ASEAN Strategy)

Singapore Takashimaya Shopping Center (now in its 25th year) to play core role in strategic expansion

- ✓ Fully use corporate assets in Singapore
- ✓ Collaborate with leading local players
- ✓ Department stores, real-estate, and facility management to act as one in advancing business strategy

**Siam Takashimaya:
Opens on November 10**



**Singapore Takashimaya
Shopping Center:
Celebrated its 25th
anniversary**

**Shanghai
Takashimaya**

**Saigon Centre
Ho Chi Minh City
Takashimaya**

Toshin Development (real-estate)

Pursue Machi-dukuri Strategy with view to creating next-gen department stores

- ✓ Japan: Opened new facilities (e.g., Nihombashi Takashimaya Shopping Center's new wing, Kokage Terrace)
- ✓ Overseas: Singapore Takashimaya Shopping Center celebrated its 25th anniversary, Singapore and Vietnam to be further strengthened as overseas growth bases



Nihombashi Takashimaya Shopping Center's new wing



Nagareyama Otakanomori Shopping Center



Singapore Takashimaya Shopping Center



Tachikawa Takashimaya Shopping Center



Kokage Terrace



Saigon Centre Ho Chi Minh City

Inbound Tourism

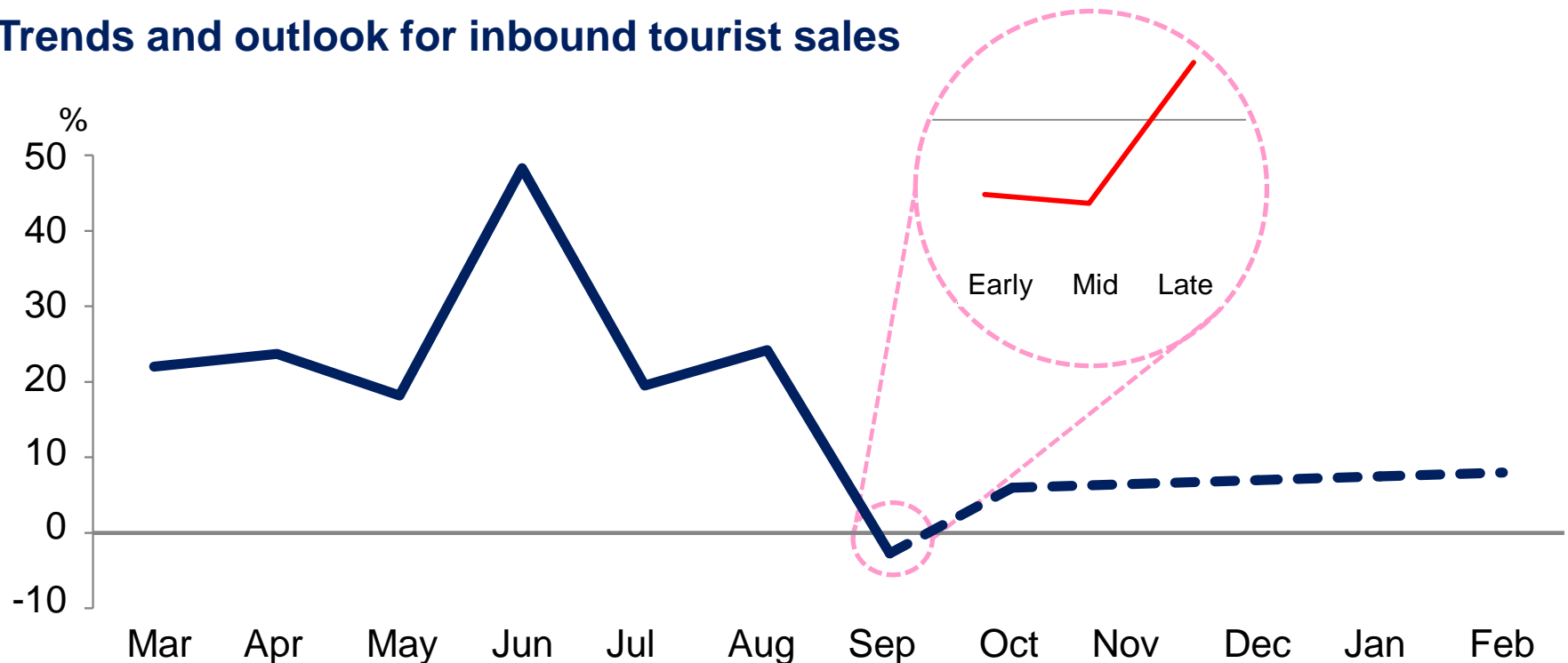
Performance in first half of FY 2018

28.3 billion yen* +25.2% YOY

FY2018 target 56.0 billion yen* +15% YOY *Domestic department stores sales

- ✓ A major typhoon hit Kansai in September, but the impact was absorbed by Tokyo department stores, and inbound tourist sales are recovering
- ✓ Successful sales strategy (e.g., simplified payment, social media campaign)

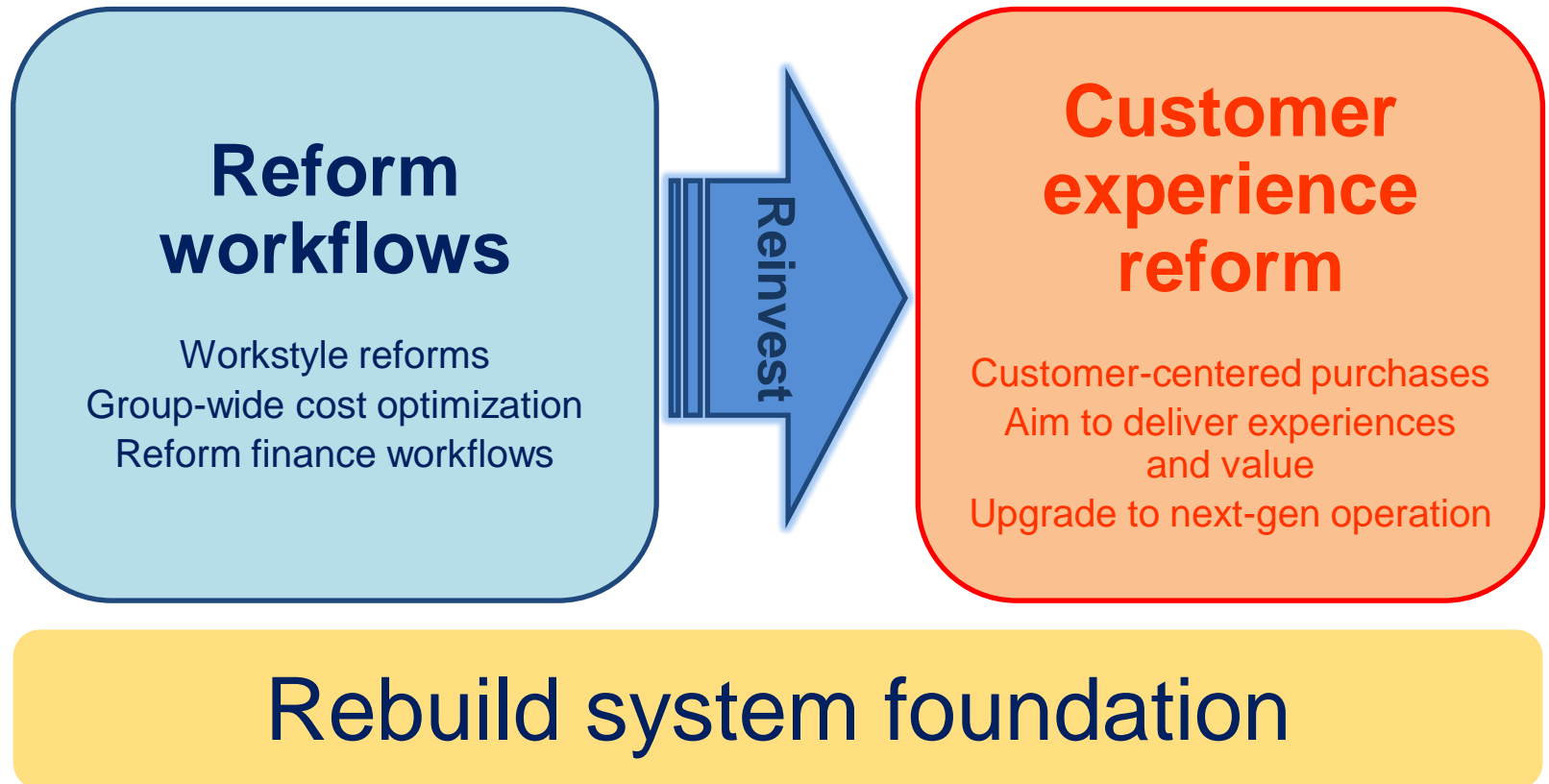
Trends and outlook for inbound tourist sales



Group Reform Project

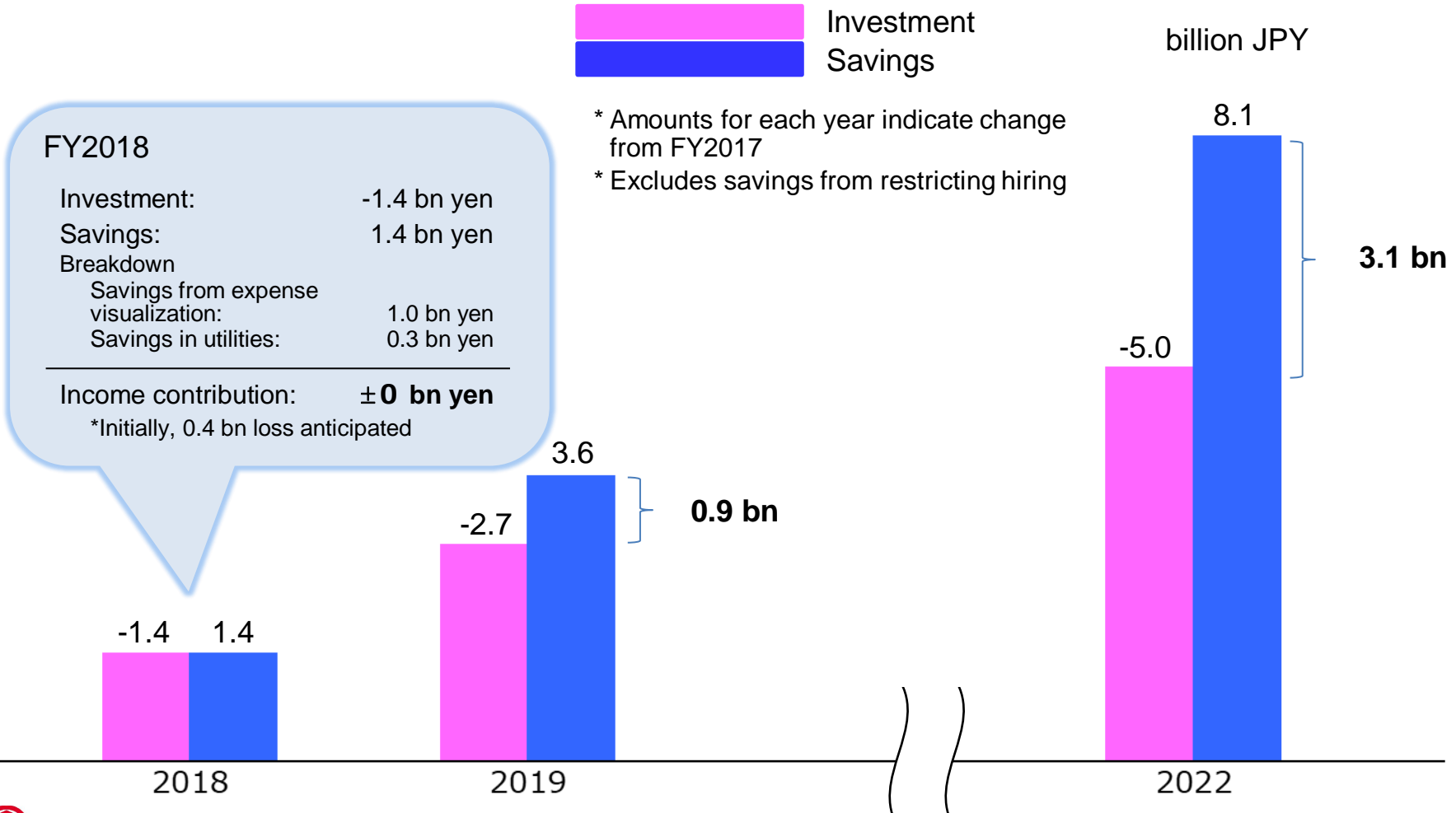
Radically reform group's management structure

Reform workflows to boost operational efficiency; savings to be reinvested into growth strategies



Group Reform Project

Income contribution of 3.1 billion by FY2022 System reform is generally on schedule



Group Reform Project

Group-wide cost optimization

Visualize/rationalize expenses, cut IT operation costs

	Strategies	Savings in FY2018 (billion JPY)		
		1H	2H	Full year
Expense visualization	○ Introduce rational management techniques as part of PDCA cycle	–	0.99	0.99
Energy	○ Introduce solutions for cutting energy consumption ○ Reduce energy unit costs, use more LED lighting	0.13	0.18	0.31
Consumables	○ For general goods, use purchase platform with other companies	0.0	0.02	0.02
Operational expenses	○ Revise store cleaning specifications ○ Streamline employee access and security patrols (revise specifications, more automation)	0.0	0.02	0.02
IT operation	○ Control IT operation costs	0.04	0.05	0.09
Total savings (expense visualization + cost-cutting)		0.17	1.26	1.43


CSR Management

Promote CSR by making SDGs part of business activities

- ✓ Participate in the Japan Climate Initiative (which aims for carbon free society)
- ✓ Address environmental problems such as plastic waste pollution in ocean
- ✓ Pursue the Machi-dukuri Strategy (which aims for co-existence with local communities)
- ✓ Build workplace that is friendly to all employees regardless of their employment status or gender

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



- 
1. 2nd quarter results for FY ending Feb 2019 (FY2018)
 2. Takashimaya Group's growth
 3. **Projection for FY ending Feb 2019 (FY2018)**

Consolidated Cost and Revenue Projections

- The projection for operating revenue has been upwardly revised in light of the strong performance in domestic department stores and airport-style duty-free shop as well as the impact of Siam Takashimaya's opening.
- Operating, ordinary, and net income will decline due to anticipatory investments for future growth; however, the projections have been revised to reflect the new operating revenue projection.

(billion JPY)	Full year	Year-on-year		Change from projection*	
Operating revenue	927.0	19.2	2.1%	8.0	0.9%
SG&A expenses	257.6	11.6	4.7%	0.8	0.3%
Operating profit	31.0	(4.3)	(12.2%)	1.0	3.3%
Ordinary profit	35.0	(3.6)	(9.3%)	1.5	4.5%
Profit attributable to owners of parent	20.5	(3.2)	(13.4%)	2.0	10.8%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 9, 2018.

Projections for Domestic Department Stores

- The projection for operating revenue has been upwardly revised because inbound tourist demand and domestic consumption remain strong.
- Operating income will decline due to anticipatory investment and higher variable costs; however, the projection has been revised
- The projections for ordinary income and net income have been upwardly revised in light of consolidated subsidiary dividend.

(billion JPY)	Full year	Year-on-year		Change from projection*	
Operating revenue	788.5	9.9	1.3%	6.6	0.8%
Sales	774.5	9.5	1.2%	6.8	0.9%
Gross margin ratio	24.05%	(0.01)		0.06	
SG&A expenses	188.8	4.7	2.6%	0.5	0.2%
Operating profit	11.4	(2.2)	(16.0%)	1.4	14.2%
Ordinary profit	23.7	7.8	48.7%	2.2	10.2%
Profit	17.3	8.2	91.1%	2.7	18.4%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 9, 2018.

SG&A Expenses Projections at Domestic Department Stores

- Personnel related expenses will increase due to hiring of employees from subsidiaries; however, the increase will be less than initially projected.
- The projection for advertising expenses and general affairs expenses has been revised. One factor is anticipatory investment. Another is increased variable costs associated with the opening of and proceeds from Nihombashi Takashimaya Shopping Center.
- Accounting related expenses will decrease YOY due to a decline in rent burden following Shinjuku Store's acquisition of leasehold interests.

(billion JPY)	Full year	Year-on-year		Change from projection*	
Personnel related expenses	62.8	1.0	1.6%	(1.0)	(1.6%)
Advertising expenses	26.2	0.5	2.1%	0.1	0.5%
General affairs expenses	69.7	3.4	5.2%	1.3	1.9%
Rent and tax expenses	30.0	(0.2)	(0.7%)	0.0	0.0%
Total	188.8	4.7	2.6%	0.5	0.2%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 9, 2018.

Cost and Revenue Projection of Each Company (Domestic)

- Toshin Development will see decreases in operating revenue and operating income due to a reactionary downturn from its condominium sales revenue, which will offset its new development projects.
- Takashimaya Credit will see increases in operating revenue and operating income reflecting its efforts to increase sales and transaction volume following the opening of Nihombashi Takashimaya Shopping Center.
- Takashimaya Space Create's marketing efforts will result in an increase in operating revenue; however, operating income will decrease due to downward pressure on margins from price competition.

(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Toshin Development Co., Ltd.	45.5	(6.8) (13.1%)	0.1 0.2%	8.0	(1.1) (12.1%)	0.0 0.1%
Takashimaya Credit Co., Ltd.	19.3	0.8 4.5%	0.2 1.0%	4.8	0.2 4.9%	0.1 1.3%
Takashimaya Space Create Co., Ltd. (including Takashimaya Space Create Tohoku)	31.8	1.9 6.4%	(0.3) (1.1%)	1.1	(0.1) (11.2%)	(0.4) (25.5%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 9, 2018.

Cost and Revenue Projection of Each Company (Overseas)

- Singapore business will see an increase in operating revenue; however, its operating income will decline due to some lease renegotiations last year.
- Shanghai Takashimaya and Takashimaya Vietnam will continue to improve their performance in the second half.

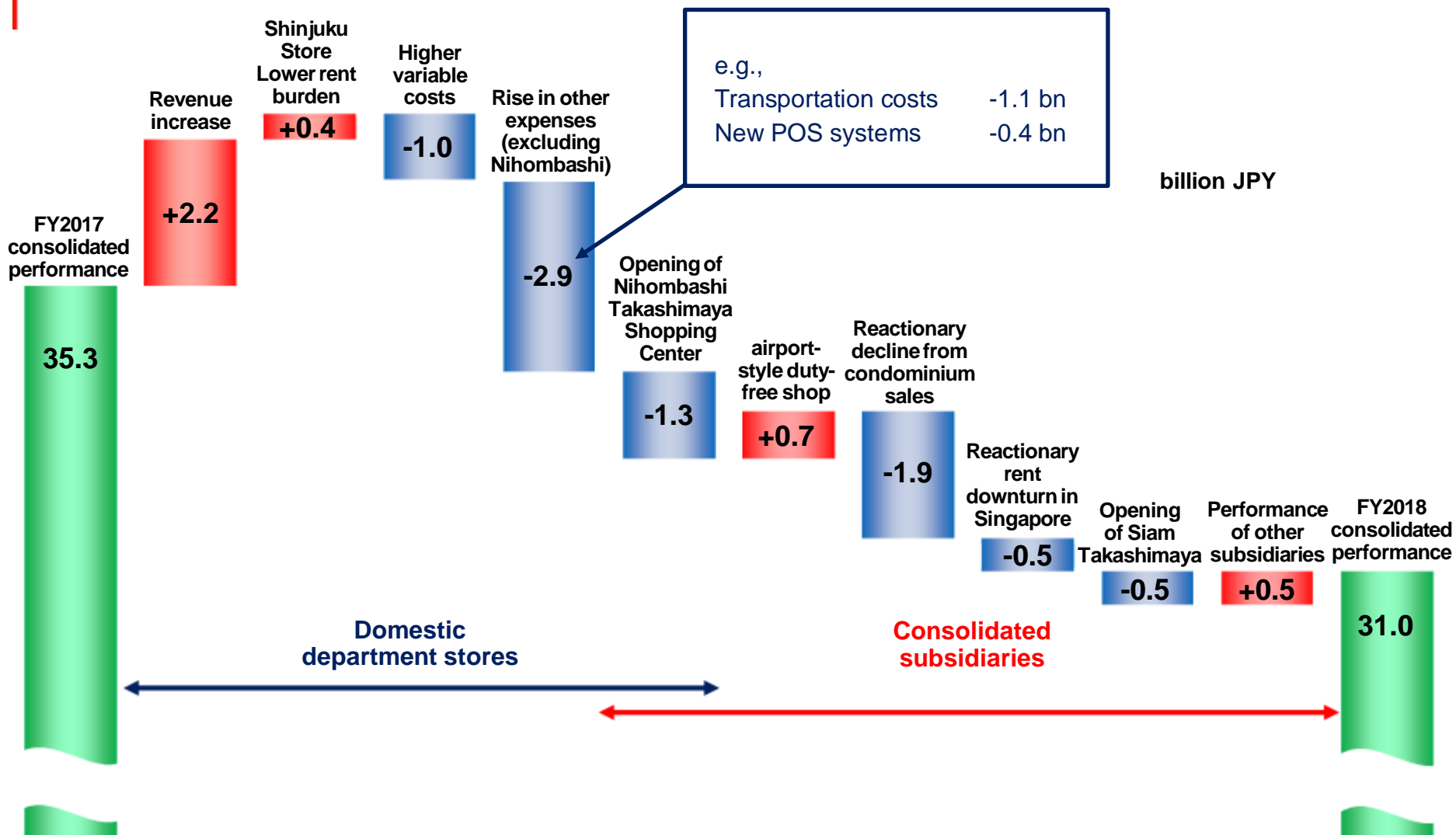
(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Takashimaya Singapore Ltd. (Local currency basis)	18.6 228mil.	1.2 6.7%	0.5 2.7%	3.3 40mil.	(0.4) (10.2%)	0.01 0.4%
Toshin Development Singapore Pet, Ltd. (Local currency basis)	9.0 111mil.	0.1 1.0%	(0.0) (0.2%)	2.3 29mil.	(0.14) (5.8%)	0.00 0.0%
Total sales	10.6	0.8	(0.5)			
Shanghai Takashimaya Co., Ltd. (Local currency basis)	3.6 213mil.	0.5 14.7%	(0.0) (0.2%)	(0.8) (49mil.)	0.3 -	0.02 -
Takashimaya Vietnam Co., Ltd. (Local currency basis)	1.7 369.8bil.	0.2 16.1%	0.2 10.1%	(0.2) (39.6bil.)	0.10 -	0.08 -

Exchange rate: 1SGD=81.54JPY 1CNY=17.00JPY 1VND=0.0047JPY

Total sales: The sum of Shanghai Takashimaya sales and tenant sales

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 9, 2018. 27

Factors Contributing to Changes in Projected Consolidated Operating Income



Capital Strategy

Basic approach

Place importance on balancing future growth-oriented investment with shareholder return so as to achieve both financial health and capital efficiency

FY2022 target

Financial health: Capital-to-asset ratio 47.5%

Capital efficiency: ROE > 7 %

Shareholder return

The group will implement the ideal form of shareholder return and also taking into account the various conditions for maintaining a stable dividend scale

As of the consolidated period under review, we have changed the accounting presentation method for our overseas consolidated subsidiaries, which follow International Financial Reporting Standards. What was previously presented as gross profit margin is now presented on a net basis under “sales.” The change has been retroactively applied in year-on-year comparisons.

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.