2020/02

Financial Results

(FY2019)

Takashimaya

April 13, 2020

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1. Consolidated Performance

- Operating revenue: Increased, but short of target due to impact of COVID-19 among other things
- Operating income: Decreased and short of target—domestic department stores were main factor
- Ordinary income and profit attributable to owners of parent: Decreased and below target

(billion JPY)	Full year	Year-on-year		Change from projection*	
Operating revenue	919.1	6.2	0.7%	(13.9)	(1.5%)
SG&A expenses	260.1	3.4	1.3%	(1.0)	(0.4%)
Operating income	25.6	(1.1)	(4.0%)	(2.4)	(8.6%)
Ordinary income	23.2	(8.0)	(25.7%)	(2.8)	(10.8%)
Profit attributable to owners of parent	16.0	(0.4)	(2.5%)	(1.0)	(5.7%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on October 11, 2019.

IFRS 16 Leases has been applied in the overseas consolidated subsidiaries that follow IFRS. The standard has not been retroactively applied in YoY comparisons. The financial data for the previous fiscal year (FY2018) is as before the standard was applied.

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2. Domestic Department Store Segment

■ Operating revenue: Decreased due to impacts of consumption tax hike and COVID-19

■ Operating income: Decreased due to decline in revenue and in gross margin ratio

(billion JPY)	Full year	Year-on-year		Change from projection*	
Operating revenue	**775.2**	(7.4)	(0.9%)	(15.7)	(2.0%)
Sales	**760.3**	(8.2)	(1.1%)	(15.9)	(2.0%)
Gross margin ratio	**23.63%**	(0.31)		0.02	
SG&A expenses	**190.3**	0.7	0.4%	(0.8)	(0.4%)
Operating income	**4.2**	(4.4)	(50.6%)	(2.7)	(38.9%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on October 11, 2019.

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2. SG&A Expenses in the Domestic Department Store Segment

- SG&A expenses: Increased YoY, but better than projected thanks to decreases in personnel related expenses and advertising expenses.
- General affairs expenses: Increased YoY (due to greater depreciation and outsourcing costs) and heavier than projected
- Rent and tax expenses: Better than projected, despite heavier fixed-assets tax.

(billion JPY)	Full year	Year-on-year		Change from projection*	
Personnel related expenses	**60.3**	(2.3)	(3.7%)	(0.8)	(1.4%)
Advertising expenses	**25.5**	(1.0)	(3.8%)	(0.5)	(2.1%)
General affairs expenses	**74.2**	3.4	4.8%	0.8	1.1%
Rent and tax expenses	**30.3**	0.6	2.1%	(0.3)	(0.8%)
Total	**190.3**	0.7	0.4%	(0.8)	(0.4%)

Note: Comparison between projected and actual figures is based on the targeted figures announced on October 11, 2019.

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3. Performance of Key Subsidiaries (Domestic Group Businesses)

- Toshin Development: Op. revenue up (buoyed by shopping center opening), but op. income down (due to increased SG&A expenses)
- Takashimaya Credit: Op. revenue up (due to higher external use), but op. income down (due in part to M&A costs)
- Takashimaya Space Create: Op. revenue and op. income increased with strong external orders

(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Toshin Development Co., Ltd.	**44.6**	0.8 1.7%	(0.3) (0.7%)	**6.7**	(0.6)	(0.2)
Takashimaya Credit Co., Ltd.	**20.7**	1.5 8.0%	(0.6) (3.0%)	**4.5**	(0.4)	(0.4)
Takashimaya Space Create Co., Ltd.	**37.0**	4.8 14.9%	1.6 4.5%	**1.8**	1.1	0.6

Note: Comparison between projected and actual figures is based on the targeted figures announced on October 11, 2019.

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3. Performance of Key Subsidiaries (Overseas Businesses)

- Takashimaya Singapore: Op. revenue down due to application of IFRS 16
- Shanghai Takashimaya, Takashimaya Vietnam: Op. income increased and exceeded target
- Siam Takashimaya: Short of target— rail infrastructure and re-merchandising behind schedule

(billion JPY)	Operating revenue	Year-on-year	Change from projection*	Operating income	Year-on-year	Change from projection*
Takashimaya Singapore Ltd.	**17.0**	(1.2) (6.4%)	(0.1) (0.8%)	**4.8**	1.6	(0.1)
Toshin Development Singapore Pte. Ltd.	**8.7**	(0.2) (1.7%)	0.1 1.0%	**3.1**	0.9	0.0
Shanghai Takashimaya Co., Ltd.	**3.1**	(0.0) (1.4%)	0.4 13.5%	**0.1**	0.9	0.2
Takashimaya Vietnam Co., Ltd.	**2.0**	0.2 12.4%	0.0 0.2%	**0.1**	0.2	0.0
Siam Takashimaya (Thailand) Co., Ltd.	**1.6**	1.3 411.3%	(0.4) (19.9%)	**(1.0)**	(0.5)	(0.1)

Note: Comparison between projected and actual figures is based on the targeted figures announced on October 11, 2019.

IFRS 16 Leases has been applied in the overseas consolidated subsidiaries that follow IFRS. The standard has not been retroactively applied in YoY comparisons. The financial data for the previous fiscal year (FY2019) is as before the standard was applied.

1SGD=80.11JPY 1CNY=15.82JPY 1VND=0.0046JPY 1THB＝3.52JPY

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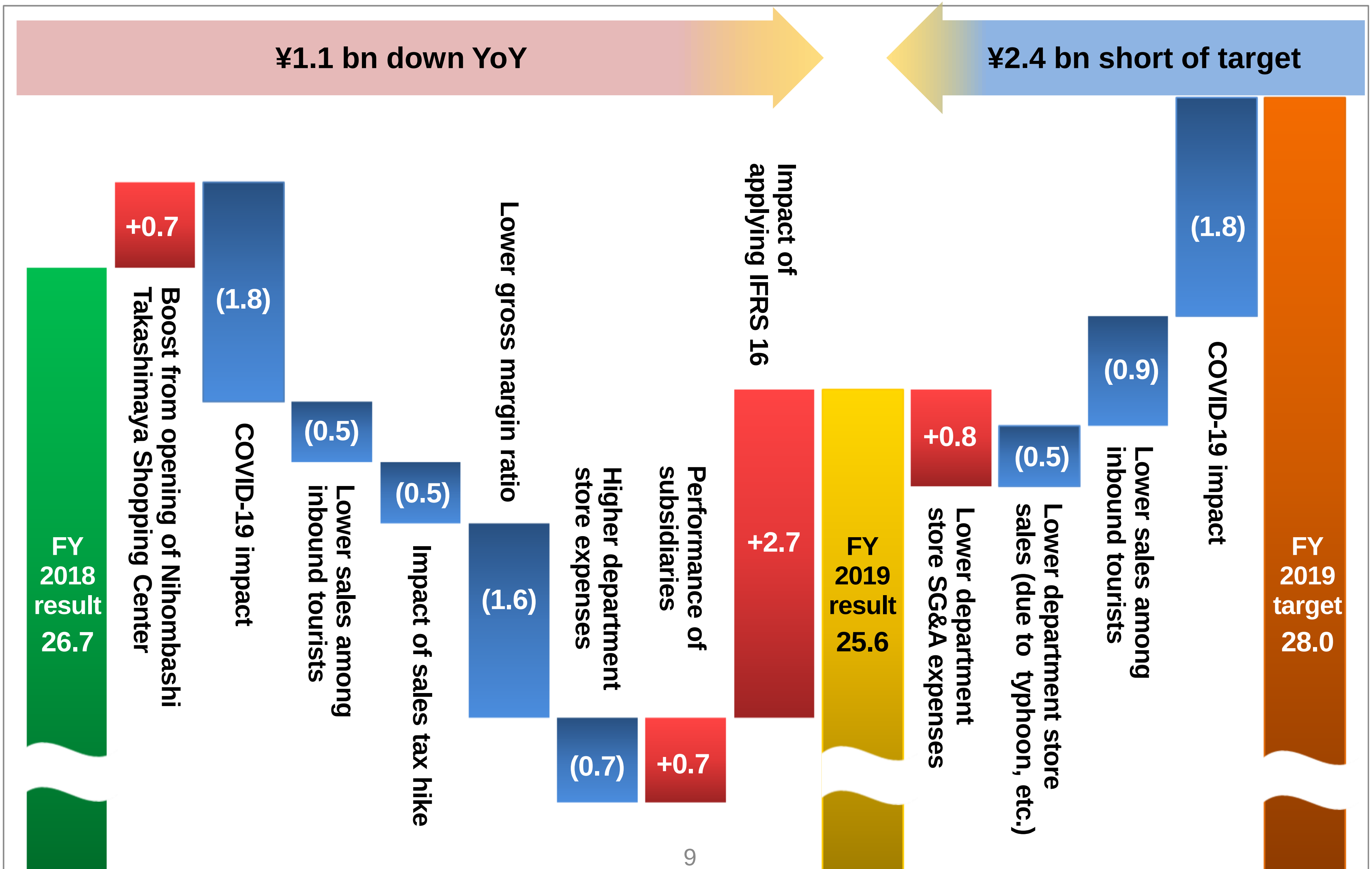
4. Factors Behind Consolidated Operating Income Result

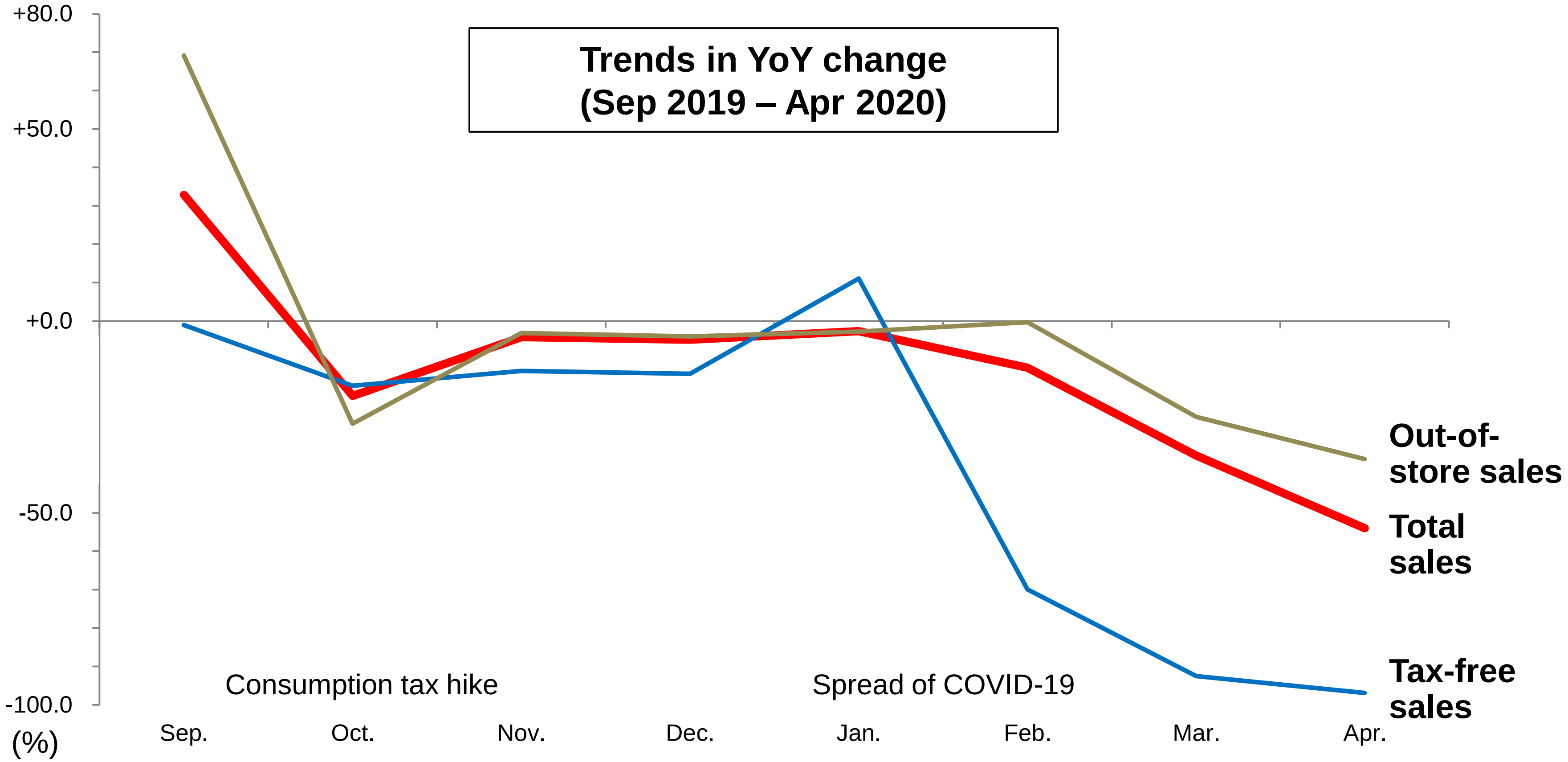
(billion JPY)



FY2019 target figures were announced on October 11, 2019.

5. COVID-19 Impact

- COVID-19 took toll in February: Total sales down 12%; tax-free down 69%
- Since March: Situation worsening, with public unease and falling stock prices
- Projection for FY2020: Will announce when more is known



Our response

- Keep customers and employees safe
- Emphasize mutual interest with trading partners
- Use crisis as opportunity to reform business practices

Customers	To prevent spread, close stores or reduce store hours (including stores Japan and those overseas)
Trading partners	Given mutual interest, showcase food exhibition items in online store
Employees	Allow teleworking for 1,000 head office staff Store staff work single shifts to enhance customer service and productivity
Finance	Have issued commercial papers worth ¥30 bn

II. Medium-Term Strategy

1. General Strategy
2. Capital Strategy
3. ESG Strategy
4. Group Strategy
   (Machi-dukuri Strategy)

Assumptions:

- Domestic department stores facing smaller market and higher operating costs
- Need funding sources to invest in growth sectors (finance, overseas)

Cost-cutting program to make department stores more profitable

New plan:

- Three-year emergency plan: Share targets with market
- Act dynamically in response to changing business conditions
- Uncertainties abound; will give reasonable briefings as things become clearer

- Radically overhaul SG&A
- Current savings goal: ¥12 billion over three years
- Monitor progress; consider further cuts

Personnel related expenses	**¥6.0 bn**	**▪Reorganization: Consolidate work into exec. team; cut overlapping work ▪Hire fewer people ▪Adopt new store management system**
General affairs expenses	**¥2.0 bn**	**▪Cut temp labor expenses ▪Overhaul/cut system running expenses ▪Overhaul commission expenses**
Depreciation	**¥4.0 bn**	**▪Shift to a more pinpointed investment strategy ▪Overhaul / rein in long-term capex ▪Overhaul / rein in system investment**

Cuts Reining in

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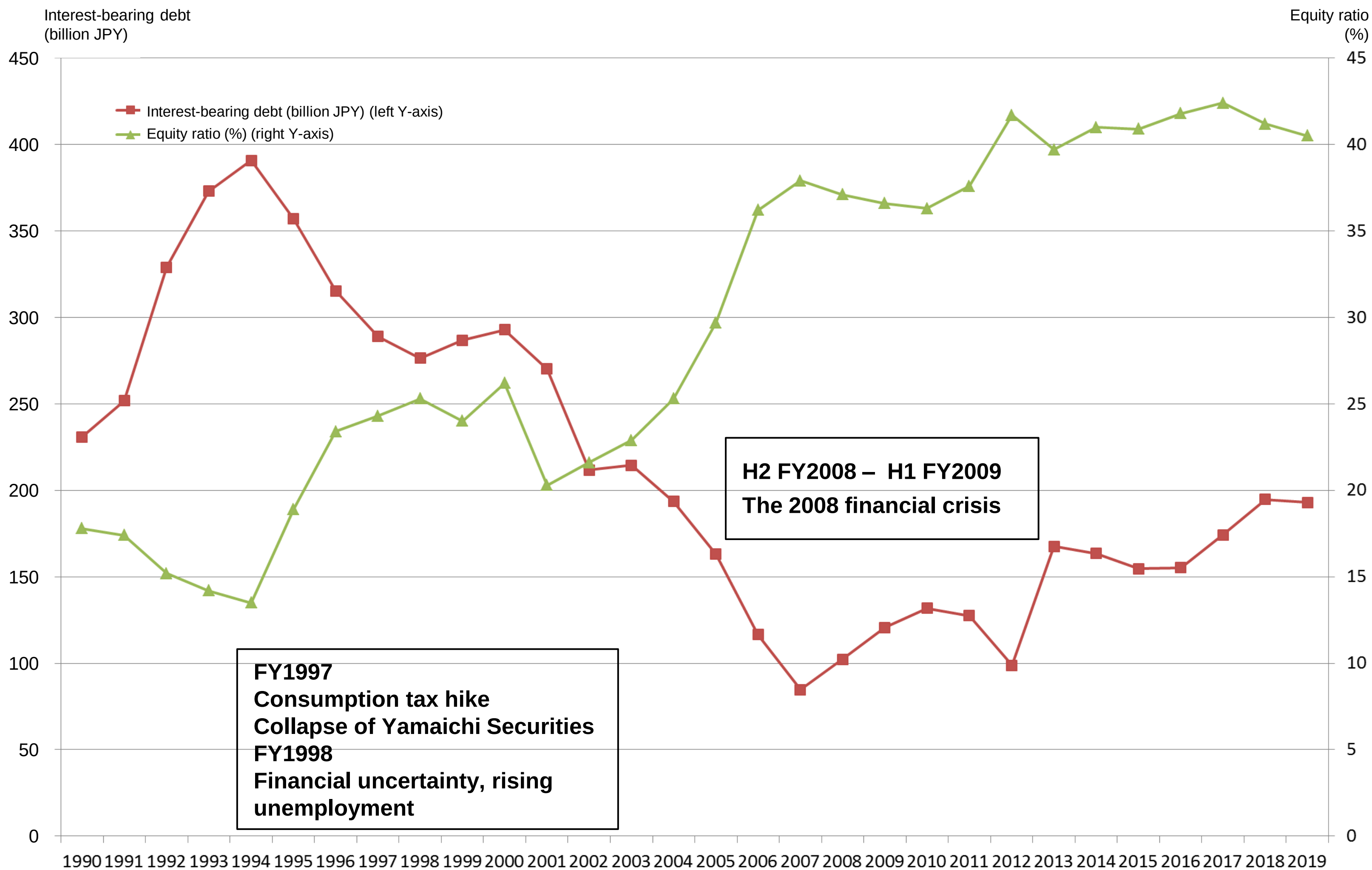
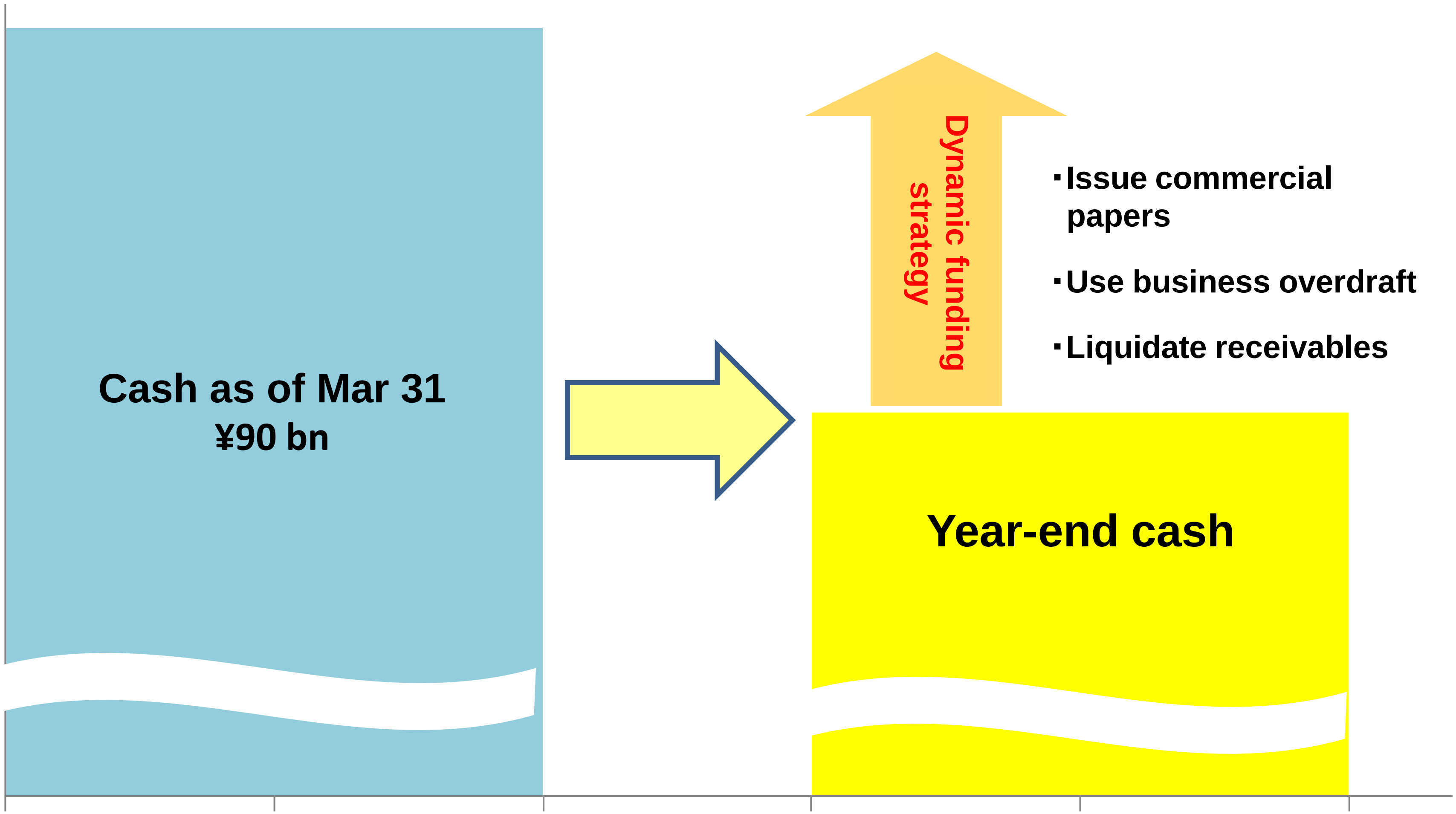
- Develop and maintain solid financial footing to weather any storm

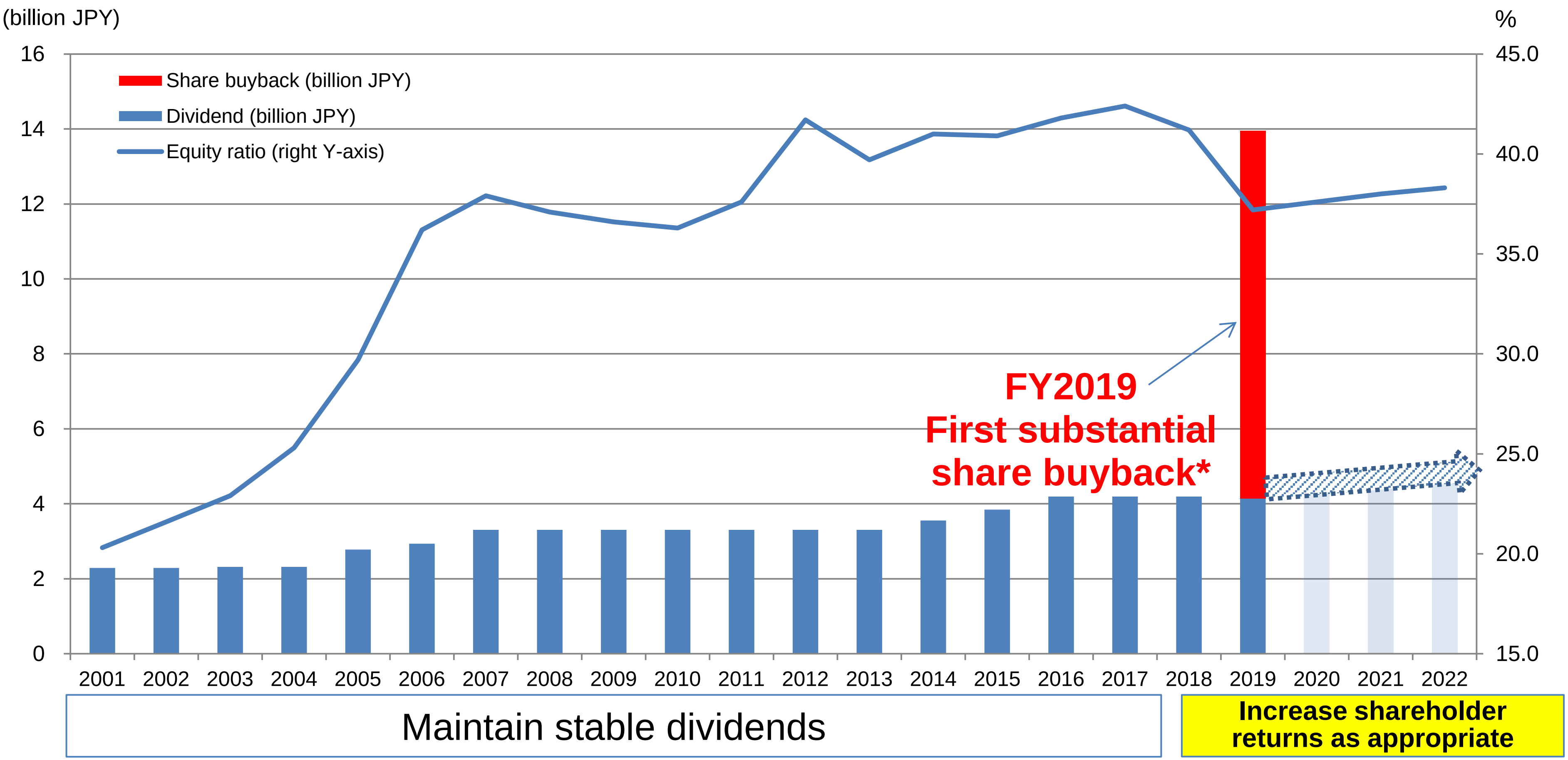


2.2 Capital Strategy

- Use dynamic funding strategy to ensure availability of operating funds for any emergency



- Maintain stable dividends
- Ensure long-term and effective funding in view of share prices



* In 2015, we bought back shares from H2O Retailing Corporation (with whom we had a cross-shareholding relationship).
The data for FY2019 onward excludes impact of applying IFRS 16.

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Problem: Environmental Impact of Our Business Activities

- Sustainability agenda spreading globally, and rapidly
- Department stores entail certain environmental risks

Carbon emissions

168,000 tons / year

(equivalent to volume emitted by 37,500 households)

* Estimate based on energy consumption

Plastic waste

1,365 tons / year

(equivalent to waste produced by 19,000 households)

* Dept. stores only

Organic waste

3,420 tons / year

(equivalent to waste produced by 24,700 households)

* Dept. stores only

<u>Urgent need for green initiatives to ensure sustainable growth</u>

Our Approach to the Problem

- Take short-term and medium- to long-term actions to promote a sustainable future
- Work with government, communities, and businesses toward common goal

7 areas

Environment
Energy
Food waste
Merchandise
Universal design
Workstyle
Employee awareness

Short-term actions

- Cut single-use plastic bags to eliminate plastic waste (bag fee from April)
- Offer more smaller-sized portions to reduce food waste
- Phase in more inclusive/accessible signage

Med- to long-term actions

- Ensure whole group is on board with SDG agenda; recognize need to address global challenges (such as climate issues and poverty) for sustainable development
- Develop sustainable/circular business model
- Meet commitments as RE100 and EV100 member

Partnerships: Government, communities, trading partners

Address global sustainable development challenges

3. ESG Strategy Actions to Mitigate Environmental Impact

- We invested in JEPLAN to develop sustainable/circular business model
- We work with JEPLAN in product development, contributing our merchandising knowhow

Takashimaya ⟷ **Partnered** ⟷ **JEPLAN**

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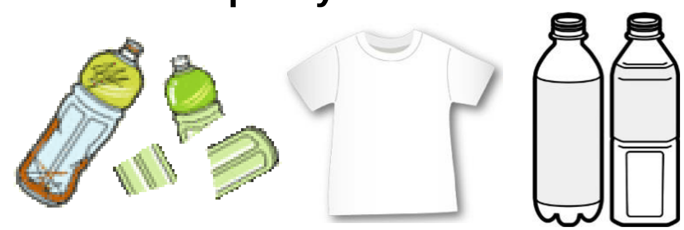
- ○ **Customer-pleasing merchandising**
- ○ **Product development knowhow**

JEPLAN

- ○ **Many options for materials; can recycle materials with no loss in quality**



Phase 1: Develop green merchandise (send our merch experts to JEPLAN)

Phase 2: Develop platform (for suppliers and customers)

<u>Sustainable/circular business model that mitigates our environmental impact</u>

- The Machi-dukuri Strategy is a group-wide project channel driven by group synergy

Work with local authorities and with companies in other industries

Fulfill community anchor role

Commercial facilities play integral role in local community by drawing visitors into the area.

Maximize appeal of each commercial facility

Leverage group knowhow to create original next-gen commercial facilities that impress customers

Department stores
Commercial property development
Finance
Contract & design
Restaurants
etc.

TAKASHIMAYA ONLINE STORE

FASHION SQUARE

E-commerce

Vietnam business

Renovated Takashimaya East Building (Osaka)

Finance

RT CORPORATION 株式会社 アール·ティー·コーポレーション

GOOD LIVE

Food business

Expanded food area in Yokohama Store

Kyoto Store to be revamped (2023)

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4. Machi-dukuri Strategy — Finance

- Finance business is third component to strategy (after dept. stores and commercial property devt.)
  Aim is to generate ¥10 bn in operating income
- Will market financial services among department stores' customer base

In stores & online

Program linked with dept. stores

Loyalty points redeemable in dept. stores

Thrill of saving up

and spending points

Merchandise lineup

Investment trust (SBI Securities)

Other trust services (Hogaraka Trust)

Insurance

Consultative services

In-house/external consultants

Lawyers

Develop services customer wants

Dept. stores (with their sales flare) pitch services to customer

Department store customer base

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4. Machi-dukuri Strategy

Commercial Property Development (Japan, Vietnam)

- Nagareyama: Three facilities to open from 2021, increasing sales floor 1.4-fold
- Hanoi's Starlake project: School to open in early 2021
- Indochina Plaza Hanoi: Acquisition to shore up revenue base

Starlake project (Hanoi, Vietnam)

Development around
Nagareyama-Otakanomori Station

Indochina Plaza Hanoi

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Summary of Strategy

Boost earnings, maintain growth, focus also on shareholder returns

Boost earnings

Bold cost-optimization program to make department stores more profitable

Maintain growth

Expand lucrative businesses—namely, finance business and overseas businesses (e.g. commercial property development)

Solid financial footing

Stable equity ratio and funding

Deliver shareholder returns

Maintain stable shareholder returns
Increase them as appropriate

Bought back shares in 2019

Annual plans

Monitor situation and give convincing explanation as things become clearer

Ref: Impact of IFRS 16 on Consolidated Performance and Performance of Overseas Subsidiaries

Consolidated performance

(billion JPY)	Before applying IFRS 16 Full-year	Before applying IFRS 16 Year-on-year		Impact of applying IFRS 16 Full-year
Operating revenue	**919.1**	6.2	0.7%	–
SG&A expenses	**262.8**	6.1	2.4%	**(2.7)**
Operating income	**22.9**	(3.8)	(14.1%)	**2.7**
Ordinary income	**25.2**	(6.0)	(19.3%)	**(2.0)**
Profit attributable to owners of parent	**18.0**	1.5	9.4%	**(2.0)**

Performance of overseas subsidiaries

(billion JPY)	Before applying IFRS 16 Operating revenue	Year-on-year	Operating income	Year-on-year	Impact of applying IFRS 16 Operating revenue	Operating income
Takashimaya Singapore	**18.1**	(0.1)	**3.1**	(0.1)	**(1.1)**	**1.7**
Toshin Development Singapore	**8.7**	(0.2)	**2.2**	0.0	–	**0.9**
Shanghai Takashimaya	**3.1**	(0.0)	**(0.6)**	0.3	–	**0.6**
Takashimaya Vietnam	**2.0**	0.2	**0.0**	0.1	–	**0.1**

IFRS 16 has not been applied to Siam Takashimaya

As of the year under review, IFRS 16 Leases applies to the overseas consolidated subsidiaries that follow IFRS. The standard has **not** been retroactively applied in year-on-year comparisons.

The financial data for the previous fiscal year (FY2018) is as before the standard was applied.

Ref: Recognizing Risk

As part of a group-wide system of risk management, our Risk Management Committee identifies and evaluates risks biannually.

The committee proposes and implements actions for addressing the risks in order of priority (based on the materiality of the risk). It then monitors the effectiveness of these actions as part of a plan-do-check-act cycle.

Of the risk factors related to business performance and financial health, the following may potentially affect an investment decision:

(1) Demographic risk
(2) Climate risk (natural hazards)
(3) Epidemic or terrorism-related risk
(4) Cybersecurity risk
(5) Risks associated with overseas businesses
(6) Risks associated with management of group companies
(7) Legal / regulatory risk
(8) Financial risk

*The above risk factors apply as of the end of the consolidated period under review. They do not constitute an exhaustive list of the risks associated with our business activities.

*See our annual securities report for more detailed risk information.

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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.