Financial Results
FY2013

Takashimaya

Results for FY2013

(the fiscal year ended February 28, 2014)

Consolidated Performance

(Yen in billion)

	1 H	Year -on-year	2 H	Year -on-year	Full-year	Year -on-year	Change from projection
Operating Revenue	435.3	+3.7% +15.5	468.9	+4.1% +18.4	904.2	+3.9% +33.8	+0.0% +0.2
SG&A Expenses	121.9	+2.4% +2.8	122.0	+1.6% +2.0	244.0	+2.0% +4.8	-0.9% -2.2
Operating Income	11.2	+10.2% +1.0	17.9	+16.9% +2.6	29.1	+14.2% +3.6	+0.3% +0.1
Ordinary Income	13.5	+14.9% +1.8	19.9	+9.6% +1.7	33.4	+11.7% +3.5	+2.6% +0.9
Net Income	7.6	+15.3% +1.0	11.1	+11.7% +1.2	18.7	+13.2% +2.2	+7.0% +1.2

Sales and other operating revenue rose and exceeded 900 billion yen for the first time in five years since FY2008, reflecting an increase in revenue in the Group's core domestic Department Store segment, backed by an upturn in business confidence, and steady rises in sales at major subsidiaries such as Takashimaya Singapore Ltd. The projection was thus achieved.

Operating income rose, with a decline in gross profit percentage and an increase in SG&A expenses for new businesses overseas more than offset by the higher revenue, thus the projection was achieved.

Both ordinary income and net income increased and exceeded the projection chiefly due to the rise in operating income.

Performance of the Domestic Department Store Segment

(Yen in billion)

	1 H	Year-on-year	2 H	Year-on-year	Full-year	Year-on-year	Change from projection
Operating Revenue	366.3	+1.5% +5.3	392.0	+1.9% +7.2	758.3	+1.7% +12.6	-0.1% -0.5
Gross Margin	25.16%	-0.25	24.91%	-0.37	25.03%	-0.31	-0.18
SG&A expenses	93.0	-0.7% -0.7	93.2	-1.6% -1.5	186.2	-1.2% -2.2	-0.9% -1.6
Operating Income	3.0	+56.8% +1.1	8.6	+31.2% +2.0	11.5	+37.0% +3.1	+2.0% +0.2
Ordinary Income	6.0	+61.4% +2.3	8.7	+11.3% +0.9	14.7	+27.5% +3.2	+2.7% +0.4
Net Income	3.3	+61.7% +1.2	4.5	+30.9% +1.1	7.8	+42.3% +2.3	+14.1% +1.0

Operating revenue rose and was roughly on par with the projection, reflecting an upturn in business confidence and higher stock prices, renovations of luxury brand and jewelry floors at large stores, including the Osaka Store, which attracted wealthy customers, initiatives to sell to foreign customers at the Shinjuku Store, and collaboration with shopping centers at suburban stores.

Although the gross margin declined due to a rise in the ratio of sales of low-margin products, operating income, ordinary income, and net income rose and exceeded the projection due to the increase in revenue and a reduction in SG&A expenses.

SG&A Expenses in the Domestic Department Store Segment

(Yen in billion)

	1 H	Year-on-year	2 H	Year-on-year	Full-year	Year-on-year	Change from projection
Personel-related expenses	31.4	-3.2% -1.0	31.9	-4.6% -1.5	63.3	-3.9% -2.6	-1.5% -1.0
Advertising expenses	12.7	+4.5% +0.5	12.9	+2.4% +0.3	25.7	+3.4% +0.9	+0.3% +0.1
General affairs expenses	33.0	+1.0% +0.3	32.2	-0.5% -0.2	65.2	+0.2% +0.1	-0.7% -0.5
Accounting-related expenses	16.0	-3.1% -0.5	16.0	-0.5% -0.1	32.0	-1.8% -0.6	-0.6% -0.2
Total	93.0	-0.7% -0.7	93.2	-1.6% -1.5	186.2	-1.2% -2.2	-0.9% -1.6

Personnel-related expenses declined 2.6 billion yen year-on-year, primarily reflecting a reduction in retirement benefit expenses, and were 1.0 billion yen less than projected chiefly due to a reduction in salaries associated with a cutback in the number of staff

Advertising expenses increased 0.9 billion yen year-on-year and were 0.1 billion yen more than projected, chiefly attributable to a rise in costs for events and loyalty points.

General affairs expenses rose 0.1 billion yen year-on-year and were 0.5 billion yen lower than projected, chiefly reflecting higher heating and lighting expenses and reductions mainly in repairing and operation costs.

Accounting-related expenses declined 0.6 billion yen year-on-year and were 0.2 billion yen lower than projected chiefly due to negotiations to reduce rents.

Performance of Major Subsidiaries

(Yen in billion)

	Operating revenue	Year -on- year	Change from projection	Operating income	Year -on- year	Change from projection
Toshin Development Co., Ltd.	33.5	+4.5% +1.4	-0.4% -0.1	6.9	+4.5% +0.3	+2.4% +0.2
Toshin Development Singapore PTE. Ltd.	7.6	+24.6% +1.5	+1.4% +0.1	1.7	+24.0% +0.3	+3.5% +0.1
Takashimaya Singapore Ltd.	50.0	+25.9% +10.3	-0.6% -0.3	3.9	+8.8% +0.3	-9.3% -0.4
Takashimaya Credit Co., Ltd.	16.2	+2.8% +0.4	+0.1% +0.0	4.1	+13.1% +0.5	+6.5% +0.2
Takashimaya Space Create Co., Ltd.	25.4	+7.6% +1.8	-1.9% -0.5	1.1	+27.9% +0.2	+10.0% +0.1

Toshin Development Co., Ltd.

Both revenue and income rose, reflecting the contribution of the development of areas around shopping centers in addition to the conventional shopping center business.
Operating revenue was roughly on par with the projection. Operating income exceeded the projection due to thorough cost control.

Toshin Development Singapore PTE. Ltd.

Both revenue and income increased and exceeded the projection due to an increase in rent income through contract renewals and the effect of the weaker yen.

Takashimaya Singapore Ltd.

Both revenue and income increased due to the expansion of the sales area, successful promotions in commemoration of the 20th anniversary, and the effect of the weaker yen.
Both revenue and income fell short of the projection chiefly due to intensifying competition and an increase in depreciation associated with renovation.

Takashimaya Credit Co., Ltd.

Revenue rose, and income increased 0.5 billion yen, reflecting strong performance in credit card transactions and an increase in annual card membership fees. Both revenue and income exceeded the projection.

Takashimaya Space Create Co., Ltd.

Both revenue and income climbed due to strong orders received from hotels and other commercial facilities. Operating revenue fell short of the projection, but operating income exceeded the projection.

Long-Term Business Plans for the Takashimaya （FY2013→FY2018）

Vision of the Group

<Vision of the Group>

～ Think New! ～

A corporate group that pursues prosperity, always produces products and streets from a new perspective, and attracts new fans through goods and services

Assumptions for Developing a Long-Term Plan

Personal spending — +29 tri. yen in 5 years

Personal spending will increase around 2% annually for the next five years, given moderate economic growth and the consumption tax hike.

Takashimaya

Operating revenue — -83 bn. yen in 5 years

Sales will likely decline around 1.1% annually for the next five years for structural reasons.
Basic sales trend -39 bn.

Revenue is expected to decline 4.9% due to the adverse effects of the consumption tax hike on domestic department stores and the Group's businesses.
Consumption tax hike -44 bn.

Operating income — -19 bn. Yen in 5 years

Basic sales trend -8 bn.
Consumption tax hike -11 bn.

Main Points of This "Rolling"

Revenue is expected to decline due to the consumption tax hike. Against this backdrop, the Group will acquire fixed assets at the Shinjuku Store and Tachikawa Store and make other investments to make stable profits.

The amount of investment is 140 billion yen more than that in the previous plan. Following the above-mentioned acquisition of fixed assets, the Group will promote a strategy for developing stores from a new perspective, that is, a strategy of developing streets around stores as well. Making the most of the strengths of Group companies including companies overseas, the Group aims to achieve higher income and better management soundness than those in the previous plan.

	Previous plan **FY2017**	This plan **FY2018**	Change
Operating revenue	900 bn.	920 bn.	+20 bn.
Operating income	40 bn.	48 bn.	+8 bn.
ROE	5.8%	6.3%	+0.5%
Capital adequacy ratio	50.9%	49.4%	-1.5%
Interest-bearing debt	50 bn.	140 bn.	+90 bn.
Investment	160 bn.	300bn.	+140 bn.

Basic Strategy for the Long-Term Plan: Machi-dukuri

Combine our department stores' function of transmitting culture (proposing lifestyles) and Toshin Development's function as a developer to develop streets thereby taking advantages of what the Group has to offer.

Create and develop commercial facilities which will become cores of communities, pursuing maximum convenience in shopping and providing a fun space to visit and a pleasant time

Increasing the ability to attract customers ⇨ Maximizing the value of the shop building from a customer perspective

The shopping center and department store developing streets together

The department store will play a role as the anchor store in the shopping center (streets) that Toshin Development produces and will enhance its ability to attract customers by increasing its raison d'etre.

The department store developing streets by itself

The department store will create the fun of the shop building from a perspective other than the conventional department store's perspective in consideration of all of the streets around the store.

Basic Strategies and Numerical Targets by Business

< Basic Strategies by Business >

Domestic department store business

- Enhancing competitiveness by establishing a thoroughly community-based business model through Machi-dukuri (- community development) for individual stores (In this fiscal year, Shinjuku and Tachikawa Stores) Improving operational efficiency through Group-wide strategies, including the promotion of omni-channel retailing
- Taking the consumption tax hike as an opportunity to carry out structural reform

Domestic group business

- Toshin Development taking the lead in Group-wide efforts to promote strategies to develop streets
- Maximizing synergies with the domestic department store business

Overseas business

- Increasing the number of stores, focusing on two main regions: ASEAN and China

Numerical targets

(Yen in billion)	FY2013		The new plan (FY2018 target)			Difference	
	Operating revenue	Operating income	Investment	Operating revenue	Operating income	Operating revenue	Operating income
	900	29	300	920	48	20	19
Domestic department store business	760	11	190	730	21	(30)	10
Domestic group business	140	14	60	160	19	20	5
Overseas business	63	4	50	95	8	32	4

Domestic department store business

Breakdown of Investments and Changes in Operating Revenue and Operating Income (Yen in billion)

	Invest -ments	Operating revenue	Operating income
Sales strategy	50.0	+45.0	+8.0
Enhancement of competitiveness through the development of streets	38.0	+20.0	+5.0
Improvement in operational efficiency through Group-wide strategies, including the promotion of omni-channel retailing	12.0	+25.0	+3.0
Countermeasures against consumption tax hikes	120.0	–	+17.0
Continued expense structure reform, reduction in expense through purchases of assets	120.0	–	+17.0
Investments in facilities (investments for safety, security, and the environment)	20.0	–	–
A decline in the department store market, the effect of the consumption tax hike	–	−75.0	−15.0
Total	190.0	−30.0	+10.0

Nihombashi Redevelopment Plan

A new kind of urban shopping center through Machi-dukuri in the Nihombashi area

Minimizing investments

Retail space is acquired in exchange for real estate having the equivalent value that is owned by the Company.
The amount of investment is estimated to be 15.0 billion yen which will be spent for interiors.

The Nihombashi Store will be expanded From 50,000 m2 to 62,000 m2.

Grand opening in the spring of 2019

Grand opening in 2019, before the Tokyo Olympics in 2020

April 2014	Commencement of demolition work
Autumn 2018	Retail zone in the new building to open for business
Spring 2019	Grand opening of the development area including the main building of the Nihombashi Store

Domestic Group Business

Breakdown of Investments and Changes in Operating Revenue and Operating Income (Yen in billion)

	Invest -ments	Operating revenue	Operating income
Sales strategy	58.0	+28.0	+8.0
Bolstering the existing shopping centers by promoting cooperation with department stores; promoting development of areas surrounding shopping centers and use of Group assets	50.0	+8.0	+4.0
Carrying out strategies centering on contribution to the department store business	6.0	+10.0	+3.0
M&A, business alliances: Involving different categories of business to meet customer needs	2.0	+10.0	+1.0
Cost cutting	–	–	+1.0
Investments in facilities (investments for safety, security, and the environment)	2.0	–	–
Effects of the consumption tax hike	–	−8.0	−4.0
Total	60.0	+20.0	+5.0

Overseas Business

Breakdown of Investments and Changes in Operating Revenue and Operating Income (Yen in billion)

	Invest -ments	Operating revenue	Operating income
ASEAN business	47.0	+23.0	+2.5
Takashimaya Singapore : Establishing a dominant position in the ASEAN region - Making the business a major source of the Group's revenue	3.0	+5.0	0
Saigon centre , opening in 2016 : Promoting collaboration between Toshin Development and Singapore Takashimaya	5.0	+6.0	0
Considering the opening of a third store and a fourth store in or after 2017	19.0	+6.0	+1.0
Considering M&A and capital participation in or after 2016 Accelerating business expansion in the ASEAN region	20.0	+6.0	+1.5
China business	3.0	+9.0	+1.5
Takashimaya Shanghai : Implementing initiatives to expand results	3.0	+9.0	+1.5
Total	50.0	+32.0	+4.0

Saigon Centre Project in Vietnam

Participating in projects to develop a large-scale complex in partnership with Keppel Land Limited

Projects with Machi-dukuri, in consideration of the lifestyle in Ho Chi Minh City

- Opening a department store
- Participating in the operation of a shopping center
- Taking a stake in the real estate business (retail facilities, offices, and service apartments) and receiving dividend income
  (Dividend income for FY2012 has been posted.)

Participating in three projects and aiming to move into the black as early as possible

Commercial area 55,500 m²
(Department store: 15,000 m²)
Scheduled opening First half of 2016

Sep 2013 A local corporation established
Mar 2014 Construction work started

Financing Policy and Shareholder Return Policy

Financing policy

- The Group will make investments, using primarily internal funds. However, the Group will raise funds flexibly from the outside to meet the demand for capital necessary for implementing growth strategies.
- In external financing, the Group will strike a balance between direct and indirect financing and will choose favorable funding options in the financial market at different times to secure funds steadily at low costs.

Shareholder return policy

- For some time to come, the Group will focus on implementing growth strategies steadily to achieve a consolidated operating income of 40.0 billion yen as early as possible, while putting priority on stable dividend payments.
- The Group will consider optimal profit allocation to stakeholders, including dividends and other shareholder returns, taking income levels in the future into account.

Business objectives and positioning of fiscal 2014 in the long-term plan

Group Management Policy in FY2014

< Management Objectives >

First fiscal year of development through Machi-dukuri:

Laying a foundation for new growth

- Dealing with the immediate challenge (consumption tax hike)
- Domestic department store business: Evolving into a new kind of retailer
- Domestic group business: Making the most of the Group's overall capabilities
- Overseas group business: Laying a foundation for growth

Fiscal 2014 business measures

Effects of the Consumption Tax Hike in FY2014

	Decline in operating income due to the consumption tax hike	Decline in operating income due to other factors	Improvement in operating income due to countermeasures against the consumption tax hike
Domestic department store business	**-3.5bn yen**	-2.5bn yen	**+7.3bn yen**
Group business	**-1.5bn yen**	---	**+2.0bn yen**
Consolidated	**-5.0bn yen**	-2.4bn yen	**+9.3bn yen**

The Group will increase consolidated operating income at total of 1.9 billion yen by taking countermeasures against the consumption tax hike which will improve the consolidated operating income 9.3 billion yen and will offset a 5.0 billion yen decline due to the consumption tax hike and a 2.4 billion yen fall due to other factors.

Countermeasures against the Consumption Tax Hike

Countermeasures at domestic department stores

Expense structure reform (7.3 billion yen in operating income)

Personnel-related expenses	¥1.1bn	Cutting jobs (¥0.5 bn), reducing overtime (¥0.2 bn)
Advertising expenses	¥0.7bn	Cutting costs for events and advertising (¥0.6 bn)
General affairs expenses	¥2.0bn	Reducing operation costs (¥0.6 bn), repair costs (¥0.2 bn), and utility costs (¥0.1 bn)
Accounting-related expenses	¥3.5bn	Reducing rent costs through the acquisition of fixed assets (¥3.4 bn)

Sales initiatives (details described page22-26)

- Enhancing the features of merchandise through initiatives associated with shopping floors and product lineups
- Initiatives targeting foreign tourists and wealthy consumers

Countermeasures at Group companies

Initiatives to secure profits (2.0 billion yen in operating income)

Toshin development	¥0.9bn	Promoting initiatives to boost rent income and reduce rent payments
Takashimaya service	¥0.4bn	Cutting costs by improving efficiency in the use of personnel and standardizing outsourced operations
Other	¥0.7bn	Restructuring the Group's businesses; Group companies performing outsourced operations by themselves

Domestic Department Store Business: Evolving into a New Kind of Retailer

Sales policy at domestic department stores

Looking at stores through Machi-dukuri(concept described page21) and bolstering foundations for creating and developing commercial facilities as the core of communities

Operating revenue and operating income plans at domestic department stores in FY2014

Operating revenue : ¥750.9bn (-7.4bn yen)
Operating income : ¥12.8bn (+1.3bn yen)

"Machi-dukuri - community development" concept

Expanding the frame of reference from the department store to the streets around it to pursue convenience and create fun in shopping, as well as reflecting the convenience and fun in the Group's product lineups, services, and sales

Stores that develop shopping centers (which are deemed to be streets) in collaboration with Toshin Development, a company which creates shopping centers

Stores that focus on themselves (which are deemed to be streets)

Initiatives in FY2014

Store	
Shinjuku & Tachikawa	Starting projects through Machi-dukuri and establishing a model
Tamagawa & Kashiwa	Remodeling the stores to strengthen their functions as department stores in shopping centers
Nihombashi	Starting remodeling for the Nihombashi Redevelopment through Machi-dukuri
Osaka & Sakai	Evolving into multi-functional department stores having necessary town functions

Completing the functions of a department store as an anchor in a shopping center which develops the streets around it

Tamagawa Store / Increase in sales after remodeling: ¥1.2bn

- Department store and specialty stores developing streets together, taking advantage of the increasing numbers of visitors to the town
- Enhancing the self-collection-type merchandise and increasing the number of items, which are strengths of the department store
  -> Significantly expanding women's goods, especially shoes and cosmetics

Kashiwa Store / Increase in sales after remodeling: ¥0.3bn

- Together, the department store and specialty stores establishing the shopping mall as the number one retail facility in the trade area
- Expanding women's sales floors to three floors to enhance the functions of the department store and the entire shopping center's capability to attract customers

Remodeling major stores to strengthen the revenue base

Nihombashi Store / Increase in sales after remodeling: ¥1.5bn

- Starting remodeling through Machi-dukuri before the Nihombashi Redevelopment in 2018
- Expanding the self-collection-type merchandise zone, especially the luxury brand area, to enhance the features of its merchandise

Yokohama Store / Increase in sales after remodeling: ¥1.3bn

- Renovating the food floor to solidify its position as the dominant store in the area
  -> Introducing health-conscious and locally prepared food brands
- Renovating the luxury brand area to enhance competitive advantage and develop next-generation customers
  -> Expanding contemporary brands

Implementing concrete initiatives through "Machi-dukuri"

Evolving into multi-functional department stores having necessary town functions

- Developing functions necessary in town by combining goods and services (Omiya Store)
- Boosting the number of customers significantly by expanding eating and drinking establishments and introducing book stores and cooking classes
- Establishing a child-rearing floor in cooperation with the government and a company (Sakai Store)
- Expanding the Interior Station HOW'S renovation business (five major stores and Tamagawa Store)
- Cooperation with Takashimaya Space Create

Starting to review products, the environment, and services early

- Combining different categories of products (e.g. displaying accessories on the women's wear floor)
- Accelerating reviews based on customers' voices, including reviews of service facilities and rest areas

Promoting initiatives to increase the merchandising power

Promoting merchandising strategies to enhance the features of merchandise / Increase in sales in FY2014 due to the enhancement of the features of merchandise: ¥1.8bn

- Expanding the self-collection-type shops through the Company's unique purchases
- Restructuring the self-collection-type floor, enhancing the features of merchandise and standardizing merchandise
- Introducing new products based on market needs

Nihombashi store
'Salon le chic'

Bolstering the organization to enhance merchandising power

- Enhancing basic items for local customer needs (assigning 206 new buyers to stores)
- Expanding the collaboration with Hankyu Hanshin Department Stores

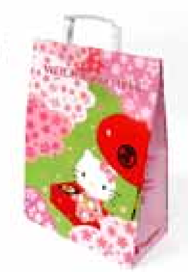
Attracting customers who are less affected by the consumption tax hike

Attracting more wealthy consumers
/ Sales through VIP Cards and Gold Cards in FY2014: ¥175.6bn

- Maximizing the effects of the introduction of a VIP Card for out-of-store customers (November 2013)
- Increasing Family Card members to develop next-generation customers
- Promoting merchandising initiatives to attract out-of-store customers

Promoting initiatives to sell to foreign (inbound) tourists
/ Sales of duty-free goods in FY2014: ¥10.0bn

- Enhancing services in the store as a "town" for foreign tourists
- Introducing "free Wi-Fi," improving convenience in China Union Pay transactions, and using multiple languages in floor guides and POP advertising
- Expanding Cool Japan merchandise and sales space


Shopping bag for foreign tourists

Promoting omni-channel retailing

Establishing a base for Internet business
/ Online sales in FY2014: ¥11.0bn

- Building a leading website for gifts (target: ¥6.0bn)
- Building a department store fashion website (target: 1,000 brands)
- Building a website for shopping experiences at stores through common promotions

Promoting initiatives to encourage customers to shop around

- Enhancing product lineups common to brick-and-mortar stores and the Internet (target: 2,000 brands)
- Promoting sales using a mix of media (including brick-and-mortar stores, print media, and the web) (target: 2 million online members)

Laying a Foundation for Growth

Business policy for Group companies

Taking advantage of the Group's comprehensive strength through Machi-dukuri

Group companies collaborating with each other to expand external revenues

The Group companies' operating revenue and operating income plans for FY2014

Operating revenue : ¥2,10.8bn （+5.6bn yen）
Operating income : ¥18.5bn （+0.6bn yen）

Domestic Group Companies : Taking Advantage of the Group's Comprehensive Strength

Toshin Development Co., Ltd. (Japan)

Operating revenue ¥33.8bn (+¥0.2bn) Operating income ¥7.5bn (+¥0.6bn)

Promoting development based on a town concept through Group-wide initiatives

Promoting the Nihombashi Redevelopment project; restructuring retail facilities to fit into the streets around them in the Shinjuku and Tachikawa projects

Nagareyama Otakanomori Shopping Center ANNEX

Creating new streets through the development of areas around existing shopping centers and enhancing community functions

Increasing earnings power and establishing a strong business base

Takashimaya Credit Co., Ltd.

Operating revenue ¥16.4bn (+¥0.2bn) Operating income ¥3.7bn (-¥0.4bn)

Gaining new card members

Attracting new members at stores and through the web, emphasizing a high ratio (8%) of loyalty points for purchases

Promoting omni-channel retailing

Promoting the sharing of customers between Takashimaya Online Store and Select Square through campaigns

Promoting the use of external member stores

Expanding external transactions by making facilities around Takashimaya member stores

Takashimaya Space Create Co., Ltd.

Operating revenue ¥27.5bn (+¥2.1bn) Operating income ¥1.1bn (+¥0.1bn)

Promoting the home renovation business

Responding to the demand for high-priced home renovations in collaboration with department store living floors

Expanding orders from external clients

Expanding orders from luxury brands and hotels through the proposal-type of sales

Establishing a revenue base for business in Tohoku

Responding to demand for reconstruction and receiving orders for housing to be constructed after the earthquake

Overseas Group Companies: Establishing a Base for Growth

Takashimaya Singapore Ltd. & Shopping Center

Operating revenue ¥60.7bn (+¥3.1bn)   Operating income ¥5.8bn (+¥0.2bn)

Implementing effective sales initiatives in accordance with changes in the business environment

Maximizing the effects of overall renovation and expansion

Promoting additional initiatives based on the results of renovation

Promoting initiatives to attract customers

Promoting sales to card members; enhancing CRM initiatives

Enhancing initiatives to attract tourists

Enhancing foreign language services (including foreign language signs in stores)
Expanding services for tourists (including the expansion of cards that can be used for transactions and services in stores)

Shanghai Takashimaya Co., Ltd.

Operating revenue ¥5.9bn (+¥0.7bn)   Operating loss ¥1.7bn (+¥0.2bn)

Enhancing the product lineup: responding to the needs of the residents around the store

Broadening price ranges
Expanding miscellaneous goods (fashion items, hobby gear, and household goods)
Responding to the needs of visitors associated with development and infrastructure building around the store

Enhancing initiatives to attract customers: expanding targets

Promoting transmission of information; holding Japanese events and cultural events
Building new facilities to attract customers and expanding existing facilities

Establishing stable operating foundations early

Projections for FY2014

(the fiscal year ended February 28, 2015)

Consolidated Cost and Revenue Projections

(Yen in billion)

	1 H	Year -on-year	Full-year	Year -on-year
Operating Revenue	433.0	-0.5% -2.3	900.0	-0.5% -4.2
SG&A Expenses	120.9	-0.9% -1.0	241.4	-1.1% -2.6
Operating Income	11.7	+4.9% +0.5	31.0	+6.5% +1.9
Ordinary Income	13.0	-3.7% -0.5	34.0	+1.9% +0.6
Net Income	8.5	+11.6% +0.9	20.5	+9.5% +1.8

Although revenue is expected to increase at Toshin Development Co., Ltd. which aims to expand revenue through development around existing shopping centers, and at Takashimaya Singapore Ltd., which expanded and renovated the store and carried out initiatives to promote sales, revenue in the domestic department store business is anticipated to decline due to the adverse effect of the consumption tax hike. Overall revenue will likely fall.

Despite the expected fall in revenue, operating income and ordinary income are expected to rise thanks to countermeasures against the consumption tax hike to boost sales and reduce SG&A expenses primarily at domestic department stores. Net income is projected to increase as well, chiefly reflecting an increase of the gain on sales of noncurrent assets.

Cost and Revenue Projections at Domestic Department Stores

(Yen in billion)

	1 H	Year -on-year	Full-year	Year -on-year
Operating Revenue	361.1	-1.4% -5.3	750.9	-1.0% -7.4
Gross Margin	25.04%	-0.12	25.01%	-0.02
SG&A Expenses	91.1	-2.1% -1.9	182.7	-1.9% -3.5
Operating Income	3.0	+2.9% +0.1	12.8	+11.1% +1.3
Ordinary Income	5.3	-12.8% -0.8	14.8	+0.7% +0.1
Net Income	6.4	+95.8% +3.1	11.4	+46.7% +3.6

Department stores will enhance the features of merchandise and sales floors and will carry out initiatives in collaboration with shopping centers through a town concept. They will also promote omni-channel retailing. However, revenue is expected to decline mainly due to the adverse effect of the consumption tax hike.

The gross margin is anticipated to be roughly on par with the level a year ago as department stores will strive to sell high-margin products, including women's clothing and accessories and sales of big-ticket items are expected to stabilize.

Operating income, ordinary income, and net income are projected to rise, reflecting a reduction in SG&A expenses due to a cutback in rent after the acquisition of the Shinjuku and Tachikawa Stores as well as a review of advertising expenses which offset an abatement in income due to the fall in revenue associated with the consumption tax hike.

SG&A Expense Projections at Domestic Department Stores

(Yen in billion)

	1 H	Year -on-year	Full-year	Year -on-year
Personel-related expenses	31.4	+0.1% +0.0	63.7	+0.6% +0.4
Advertising expenses	11.9	-6.8% -0.9	24.3	-5.4% -1.4
General affairs expenses	33.7	+2.3% +0.8	67.0	+2.7% +1.8
Accounting-related expenses	14.1	-11.7% -1.9	27.7	-13.5% -4.3
Total	91.1	-2.1% -1.9	182.7	-1.9% -3.5

SG&A expenses are expected to decline 3.5 billion yen. The decline includes the expected result of countermeasures against an anticipated decline in income due to the consumption tax hike.

Personnel-related expenses are expected to rise, attributable to increases in retirement benefit expenses and legal welfare expenses, despite a reduction in salaries due to contractions in the number of staff and cutbacks in overtime.

Advertising costs are projected to be reduced through a thorough review primarily of costs for events and advertising.

General affairs expenses are expected to increase due to increases mainly in depreciation and repair costs associated with the acquisitions of the Shinjuku and Tachikawa Stores, despite reductions in operation costs and commission fees.

Accounting-related expenses are projected to be reduced, chiefly reflecting a reduction in rent expense associated with the acquisitions of the Shinjuku and Tachikawa Stores.

Cost and Revenue Projections at Major Group Companies

(Yen in billion)

	Operating revenue	Year-on-year	Operating income	Year-on-year
Toshin Development Co., Ltd.	33.8	+0.7% +0.2	7.5	+8.4% +0.6
Toshin Development Singapore PTE. Ltd.	7.9	+3.7% +0.3	1.7	+0.0% +0.0
Takashimaya Singapore Ltd.	52.8	+5.6% +2.8	4.1	+4.4% +0.2
Takashimaya Credit Co., Ltd.	16.4	+1.1% +0.2	3.7	-8.8% -0.4
Takashimaya Space Create Co., Ltd.	27.5	+8.1% +2.1	1.1	+0.9% +0.0

Toshin Development Co., Ltd.

Toshin Development aims to expand revenue by meeting customer needs through the development of areas around existing shopping centers, or town development, that the entire Takashimaya Group is promoting. Reflecting that, both revenue and income are expected to rise.

Toshin Development Singapore PTE. Ltd.

Toshin Development Singapore PTE. Ltd. expects higher revenue as it will strive to extend rent income. Operating income, however, is projected to remain flat from a year ago, chiefly reflecting an increase in rent expense.

Takashimaya Singapore Ltd.

Takashimaya Singapore Ltd. plans to record higher revenue and income due to the expected results of the overall renovation, the growth of new card members, sales promotion, and initiatives to attract tourists.

Takashimaya Credit Co., Ltd.

Takashimaya Credit plans to post higher revenue by gaining new members, promoting the use of cards, and enhancing omni-channel retailing. Income, however, is projected to decline due to an increase in consumption tax associated with the consumption tax hike and a rise in SG&A expenses, including an increase in card insurance premiums.

Takashimaya Space Create Co., Ltd.

Takashimaya Space Create plans to increase revenue by expanding the existing business and growing orders in the private housing renovation business in collaboration with department stores. Operating income is projected to remain flat from a year earlier due to an increase in prior expenses associated with business expansion.

CSR activities of 2014

CSR activities

Basic concept

Takashimaya's CSR management is based on its management philosophy "Putting people first." The basic policy of CSR management is to respond and contribute through the core businesses to the needs of society that are becoming increasing diversified and sophisticated.

Outline of CSR activities

The Group has been promoting CSR activities by focusing on the "Archive Project" where employees share and transmit the Group's basic values including the customer-first principle and an enterprising spirit which have been developed by forebears based on the Group's archives since the Group's foundation.

CSR activities in FY2014

Continuing to promote the "Archive Project" by focusing on past activities associated with the town concept, as well as manufacturing

Promoting activities centering on the proposals of new lifestyles to customers in accordance with local and social needs that have been learned from the Group's history

CSR activities in FY2014

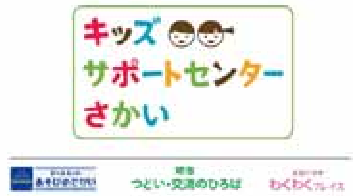
Major activities

Continuing to provide an "Archives" course for employees

Employees sharing knowledge and expertise that experts in town development and manufacturing have; cultivating human resources that can take action

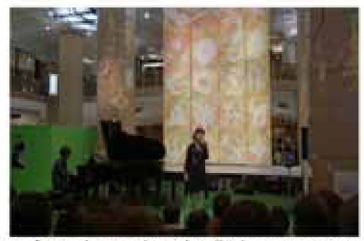
Contributions through town development that meets local needs

The Sakai Store cooperates with the community and local government to address a challenge associated with an aging society with fewer children



Continuing to give assistance to areas affected by the Great East Japan Earthquake

Promoting activities to prevent the memory of the earthquake from fading



Music and art events for the support of recovery from the earthquake; "Yale to tomorrow"

A company where all employees can work comfortably

Takashimaya was selected by the Ministry of Economy, Trade and Industry to be part of the "Diversity Management Selection 100" project in March 2014.

- Continuing to make the most of the diversity of employees and respecting individuality and motivation
- Promoting more women
  Increasing the ratio of women at the managerial level to 20% (target for FY2015) from 18% Providing training for cultivating female managers

Thorough compliance, the basis of CSR management

In connection with the food labeling scandal that occurred last year, the Group will ensure traceability and the safety and security of products to restore customer trust.

- Checking all food and non-food products (checking labeling at stores, raw materials, and production areas)
- Each Group company restructuring their own quality control system

Statements contained herein regarding cost and revenue projections reflect our judgment based on information currently available, and involve a number of risks and uncertainties.
It should be noted that actual results could differ materially from the cost and revenue projections stated herein due to a variety of factors.
Significant factors that could affect actual performance include but are not limited to the economic environment surrounding the department store industry, market trends, and exchange rate fluctuations.