
Interim 2018/02 Financial Results



10 October 2017

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Consolidated Performance

- Operating revenue improved and exceeded target due to the strong performance of domestic department stores and the contribution of Takashimaya Vietnam.
- Operating income, ordinary income, and net income improved in line with targets primarily because of increased revenue.

(billion JPY)	1H	Year-on-year		Change from projection*	
Operating Revenue	453.0	+9.7	+2.2%	+5.0	+1.1%
SG&A Expenses	121.4	+1.5	+1.2%	-0.1	-0.1%
Operating Income	13.9	+0.1	+0.8%	+0.6	+4.5%
Ordinary Income	15.6	+0.6	+3.9%	+0.9	+6.4%
Net Income	9.0	+0.5	+6.3%	+2.2	+32.5%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 7, 2017.

Performance of the Domestic Department Store Segment

- Operating revenue improved and exceeded target, reflecting strong inbound demand and stable domestic consumption.
- Operating income, ordinary income, and net income improved in line with targets because of increased revenue.

(billion JPY)	1H	Year-on-year		Change from projection*	
Operating Revenue	374.3	+9.7	+2.7%	+11.6	+3.2%
Sales	367.4	+8.1	+2.3%	+11.4	+3.2%
Gross Margin	24.13%	-0.24		-0.06	
SG&A Expenses	90.9	+1.9	+2.2%	+2.0	+2.3%
Operating Income	4.6	+0.7	+19.2%	+0.7	+16.8%
Ordinary Income	7.5	+0.6	+9.2%	+0.9	+13.6%
Net Income	4.5	+0.3	+6.1%	+2.0	+80.1%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 7, 2017.

SG&A Expenses in the Domestic Department Store Segment

- Personnel related expenses increased 300 million yen year-on-year in line with target despite an increase in social insurance.
- Advertising expenses declined 400 million yen year-on-year following savings in advertising expenses, which offset an increase in loyalty card expenses.
- General affairs expenses increased 300 million yen year-on-year, reflecting an increase in variable costs and unit prices.
- Excluding an additional 1.7 billion yen in expenses associated with reforming the rental system of Shinjuku Store, accounting related expenses remained at last year's level.

(billion JPY)	1H	Year-on-year		Change from projection*	
Personnel related expenses	30.1	+0.3	+0.9%	-0.1	-0.4%
Advertising expenses	12.3	-0.4	-2.9%	+0.2	+1.3%
General affairs expenses	33.0	+0.3	+1.0%	+2.0	+6.5%
Accounting related expenses	15.5	+1.7	+12.3%	-0.0	-0.2%
Total	90.9	+1.9	+2.2%	+2.0	+2.3%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 7, 2017.

Performance of Each Company (Domestic)

- Toshin Development saw higher revenue but lower profit. This result was due to a decline in income from tenants following renovation work, which offset nominal revenue increase factors associated with the reform of the rental system of Shinjuku Store.
- Takashimaya Credit saw higher revenue but lower profit because of an increase in card renewal costs.
- Takashimaya Space Create posted a significant decline in both revenue and profit, reflecting a reactionary decline following last year's major orders.

(billion JPY)	Operating Revenue	Year-on-year	Change from projection*	Operating Income	Year-on-year	Change from projection*
Toshin Development Co., Ltd.	20.2	+2.5 +13.8%	-0.4 -2.1%	4.0	-0.2 -4.2%	+0.0 +0.5%
Takashimaya Credit Co., Ltd.	9.1	+0.4 +4.2%	+0.1 +0.9%	2.2	-0.1 -2.5%	-0.1 -2.9%
Takashimaya Space Create Co., Ltd. (including Takashimaya Space Create Tohoku)	14.9	-1.6 -9.6%	-1.8 -10.9%	0.7	-0.1 -14.5%	-0.2 -20.0%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 7, 2017.

Performance of Each Company (Overseas)

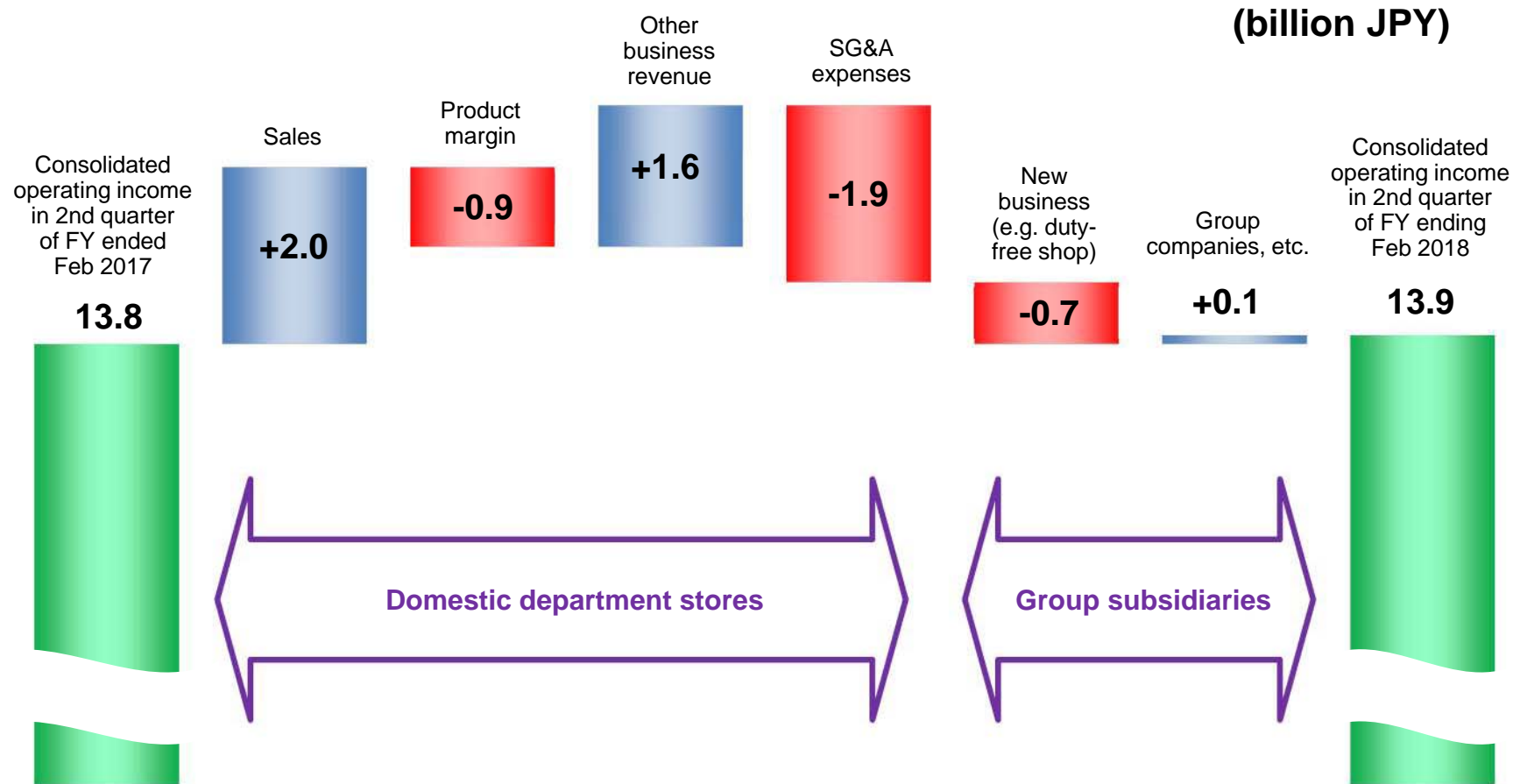
- The Singapore business saw lower revenue and profit amid an unfavorable exchange rate and the slowdown of the Singapore economy.
- Shanghai Takashimaya maintained its revenue growth thanks to the success of its sales strategy.
- Takashimaya Vietnam's performance was largely as projected.

(billion JPY)	Operating Revenue	Year-on-year	Change from projection*	Operating Income	Year-on-year	Change from projection*
Takashimaya Singapore Ltd. (Local currency basis)	24.8 310 mil.	-0.4 -1.7% -2 mil.	+0.3 +1.1% -10 mil.	1.4 17 mil.	-0.0 -2.1% -0 mil.	-0.1 -5.0% -2 mil.
Shanghai Takashimaya Co., Ltd. (Local currency basis)	3.4 208 mil.	+0.2 +5.6% +19 mil.	+0.1 +2.0% -3 mil.	-0.6 -35 mil.	-0.0 - -3 mil.	+0.0 - +2 mil.
Takashimaya Vietnam (Local currency basis)	2.0 417.4 bil.	+2.0 - +417.4 bil.	-0.0 -1.4% -24.1 bil.	-0.1 -29.6 bil.	+0.1 - +17.3 bil.	+0.0 - +4.4 bil.
Toshin Development Singapore Pet, Ltd. (Local currency basis)	4.4 55 mil.	-0.1 -2.9% -1 mil.	+0.1 +1.8% -1 mil.	1.2 15 mil.	-0.2 -11.8% -2 mil.	+0.0 +0.1% -1 mil.

Exchange rate: 1SGD=80.24JPY 1CNY=16.36JPY 1VND=0.0048JPY

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 7, 2017.

Factors Contributing to Changes in Consolidated Operating Income



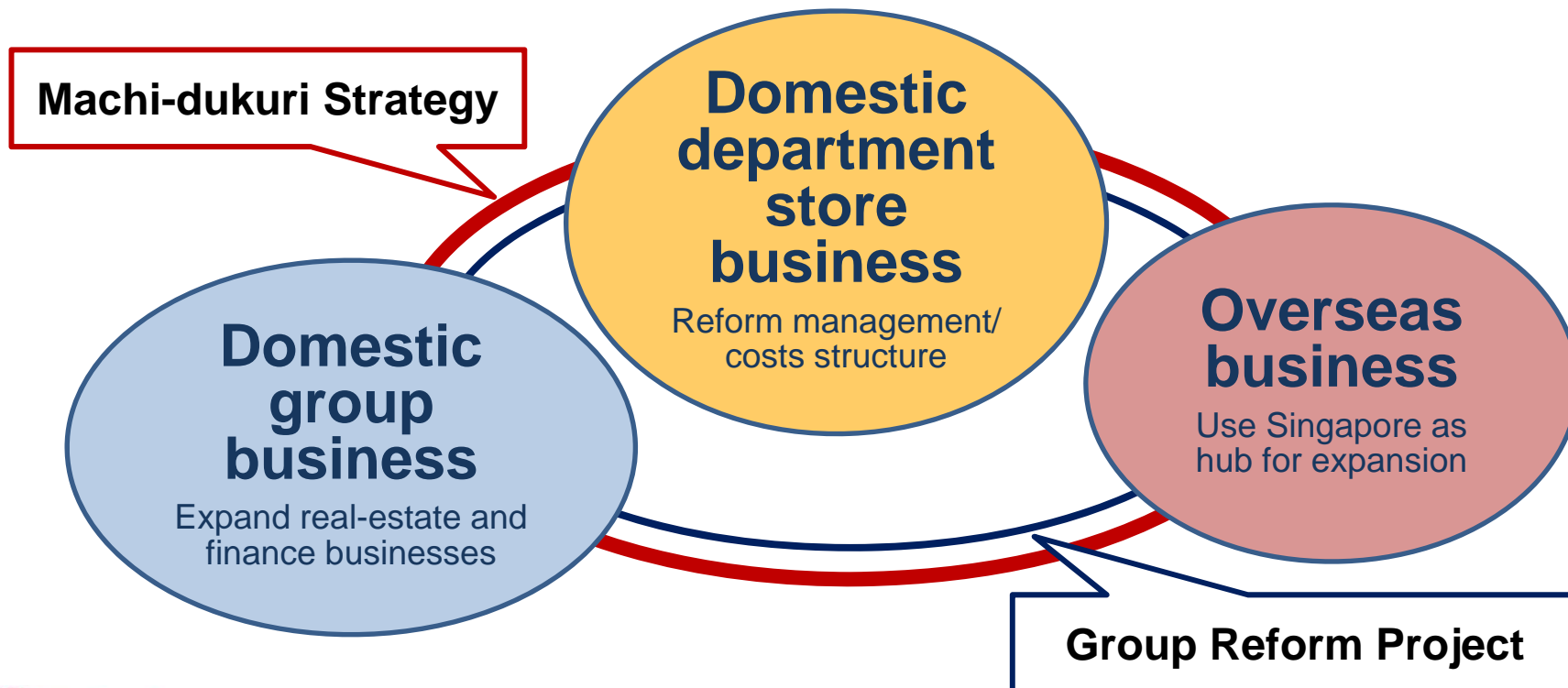
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Takashimaya Group's Growth Strategy

- 2021 targets

Consolidated operating income of 50 billion yen,
ROE of >7%, ROA of 4.6%

- ✓ Under the Machi-dukuri Strategy, expand department stores, domestic group, and overseas business segments
- ✓ Under the Group Reform Project, radically reform management efficiency



Machi-dukuri Strategy

- Rally Group's know-how to develop next-generation shopping facilities that are unique to the Takashimaya brand and deliver customer satisfaction
- ✓ Co-exist with communities, play role of anchor of local community
- ✓ Integrate department stores with specialty stores and maximize the appeal of the department store buildings



Takasaki

September: Entire building renovated, store connected to station by elevated walkway



Yonago

Participated in community redevelopment project
December: Donated east wing to city



Nihombashi

Spring 2018 Opening of east wing
Autumn 2018 Opening of new wing
Spring 2019 Refurbishment of main building



Shinjuku

September: Acquired full ownership of land and building



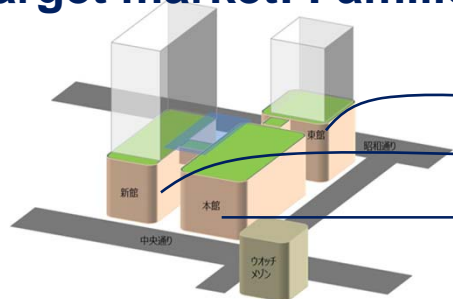
Tachikawa

Autumn: First phase of renewal completed
November: Nitori store to become tenant in upper floor

Machi-dukuri Strategy

Nihombashi Takashimaya Shopping Center

- The completion of the new wing will mark the birth of the 66,000m² Nihombashi Takashimaya Shopping Center
- ✓ Concept: A store that transmits new and beautiful lifestyle options
- ✓ Target market: Families in bay area, office workers, urban tourists



→ Spring 2018 Opening of specialist stores in east wing

→ Autumn 2018 Opening of stores in galleria walkway in new wing

→ Spring 2019 Re-opening of main building following renewal



One of the largest rooftop gardens in Tokyo



Galleria

 **Takashimaya** NIHOMBASHI S.C.

Group Reform Project

- Use digital technology to reform work processes and improve management efficiency
- Outcomes of improved productivity to be re-invested into growth strategy

Reform of work processes

Streamline the department store work processes

Optimize the Group's back-office systems

Optimize organizational/human resources management

Growth strategy

Domestic department store business

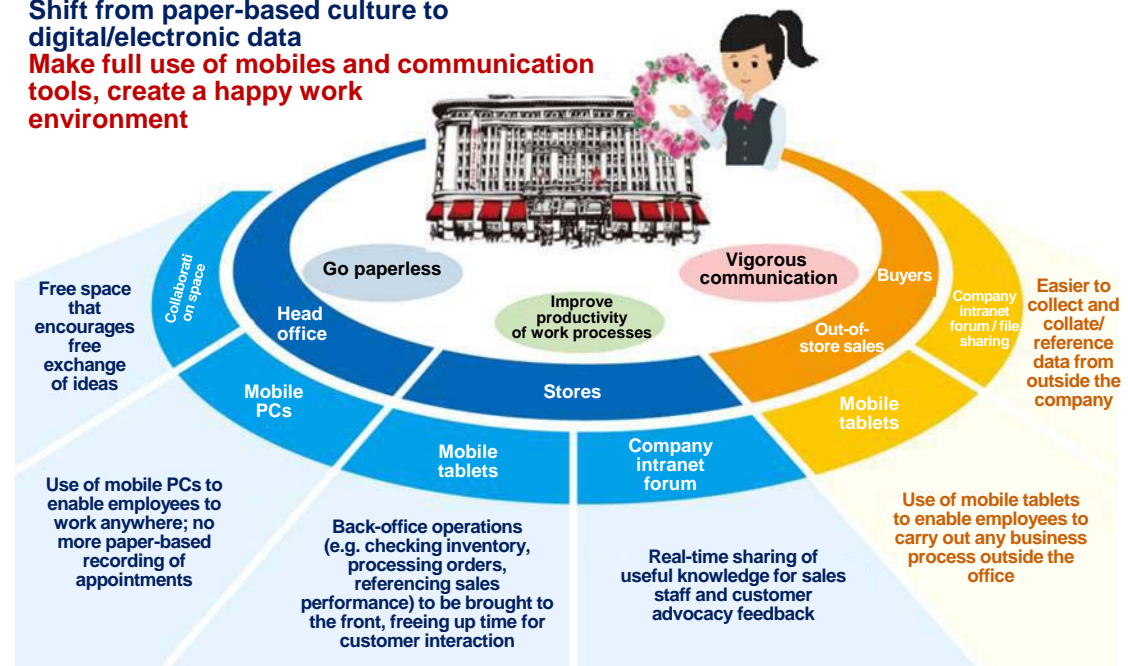
Group businesses (finance)

Efforts to improve management efficiency among department stores

Next-generation Takashimaya Workstyles

Shift from paper-based culture to digital/electronic data

Make full use of mobiles and communication tools, create a happy work environment





1. 2nd quarter results for FY ending Feb 2018

2. Takashimaya Group's growth strategy and progress

- **domestic department store business**
- domestic group business
- overseas business

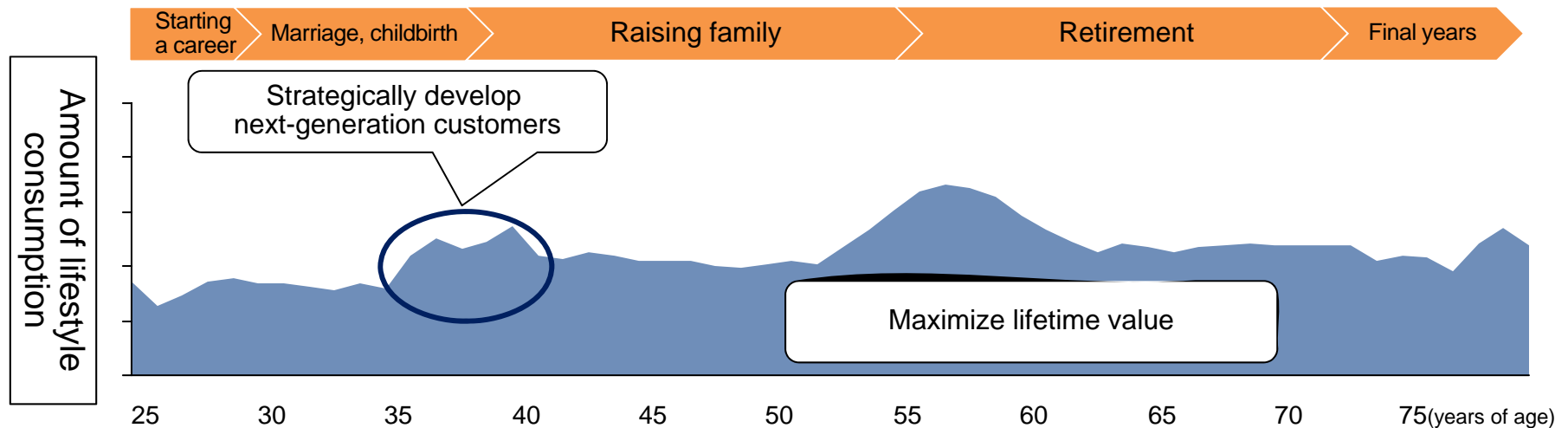
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Domestic Department Store Business

Aim for 16 billion yen in operating income in FY2021

- **Develop new markets by broadening customer horizons**
- **Cultivate existing market by improving customers' satisfaction throughout the course of their lifespan (maximize customer lifetime value)**

➔ Realize next-generation commercial facilities in each neighborhood through Machi-dukuri Strategy and Group Reform Project



Domestic Department Store Business Customer Strategy

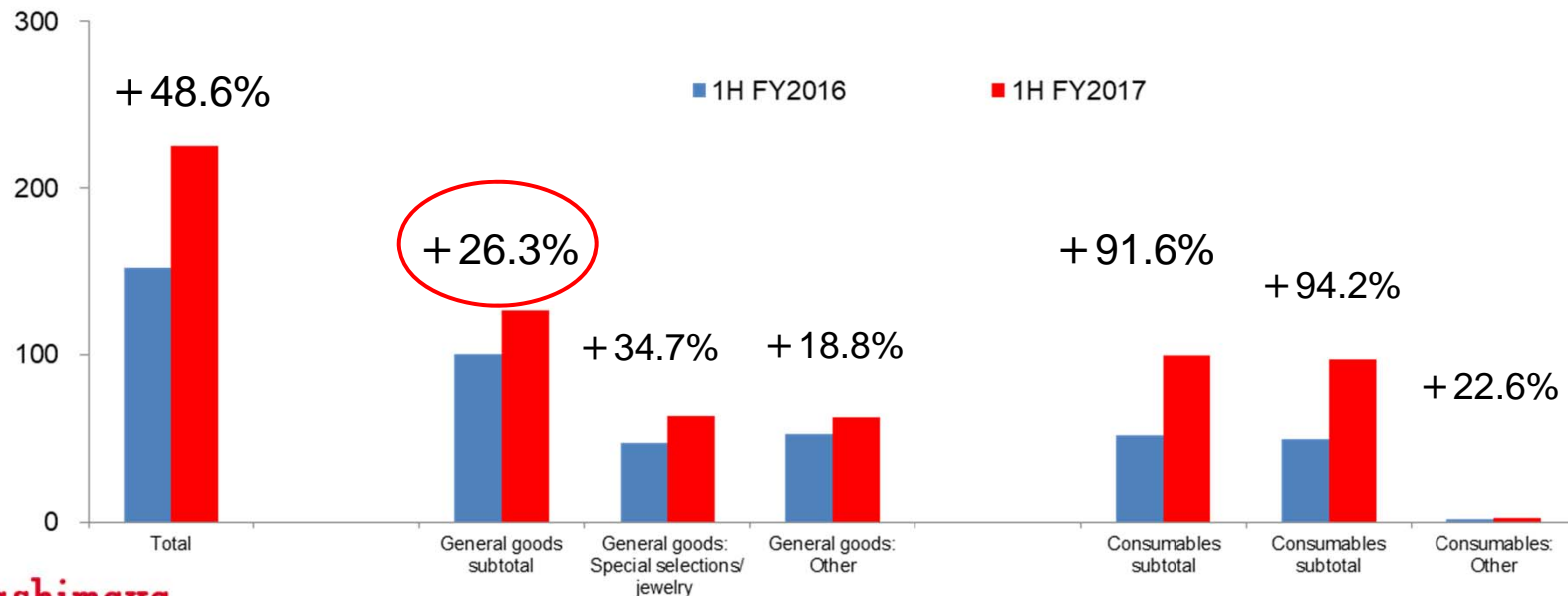
- **Efforts to capture inbound demand were as planned**

- ✓ Sales at the Takashimaya duty-free shop SHILLA & ANA were sluggish, reaching only 30% of the target
- ✓ Stores saw significantly higher earnings thanks to larger customer numbers and an increase in unit prices following a recovery in general goods

FY2017 target 48.0 billion yen +39.5% YOY
Performance in first half of FY2017 23.3 billion yen +53.6% YOY

*Includes 800 million yen from duty-free shop sales in the first half

[First half year-on-year sales by product category]

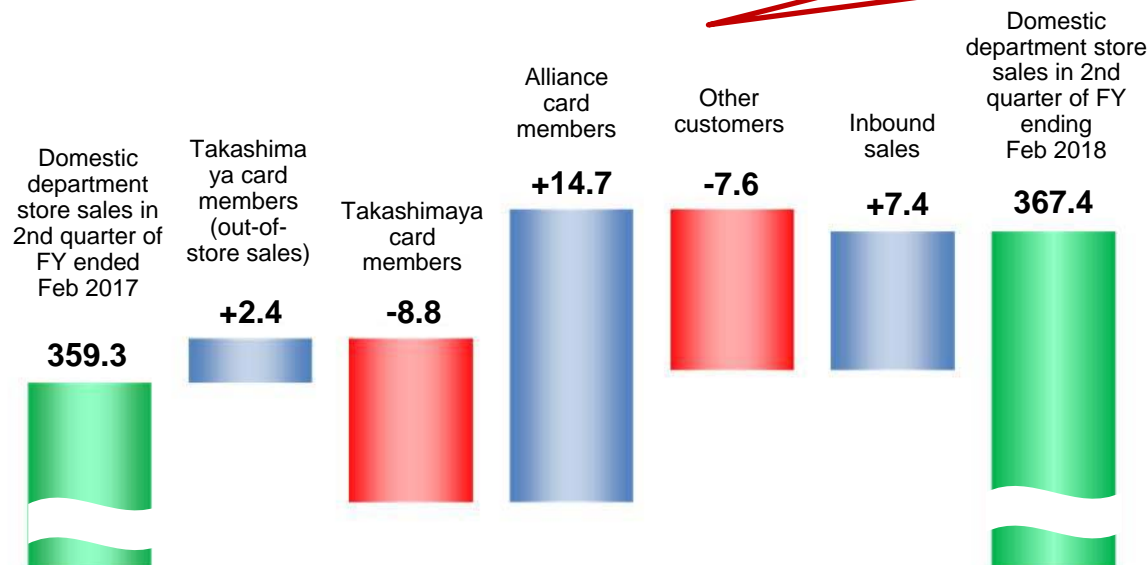


Domestic Department Store Business Customer Strategy

- Capture next-generation customers through alliance strategy
- Increase connection points with customers and improve lifetime value of existing customers
- ✓ Rigorously cultivate wealthy clientele by issuing new loyalty card

[First half year-on-year sales by customer category]

(billion JPY)



In addition to loyalty point collaboration, pursue marketing activities designed to arouse new demand



Under the **Group Reform Project**, use digital technology to increase connection points with customers and develop a new services menu

Takashimaya Platinum Debit Card

- In an industry first, the department stores business is launching a debit card (applications will be received from October)
- ✓ Offer convenient payment method and expanded platinum services menu to cultivate wealthy clientele
- ✓ Work with allies to capture new customers



- Takashimaya's exceptionally high level of service combined with Sony Bank's Visa debit card

 **Takashimaya** + **Sony Bank Inc.**

- In conjunction with the launch of the card, start offering wealthy clients a solutions service titled "Takashimaya Loyalty Customer Service (tentative name)" (November)

Domestic Department Store Business

Product / Sales Strategy

- Ascertain next-generation customers' needs and expand merchandise lineup so as to attract customers into stores
- Deliver a diverse merchandise lineup to increase the lifetime value of existing customers
- Achieve the best overall merchandise lineup that will increase sales while also securing profits
 - ✓ Focusing on high-margin apparel and sundries, develop well-curated sales spaces and strengthen sales capacity
 - ✓ Regarding low-margin experiential products (“koto” products), explore alliances and consider bringing in specialist tenants

[Curated sales spaces that meet the needs of next-generation customers]

Hello Baby
Salon

Dear
Kids
Square
ディア キッズスクエア

- Sales spaces that offer childrearing lifestyle options: Hello Baby Salon, Dear Kids Square
- Increase number of baby consultants, use e-learning
- Use tablets for some sales to minimize lost opportunities



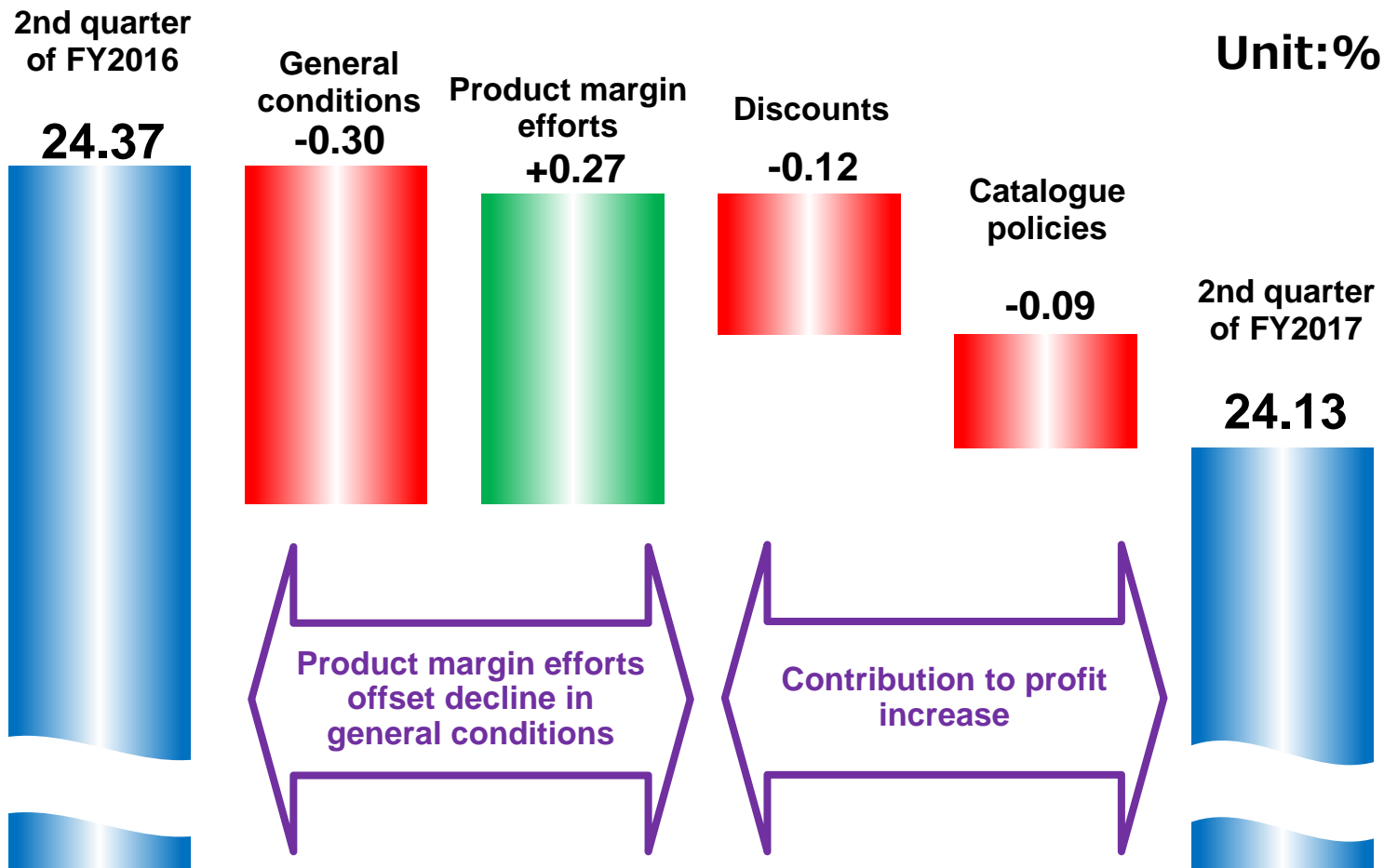
- Suit Closet – a sales space for working women
- Coordinate with Takashimaya e-commerce site Fashion Square

Under the **Group Reform Project**, use digital technology to visualize customer needs, including those who do not visit brick-and-mortar stores.

Domestic Department Store Business

Factors Contributing to Changes in Product Margin

- Efforts to improve product margin were successful, offsetting a deterioration in general conditions





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- overseas business

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Real Estate Business (Commercial Development)

Toshin Development / Toshin Development Singapore

- Revenue and profits are expected to increase over the 12-month period, buoyed by apartment sales
- As part of the growth strategy, pursue the Machi-dukuri Strategy by developing area around Nagareyama Otakanomori Shopping Center.



Nagareyama Otakanomori Shopping Center

- Toshin Development Singapore saw an increase in revenue but a decrease in profit amid the slowdown in Singapore

Real Estate Business operating income is anticipated to reach 11.5 billion yen (+4.5% YOY)

Finance Business / Contract & Design Business

Takashimaya Credit

- Revenue and profit are expected to increase as a result of business strategies, such as a project to mark the tenth anniversary of new gold card
- New businesses will be launched to capture new growth opportunities

Finance business operating income is expected to reach 4.5 billion yen (+0.3% YOY)

Takashimaya Space Create

- Despite the favorable business climate in the run-up to the 2020 Olympic and Paralympic Games, revenue and profit fell because of a reactionary decline following last year's major orders

Contract & Design business operating income is expected to reach 2.2 billion yen (-4.9% YOY)



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Overseas Business

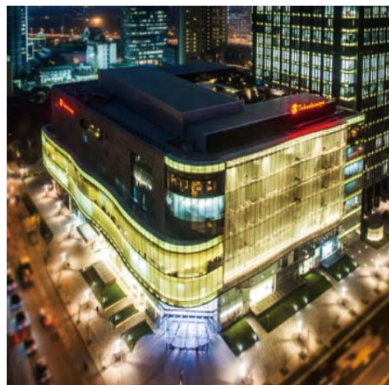
Progress of the Vietnam Business

- The store opened in Ho Chi Minh City, Vietnam, in July 2016
- Since opening, performance has been as projected, and the store is set to achieve early profitability
- A portion of the property rights for nearby A & B Tower were acquired in March; this property will be used to further pursue the Machi-dukuri Strategy in the city



Overseas Business

- Singapore to serve as a hub for business expansion in Asia
- With continued strong performance, Shanghai and Vietnam businesses are set to achieve early profitability
- Siam Takashimaya to open in Bangkok in autumn 2018



Shanghai Takashimaya

- Double-digit profits on a local currency basis
- Plan to develop commercial facilities in adjacent area



Singapore Takashimaya Shopping Center

- Pursue growth strategy in the run-up to the store's 25th anniversary




Saigon Centre – Takashimaya Vietnam

- Performing as projected

Siam Takashimaya

- Opening in autumn 2018
- Collaboration with major local player Siam Piwat



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Consolidated Cost and Revenue Projections

- The revenue projection has been upwardly revised; revenue is projected to grow significantly with increased revenue from domestic department stores, the contribution of new businesses such as Takashimaya Vietnam, and mansion sales, etc.
- Projections for operating income, ordinary income, and net income have been upwardly revised; these items are expected to benefit from increased revenue and from savings in SG&A expenses.

(billion JPY)	Full year	Year-on-year		Change from projection*	
Operating Revenue	951.0	+ 27.4	+3.0%	+ 8.0	+0.8%
SG&A Expenses	245.0	+ 4.2	+1.7%	+ 1.0	+0.4%
Operating Income	36.0	+ 2.0	+5.9%	+ 1.0	+2.9%
Ordinary Income	39.0	+ 1.8	+4.8%	+ 1.5	+4.0%
Net Income	23.0	+ 2.1	+10.2%	+ 1.5	+7.0%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 7, 2017.

Projections for Domestic Department Stores

- The revenue projection has been upwardly revised; revenue is expected to grow amid strong inbound demand and domestic consumption
- Variable costs will increase alongside revenue growth, but efforts will be made to cut SG&A expenses
- Projections for operating income, ordinary income, and net income have been upwardly revised; these items are expected to benefit primarily from increased revenue

(billion JPY)	Full year	Year-on-year	Change from projection*
Operating Revenue	773.6	+16.5 +2.2%	+19.8 +2.6%
Sales	760.1	+15.0 +2.0%	+19.6 +2.6%
Gross Margin	24.04%	-0.20	-0.04
SG&A Expenses	183.4	+1.5 +0.8%	+3.6 +2.0%
Operating Income	12.9	+2.1 +19.5%	+1.0 +8.2%
Ordinary Income	15.4	+2.0 +14.7%	+1.3 +9.0%
Net Income	8.2	+3.6 +80.5%	+1.8 +28.5%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 7, 2017.

SG&A Expenses Projections at Domestic Department Stores

- With upwardly revised operating revenue, variable costs and social insurance premiums will rise, leading to higher personnel related expenses and advertising expenses
- General affairs expenses will decline following a decrease in depreciation and amortization expenses and supplies expenses
- There will be a year-on-year increase in accounting related expenses, reflecting the reform of Shinjuku Store's rental scheme, but the amount of increase has been downwardly revised

(billion JPY)	Full year projection	Year-on-year		Change from projection*	
Personnel related expenses	62.1	+0.8	+1.3%	+0.5	+0.9%
Advertising expenses	25.7	+0.1	+0.4%	+1.0	+3.9%
General affairs expenses	65.3	-0.3	-0.4%	+2.6	+4.2%
Accounting related expenses	30.3	+0.9	+3.0%	-0.5	-1.6%
Total	183.4	+1.5	+0.8%	+3.6	+2.0%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 7, 2017.

Cost and Revenue Projection of Each Company (Domestic)

- Toshin Development is projected to see an increase in revenue and profit, buoyed by steady growth in existing facilities and apartment sales
- Takashimaya Credit is projected to increase its revenue and profit with continued steady growth in revenue from card handling fees and annual subscription fees
- Takashimaya Space Create is expected to see a decrease in revenue and profit, reflecting a reactionary decline following last year's major orders

(billion JPY)	Operating Revenue	Year-on-year	Change from projection*	Operating Income	Year-on-year	Change from projection*
Toshin Development Co., Ltd.	55.0	+10.4 +23.3%	-0.7 -1.3%	9.3	+0.5 +5.3%	+0.1 +0.6%
Takashimaya Credit Co., Ltd.	18.5	+0.8 +4.7%	+0.3 +1.8%	4.5	+0.0 +0.3%	+0.0 +0.3%
Takashimaya Space Create Co., Ltd. (including Takashimaya Space Create Tohoku)	35.0	-0.1 -0.2%	-1.8 -5.0%	2.2	-0.1 -4.9%	-0.1 -5.2%

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 7, 2017.

Cost and Revenue Projection of Each Company (Overseas)

- Though it faces a harsh business climate, the Singapore business is projected to achieve revenue growth
- Shanghai Takashimaya will continue to see revenue growth, but profit will be adversely affected by the weak yen
- Takashimaya Vietnam will continue to grow steadily while minimizing its operating losses

(billion JPY)	Operating Revenue	Year-on-year	Change from projection*	Operating Income	Year-on-year	Change from projection*
Takashimaya Singapore Ltd. (Local currency basis)	51.6 643 mil.	+0.9 +1.7%	+1.1 +2.2%	3.2 39 mil.	+0.0 +0.4%	-0.1 -2.6%
Shanghai Takashimaya Co., Ltd. (Local currency basis)	7.0 429 mil.	+0.7 +10.9%	+0.2 +2.6%	-1.1 -70 mil.	-0.2 -	+0.0 -
Takashimaya Vietnam (Local currency basis)	4.3 895.8 bil.	+2.5 +136.3%	+0.1 +1.7%	-0.3 -64.8 bil.	+0.2 -	+0.0 -
Toshin Development Singapore Pet, Ltd. (Local currency basis)	8.9 111 mil.	+0.1 +1.4%	+0.2 +1.9%	2.3 29 mil.	-0.0 -0.6%	-0.0 -1.5%

Exchange rate: 1SGD=80.24JPY 1CNY=16.36JPY 1VND=0.0048JPY

Note: Comparison between projected and actual figures is based on the targeted figures announced on April 7, 2017. 32

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.