



June 25, 2019  
 Company Takashimaya Co., Ltd.  
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## Takashimaya to Liquidate Subsidiary in China

Takashimaya's Board of Directors has decided to liquidate China-based subsidiary Shanghai Takashimaya pending shareholder approval. The decision was taken at a board meeting held on June 25, 2019, following the subsidiary's failure to negotiate a rent reduction. Shanghai Takashimaya's shareholders will vote on the move at the General Meeting of Shareholders scheduled for August 25, 2019.

### Background

Shanghai Takashimaya Co., Ltd., is a consolidated subsidiary of Takashimaya that operates the eponymous department store located in Shanghai's Changning District. Since it first opened, the store has sought to deliver an authentic Japanese-style department store experience, and has developed a large local following.

Despite sales growth, the store has failed to turn a profit as initially planned. The lack of profitability is largely due to tough competition within the industry coupled with delays and changes in development projects for adjacent commercial facilities. These problems have been compounded by China's economic slowdown and falling consumer spending, which reflect the protracted US-China trade friction.

In view of these developments, the Board of Directors concluded that it was no longer feasible for Shanghai Takashimaya to continue, and resolved a plan to dissolve and liquidate the subsidiary. Under this plan, the store will close on August 25, 2019.

### Profile of Shanghai Takashimaya

Name	Shanghai Takashimaya Co., Ltd.	
Address	1438 Hongqiao Road, Changning Qu, Shanghai, PRC	
Representative	Tomoaki Komori (Managing Director)	
Business	Department store	
Capital	490,000,000 CNY	
Date founded	February 24, 2009	
Share ownership	Takashimaya Singapore Ltd. 66% Takashimaya Company, Limited 17% Toshin Development Co., Ltd. 17%	
Relationship with Takashimaya	Capital	Takashimaya holds 17 percent of Shanghai Takashimaya's stock
	Human resources	A senior managing director, consultant, and executive officer of Takashimaya each serve concurrently as managing director of Shanghai Takashimaya
	Transactions	Shanghai Takashimaya pays Takashimaya for permission to use trademarks and for business guidance services, borrows working capital from Takashimaya.
	Is Takashimaya Shanghai a "related party" (as defined in Japanese law)?	Being a consolidated subsidiary of Takashimaya, Shanghai Takashimaya does constitute a related party of Takashimaya

<b>Financial performance in the last three years</b>			
Amounts indicate multiples of 1,000 CNY. Parenthesized amounts indicate yen basis (in multiples of 1 million JPY)			
Accounting period	FY February 2017	FY February 2018	FY February 2019
Net assets	59,287 (993)	-126,427 (-2,185)	-218,270 (-3,527)
Gross assets	890,409 (14,923)	752,113 (12,537)	276,099 (4,461)
Net sales	[Gross] 386,162 (6,333)	[Gross] 421,326 (7,002)	[Net] 191,483 (3,186)
Operating income	-59,762 (-980)	-68,600 (-1,140)	-52,072 (-866)
Ordinary income	-96,913 (-1,589)	-88,049 (-1,463)	-91,823 (-1,527)
Profit attributable to owners of parent	-97,923 (-1,605)	-185,714 (-3,086)	-91,842 (-1,528)

Notes:

Each yen-basis amount was calculated at the end of the period. The exchange rates varied from 1 CNY = 16.16 JPY to 1 CNY = 17.29 JPY.

In FY February 2019, we changed the accounting method for consignment buying in line with International Financial Reporting Standards (IFRS). Previously, consignment buying was reported on a gross basis, with sales and cost of sales aggregated. Now, consignment buying is reported on a net basis, with only profit margin on sales calculated as sales.

### Liquidation Schedule

August 25, 2019: Shanghai Takashimaya's shareholders will vote on proposal to dissolve and liquidate the company in the Extraordinary General Meeting of Shareholders. If they approve the proposal, the department store will close on the same day.

Shanghai Takashimaya will be in complete liquidation once it has undergone all necessary liquidation procedures provided by PRC law. This should happen by FY 2021.

### Implications for Takashimaya

The proposed dissolution and liquidation may lead to losses of 2 to 3 billion yen. We are currently examining how the plan would affect the consolidated results for FY February 2020, and we will notify you as soon as we have estimated this. Another implication is that some or all of Takashimaya's loans to Shanghai Takashimaya may become irrecoverable. If loans do become irrecoverable, they would be offset and thus not affect the consolidated results.