Takashimaya / 8233

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Research Coverage Report by Shared Research Inc.

INDEX

How to read a Shared Research report: This report begins with the trends and outlook section, which discusses the company's most recent earnings. First-time readers should start at the business section later in the report.

Executive summary

- Takashimaya is the operator of one of the largest department store chains in Japan. It has 17 domestic stores comprising 13 stores run by the parent—including the Osaka, Tokyo (Nihombashi), Yokohama, and Shinjuku stores—and four stores owned by subsidiaries. Being one of the oldest department stores in Japan, Takashimaya has many long-time customers. The building that houses the Nihombashi store was given the status of a historic building and later designated as one of Japan's Important Cultural Properties. Overseas, it has stores in Singapore (opened in 1993), Shanghai, China (2012), Ho Chi Minh City, Vietnam (2016), and Bangkok, Thailand (2018).
- The company breaks down its business into five reporting segments: Department Stores, Commercial Property Development, Finance, Contract and Design, and Others. Of the FY02/19 operating revenue of JPY26.7bn, Department Stores accounted for JPY8.7bn (32.6% of total), Commercial Property Development JPY9.4bn (35.3%), Finance JPY4.9bn (18.3%), and Contract and Design JPY727mn (2.7%). The Commercial Property Development business is involved in the development and operation of shopping centers, and real estate development overseas. The Finance business mainly handles the credit card business, and the Contract and Design business deals with interior decorating for the company properties as well as for hotels and luxury brand boutiques.
- In the Department Stores business, sales to inbound tourists have been the growth driver in recent years. Almost 20% of sales at the Osaka and Shinjuku stores come from sales to inbound tourists. An issue the company faces, however, is the downtrend in gross margins on merchandise sales. Apparel sales, which boast high margins and have become the source of profit at the company's department stores, have continued to decline, and the profitability of other product categories seems to be falling gradually as well. The company plans to work on initiatives aimed at cutting costs while enhancing the appeal of its department stores, merchandises, and services.
- The Finance and overseas businesses are gaining attention as the drivers of the medium- and long-term growth. The company has positioned the Finance business as a business highly compatible with the Department Stores business, and intends to strengthen its relationships with customers through offering financial products that cater to customers' important life events. Overseas, the company aims to expand department store sales in Shanghai (China), Vietnam, and Thailand, and targets medium- to long-term growth through real estate development in surrounding regions.

Trends and outlook

- In FY02/19, Takashimaya reported consolidated operating revenue of JPY912.8bn (+0.6% YoY), operating profit of JPY26.7bn (-24.5% YoY), and net income attributable to owners of the parent of JPY16.4bn (-30.5% YoY). Sales growth at domestic department stores and smaller losses at its airport duty-free shops could not cover the factors that weighed on profit, including higher expenses at the domestic department store business, the dropout of the gain on the condominium sales booked in FY02/18, the increase in expenses related to the opening of the Nihombashi Takashimaya Shopping Center and the Siam Takashimaya, the decline in the gross margin on merchandise sales at domestic department stores, and the decline in earnings at subsidiaries.
- For FY02/20, the company forecasts operating revenue of JPY933.0bn (+2.2% YoY), operating profit of JPY28.0bn (+5.0% YoY), net income of JPY17.0bn (+3.4% YoY), and EPS of JPY99.3. It expects the adoption of IFRS 16 "Leases" to boost operating profit by JPY2.7bn, but excluding this impact, it forecasts a 5.2% YoY decline (about JPY1.4bn) in operating profit. Positive impacts on operating profit YoY include JPY2.2bn contributed by higher revenue at department stores, JPY600mn from the opening of the Nihombashi Takashimaya Shopping Center, and JPY300mn contributed by subsidiaries; on the other hand, negative impacts include JPY800mn caused by a decline in demand accompanying the consumption tax increase, JPY2.4bn owing to lower gross margins on merchandise sales, and JPY1.3bn due to increased expenses at department stores. The full-year dividend forecast is JPY24.0 per share. The company plans to continue maintaining a stable dividend that provides the optimum level of returns to shareholders while taking into consideration the various challenges presented by the operating environment. In June 2019, it announced the acquisition of treasury shares (maximum of 8mn shares/JPY10.0bn), which would enable it to enhance shareholder returns and flexibly implement capital policy.

- The company announces its long-term plan on a rolling basis every year. This time around the long-term plan covers the years from FY02/20 through FY02/24. For FY02/24, the company has set a target of JPY990bn for operating revenue and JPY43bn for operating profit; this represents a CAGR of 1.6% and 10.0% from FY02/19 for operating revenue and profit, respectively. The company is targeting ROE of 5.0%, ROA of 3.7%, and shareholders' equity ratio of 42.9%. During the period it is looking to generate a cumulative total of JPY210bn in operating cash flow and spend an equal amount on investments. With the Machi-Zukuri strategy at the heart of its basic strategy, the company aims to realize stable growth. It believes it has ample room to improve group synergies and accumulate earnings in its Finance and overseas businesses.

Strengths and weaknesses

Shared Research believes the company's strengths are 1) strong support from core senior affluent customers, 2) strength of the store network and group's development capability, and 3) strong presence in Asia. Weaknesses include its 1) falling customer count caused by demographic change, 2) business model with continual capex requirement, and 3) characteristic business practices including itaku hanbai (consignment sales) (see Strengths and weaknesses section for details).

Key financial data

Income statement (JPYmn)	FY02/10 Act.	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Est.
Operating revenue	**877,762**	**869,476**	**858,123**	**870,333**	**904,180**	**912,523**	**929,588**	**923,601**	**949,572**	**912,848**	**933,000**
YoY	-10.1%	-0.9%	-1.3%	1.4%	3.9%	0.9%	1.9%	-0.6%	2.8%	-3.9%	2.2%
Sales	**827,872**	**819,062**	**805,757**	**815,387**	**845,785**	**851,374**	**865,889**	**860,761**	**886,700**	**846,894**	**862,000**
YoY	-10.6%	-1.1%	-1.6%	1.2%	3.7%	0.7%	1.7%	-0.6%	3.0%	-4.5%	1.8%
Gross profit	218,056	212,249	208,245	209,700	214,673	214,492	214,878	211,996	218,405	217,403	218,130
YoY	-11.9%	-2.7%	-1.9%	0.7%	2.4%	-0.1%	0.2%	-1.3%	3.0%	-0.5%	0.3%
GPM	26.3%	25.9%	25.8%	25.7%	25.4%	25.2%	24.8%	24.6%	24.6%	25.7%	25.3%
Operating profit	13,428	18,173	21,099	25,476	29,099	32,022	32,972	34,000	35,318	26,661	28,000
YoY	-45.9%	35.3%	16.1%	20.7%	14.2%	10.0%	3.0%	3.1%	3.9%	-24.5%	5.0%
OPM	1.6%	2.2%	2.6%	3.1%	3.4%	3.8%	3.8%	3.9%	4.0%	3.1%	3.2%
Recurring profit	16,764	22,484	24,355	29,866	33,350	35,904	37,785	37,215	38,606	31,234	26,000
YoY	-40.1%	34.1%	8.3%	22.6%	11.7%	7.7%	5.2%	-1.5%	3.7%	-19.1%	-16.8%
RPM	2.0%	2.7%	3.0%	3.7%	3.9%	4.2%	4.4%	4.3%	4.4%	3.7%	3.0%
Net income	**7,709**	**13,849**	**10,895**	**16,540**	**18,716**	**22,581**	**23,829**	**20,870**	**23,658**	**16,443**	**17,000**
YoY	-34.4%	79.6%	-21.3%	51.8%	13.2%	20.7%	5.5%	-12.4%	13.4%	-30.5%	3.4%
Net margin	0.9%	1.7%	1.4%	2.0%	2.2%	2.7%	2.8%	2.4%	2.7%	1.9%	2.0%
Per share data (JPY)											
Shares issued (year-end; '000)	330,827	330,827	330,827	330,827	330,827	355,519	355,519	355,519	355,519	177,759	-
Shares issued (adjusted, year-end; '000)	165,414	165,414	165,414	165,414	165,414	177,759	177,759	177,759	177,759	177,759	-
EPS	46.7	83.9	66.0	100.3	113.5	132.6	135.8	119.4	135.4	94.1	99.3
EPS (fully diluted)	44.2	78.1	61.4	93.3	102.4	112.1	119.6	105.1	119.2	81.4	-
Dividend per share	20.0	20.0	20.0	20.0	20.0	20.0	24.0	24.0	24.0	24.0	24.0
Book value per share	1,742	1,796	1,832	1,997	2,172	2,263	2,283	2,359	2,359	2,541	-
Balance sheet (JPYmn)											
Cash and cash equivalents	59,011	70,503	76,124	69,495	106,451	87,887	75,487	107,159	99,541	97,090	
Total current assets	**239,816**	**265,878**	**262,394**	**236,263**	**332,121**	**288,147**	**290,625**	**325,500**	**327,501**	**307,568**	
Tangible fixed assets	381,943	381,920	375,748	378,755	394,436	412,474	417,307	413,703	550,757	621,228	
Intangible fixed assets	19,417	26,451	29,799	28,979	28,716	109,505	108,327	107,172	18,035	28,951	
Investments and other assets	143,921	142,838	135,975	146,688	146,864	169,483	158,161	140,087	139,511	120,382	
Total assets	**785,098**	**817,088**	**803,917**	**790,687**	**902,139**	**979,611**	**974,421**	**986,464**	**1,035,807**	**1,078,130**	
Accounts payable	85,684	87,248	87,297	87,883	95,901	101,558	103,363	101,320	102,428	108,560	
Short-term debt	24,593	14,083	39,811	19,172	47,301	37,292	17,187	9,007	50,382	13,418	
Total current liabilities	**302,444**	**304,198**	**322,910**	**294,645**	**335,599**	**336,703**	**325,082**	**319,793**	**370,888**	**349,216**	
Long-term debt	95,962	117,679	87,667	79,674	120,227	126,225	137,412	146,255	123,878	181,363	
Total fixed liabilities	**191,415**	**211,789**	**173,525**	**160,597**	**201,627**	**234,430**	**241,951**	**244,780**	**215,392**	**267,328**	
Total liabilities	**493,859**	**515,988**	**496,436**	**455,243**	**537,227**	**571,133**	**567,034**	**564,574**	**586,281**	**616,545**	
Net assets	**291,239**	**301,099**	**307,481**	**335,443**	**364,912**	**408,477**	**407,386**	**421,890**	**449,526**	**461,585**	
Cash flow statement (JPYmn)											
Cash flows from operating activities	23,428	20,645	31,921	44,141	40,582	41,018	25,638	42,266	36,870	67,913	46,000
Cash flows from investing activities	-10,508	-13,240	-16,356	-28,470	-30,389	-116,049	-16,081	-9,124	-62,286	-85,815	-29,000
Cash flows from financing activities	14,817	7,673	-8,210	-32,931	64,391	11,619	-19,239	-4,228	14,185	17,226	-22,000
Financial ratios											
Total interest-bearing debt	120,555	131,762	127,478	98,846	167,528	163,517	154,599	155,262	174,262	194,783	195,000
ROA (RP-based)	2.2%	2.8%	3.0%	3.7%	3.9%	3.8%	3.9%	3.8%	3.8%	3.0%	2.3%
ROE	2.7%	4.7%	3.6%	5.2%	5.4%	5.9%	6.0%	5.1%	5.6%	3.7%	3.8%
Equity ratio	36.6%	36.3%	37.6%	41.7%	39.7%	40.9%	40.9%	41.8%	42.2%	41.2%	38.1%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods; ROA is based on recurring profit.
Note: From FY02/19, sales from consignment transaction by overseas subsidiaries are reported on a net basis, the portion that represents income to the company.
Note: From FY02/20 IFRS16 "Leases" is adopted for overseas subsidiaries.
Note: The company conducted a one-for-two reverse stock split of common shares effective September 1, 2018. Per-share indicators are retroactively adjusted to reflect this.

Recent updates

Highlights

On **January 17, 2020**, Shared Research updated the report following interviews with Takashimaya Co., Ltd.

On **January 6, 2020**, the company released monthly store sales data for December 2019; see the monthly trends section for details.

On **December 26, 2019**, the company announced earnings results for Q3 FY02/20; see the results section for details.

On **December 9, 2019,** the company announced the joint acquisition of a commercial and office building complex in Hanoi, Vietnam.

Consolidated subsidiary Toshin Development and Shimizu Investment (Asia), a consolidated subsidiary of Shimizu Corporation (TSE1: 1803), jointly acquired Hanoi Residential and Commercial Centre - HRCC Limited's stake in the commercial and office building complex Indochina Plaza Hanoi in Hanoi, Vietnam on November 29, 2019 (equity ratio: 60% Toshin Development, 40% Shimizu Investment [Asia]). Hanoi Residential and Commercial Centre - HRCC owns and manages the building complex.

Toshin Development will further develop its Vietnam business, where continued future growth is expected, thereby expanding the Takashimaya group's growing overseas business. Shimizu Corporation considers Vietnam as one of the key Asian markets for its investment development business and plans to work on office, hotel, and residential development. The companies acquired the commercial and office portions of the building complex in the Cau Giay district of Hanoi, where new city center development is progressing. Going forward, the two companies plan to leverage each other's expertise to increase the added value of the property through such measures as renewing the commercial portion of the complex. Additionally, a building management company will become an affiliate, and the companies plan to use its expertise for the development business.

On **December 2, 2019**, the company released monthly store sales data for November 2019.

On **November 5, 2019,** the company announced its plan to dissolve and liquidate consolidated subsidiary Dear Mayuko Co., Ltd.

In May 2015, the company and Seiren Co., Ltd. established Dear Mayuko, which manufactures and sells cosmetics and lifestyle-related products (shareholder composition: the company, 65.5%, and Seiren 34.5%). However, Takashimaya resolved to dissolve and liquidate Dear Mayuko as it expects it would take time to improve business at the subsidiary, which failed to move into the black with operating revenue of JPY98mn and an operating loss of JPY389mn in FY02/19. Dissolution of the subsidiary is scheduled to take place on May 15, 2020, and liquidation at end-August the same year. The company maintains that although the dissolution and liquidation of the subsidiary could result in an extraordinary loss, its impact on consolidated earnings for FY02/20 would be marginal.

On **November 1, 2019**, the company released monthly store sales data for October 2019.

On **October 11, 2019**, the company announced earnings results for 1H FY02/20.

On **the same day**, the company announced the sale of all the shares in consolidated subsidiary Yonago Takashimaya Co., Ltd.

Takashimaya has entered into a basic agreement to sell its entire holding of shares in wholly-owned subsidiary Yonago Takashimaya to Joy Urban Ltd. Yonago Takashimaya recorded operating revenue of JPY4.9bn and operating profit of JPY6mn in FY02/19. The company plans to execute the contract in late December 2019 and transfer the shares on March 1, 2020. The sales price is undisclosed. The company has invested in the growth of the Yonago Takashimaya business by providing sales and staffing support. Takashimaya and Joy Urban have been discussing business relationships and arrangements that would help drive further development of the local community and Yonago Takashimaya. Along with the sale of its entire stake in the subsidiary, the company determined that the appropriate course of action included a new trademark licensing agreement, and plans to grant rights to Yonago Takashimaya covering trademarks the subsidiary is currently using. Yonago Takashimaya plans to continue its operations under the new (tentative) name of JU Yonago Takashimaya.

On **the same day**, the company announced the planned closure of its Konandai Store and Takashimaya Style Maison.

Takashimaya plans to close its Konandai Store on August 16, 2020 and Takashimaya Style Maison on February 16, 2020. The Konandai Store (sales floor area: 8,214sqm; 106 employees) opened in October 1983. The company decided to close the store after judging that it would be difficult to carry on operations given changes to the local business environment and the uncertain outlook for consumer spending. Sales were JPY8.0bn in FY02/19. Takashimaya Style Maison (sales floor area: 725sqm; five employees) opened in October 2015. Takashimaya Style Maison is a curated satellite shop operating in LaLaport Ebina (Mitsui Shopping Park). As is the case with the Konandai Store, the company decided to close the store as it would be difficult to continue operations. Sales were JPY365mn in FY02/19.

For previous releases and developments, please refer to the News and topics section.

Trends and outlook

Monthly trends

All-store sales		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
FY02/16													
Total	Takashimaya (parent)	-23.8%	18.1%	10.0%	2.9%	6.9%	4.0%	4.9%	9.4%	-1.0%	2.1%	0.0%	1.1%
	Takashimaya and regional stores	-23.7%	17.6%	9.7%	2.6%	6.8%	3.9%	4.6%	8.9%	-1.1%	1.9%	0.1%	1.1%
Department store	Takashimaya (parent)	-23.9%	16.6%	9.7%	1.4%	7.0%	3.5%	4.4%	7.2%	-1.0%	0.9%	0.7%	1.7%
	Takashimaya and regional stores	-23.7%	16.2%	9.4%	1.2%	6.8%	3.4%	4.1%	6.8%	-1.1%	0.8%	0.7%	1.6%
Corporate		-25.9%	34.2%	7.6%	23.2%	1.6%	8.0%	11.6%	65.9%	4.2%	23.9%	-11.8%	-3.5%
Cross-media		-16.6%	57.5%	29.3%	24.2%	14.6%	19.5%	12.4%	2.0%	-8.7%	17.1%	-3.7%	-5.8%
FY02/17													
Total	Takashimaya (parent)	1.6%	0.3%	-1.2%	-2.6%	0.1%	-3.0%	-4.5%	-6.6%	0.9%	0.3%	-0.2%	-2.0%
	Takashimaya and regional stores	1.2%	0.3%	-1.1%	-2.7%	0.1%	-3.3%	-4.6%	-6.1%	0.8%	0.2%	-0.5%	-1.8%
Department store	Takashimaya (parent)	-0.8%	-0.6%	-1.7%	-1.9%	0.7%	-4.0%	-4.3%	-4.0%	1.3%	0.4%	0.5%	-1.4%
	Takashimaya and regional stores	-1.0%	-0.5%	-1.6%	-2.1%	0.6%	-4.2%	-4.5%	-3.8%	1.1%	0.3%	0.1%	-1.3%
Corporate		58.6%	18.4%	7.7%	-14.8%	-13.7%	12.6%	-3.1%	-35.3%	3.9%	3.7%	0.7%	0.8%
Cross-media		0.2%	0.0%	2.8%	1.2%	1.1%	1.7%	-16.6%	-27.4%	-18.0%	-6.6%	-27.6%	-30.5%
Duty-free sales		Over 30%	10.0%	5.2%	-1.6%	2.6%	-10.9%	16.7%	11.3%	9.2%	29.8%	38.8%	33.5%
Store sales (following month; up to mid-month release)			0.1%	-4.1%	3.6%	0.3%	-5.0%	-5.0%	5.0%	-1.5%	-1.0%	-2.9%	1.5%
	Duty-free sales						7.0%	5.0%	7.0%	27.6%	38.9%	25.8%	63.0%
FY02/18													
Total	Takashimaya (parent)	3.1%	1.8%	2.5%	4.7%	0.6%	2.4%	8.7%	2.5%	6.5%	2.1%	0.5%	-0.1%
	Takashimaya and regional stores	2.8%	1.7%	2.0%	4.4%	0.3%	2.8%	8.3%	2.2%	6.2%	2.0%	0.4%	-0.3%
Department store	Takashimaya (parent)	2.5%	2.9%	2.4%	4.9%	-0.0%	3.6%	8.7%	2.2%	3.9%	0.9%	0.5%	0.0%
	Takashimaya and regional stores	2.2%	2.6%	1.9%	4.6%	-0.3%	3.9%	8.2%	1.9%	3.9%	0.8%	0.5%	-0.3%
Corporate		23.6%	-2.3%	9.4%	11.7%	21.1%	-10.0%	7.5%	7.5%	62.4%	15.2%	-3.1%	-6.4%
Cross-media		-26.6%	-29.5%	-9.2%	-15.6%	-4.1%	-14.8%	12.9%	6.1%	14.1%	20.4%	8.3%	17.9%
Duty-free sales		50.8%	37.3%	71.1%	37.6%	43.8%	54.7%	62.5%	62.2%	48.2%	26.0%	22.4%	14.6%
Store sales (following month; up to mid-month release)		5.7%	1.8%	3.0%	-0.1%	2.3%	9.6%	5.5%	3.3%	1.1%	2.3%	-3.9%	0.0%
	Duty-free sales	28.5%	55.3%	20.8%	38.4%	46.1%	63.9%	69.2%	59.7%	32.4%	17.3%	-4.3%	27.5%
FY02/19													
Total	Takashimaya (parent)	2.6%	2.5%	-0.4%	3.9%	-3.5%	2.3%	-2.8%	3.7%	-2.0%	1.0%	-1.6%	2.1%
	Takashimaya and regional stores	2.5%	2.3%	-0.5%	4.0%	-3.7%	1.6%	-2.6%	3.3%	-2.0%	1.0%	-1.6%	1.9%
Department store	Takashimaya (parent)	3.0%	3.0%	-0.4%	4.6%	-3.5%	1.5%	-3.4%	3.9%	-0.5%	0.5%	-2.7%	1.8%
	Takashimaya and regional stores	2.8%	2.7%	-0.5%	4.6%	-3.7%	0.9%	-3.1%	3.5%	-0.6%	0.5%	-2.5%	1.6%
Corporate		-4.6%	-9.8%	-3.8%	-10.0%	-14.4%	8.5%	7.0%	-4.2%	-27.9%	-0.2%	18.6%	5.3%
Cross-media		13.6%	16.1%	9.0%	8.9%	16.5%	22.8%	1.0%	11.7%	8.2%	13.4%	6.6%	5.6%
Duty-free sales		22.0%	23.7%	18.2%	48.3%	19.5%	24.2%	-2.7%	3.0%	8.5%	6.5%	-15.1%	8.6%
Store sales (following month; up to mid-month release)		0.4%	-0.7%	-0.3%	-0.2%	1.5%	-10.9%	-1.6%	-2.2%	-1.9%	-2.3%	0.8%	-2.2%
	Duty-free sales	20.2%	28.5%	54.4%	20.3%	28.2%	-6.2%	-5.7%	10.7%	11.1%	-15.0%	27.7%	5.9%
FY02/20													
Total	Takashimaya (parent)	-0.1%	0.5%	0.3%	1.5%	0.0%	4.8%	32.1%	-18.8%	-5.0%			
	Takashimaya and regional stores	0.0%	0.5%	0.2%	1.4%	0.0%	4.7%	31.6%	-18.9%	-4.8%			
Department store	Takashimaya (parent)	1.3%	-1.1%	-0.1%	0.7%	-1.4%	3.8%	33.4%	-19.7%	-4.3%	-4.9%		
	Takashimaya and regional stores	1.2%	-1.1%	-0.1%	0.7%	-1.3%	3.8%	32.8%	-19.7%	-4.2%	-5.0%		
Corporate		-18.2%	28.7%	5.7%	17.9%	31.2%	26.9%	4.4%	-14.6%	-18.5%			
Cross-media		-0.5%	12.9%	4.0%	0.8%	8.1%	6.2%	41.2%	3.2%	-3.9%			
Duty-free sales		7.3%	2.7%	0.4%	-8.2%	-0.4%	-9.2%	-1.1%	-16.9%	-13.0%	-13.8%		
Store sales (following month; up to mid-month release)		-1.9%	-0.9%	-1.6%	1.6%	3.3%	13.9%	-30.3%	-9.1%	-5.4%			
	Duty-free sales	13.8%	-1.7%	-4.8%	-4.2%	-5.2%	-1.8%	-12.0%	-18.1%	-23.1%			

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Comment on monthly store sales

Store sales in December 2019 were down 5.0% YoY across Takashimaya (parent) stores and 17 domestic subsidiary department stores. Although the company is recovering from a fallback in demand after the consumption tax hike, sales were down YoY because there was one fewer Saturday and one fewer holiday in December 2019 than in December 2018. Duty-free sales declined 13.8% YoY. Sales of all products fell YoY except for cafeteria sales and service sales. Sales at all stores were down YoY.

Monthly store sales YoY	2018				2019												2020		FY02/19 (JPYmn)	
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Act.	% of total
Total (Takashimaya)	-2.8%	3.7%	-2.0%	1.0%	-1.6%	2.1%	-0.1%	0.5%	0.3%	1.5%	0.0%	4.8%	33.4%	-18.8%	-5.0%				715,333	93.1%
Takashimaya and domestic dept. store subsidiaries	-2.6%	3.3%	-2.0%	1.0%	-1.6%	1.9%	0.0%	0.5%	0.2%	1.4%	0.0%	4.7%	32.8%	-18.9%	-4.8%				768,448	100.0%
Monthly sales by store																				
Osaka	-7.8%	7.3%	3.3%	2.0%	-3.8%	7.3%	5.1%	-0.2%	3.9%	5.0%	4.5%	4.0%	50.8%	-15.5%	-7.0%	-3.0%			147,271	19.2%
Sakai	-9.3%	-3.5%	-9.4%	-8.6%	-11.7%	-6.9%	-9.6%	-14.2%	-10.9%	-9.1%	-12.6%	-6.4%	12.4%	-19.8%	-8.0%	-3.5%			12,625	1.6%
Kyoto, Rakusai	-5.6%	5.0%	1.8%	3.2%	-1.1%	3.9%	1.2%	0.6%	0.7%	1.3%	1.6%	4.2%	36.3%	-18.9%	-4.4%	-7.5%			90,343	11.8%
Senboku	-5.6%	5.3%	2.6%	0.9%	-0.5%	2.1%	3.6%	-0.6%	-4.6%	3.2%	-13.8%	-1.8%	15.5%	-12.8%	-3.2%	-10.8%			17,119	2.2%
Nihombashi	-7.5%	1.7%	-3.8%	-2.2%	-4.9%	0.5%	1.9%	-1.2%	1.8%	1.8%	1.8%	13.8%	52.4%	-26.7%	-2.7%	-3.6%			129,308	16.8%
Yokohama, Foodmaison, Stylemaison	1.8%	3.5%	-3.0%	0.7%	-1.2%	0.1%	-1.0%	-0.9%	-0.9%	-0.4%	-3.6%	0.6%	26.7%	-20.1%	-2.6%	-4.5%			132,528	17.2%
Konandai	-2.3%	1.5%	-2.1%	-4.0%	-3.8%	-1.1%	-1.4%	-2.9%	-2.0%	0.1%	-5.4%	-2.3%	3.0%	-14.5%	-4.9%	-7.2%			7,979	1.0%
Shinjuku	2.1%	3.0%	0.4%	-0.3%	-5.7%	-1.4%	1.9%	-0.8%	-4.1%	-1.8%	-3.4%	3.0%	14.0%	-23.7%	-5.8%	-6.3%			74,824	9.7%
Tamagawa	-0.5%	-2.5%	-1.4%	0.7%	-1.2%	-1.6%	-1.9%	-4.2%	-0.3%	0.8%	-6.3%	4.7%	26.6%	-18.8%	-3.4%	-6.4%			43,755	5.7%
Tachikawa	-17.3%	-5.3%	-10.0%	-7.6%	-13.7%	-10.5%	-9.8%	-11.3%	-8.8%	-10.8%	-10.1%	-5.6%	31.8%	-18.5%	-6.7%	-4.6%			9,628	1.3%
Omiya	-11.5%	8.7%	0.1%	-5.3%	4.7%	-3.3%	-3.6%	-3.7%	-7.4%	-5.1%	-6.6%	4.7%	32.7%	-25.6%	-8.9%	-7.4%			9,975	1.3%
Kashiwa, Foodmaison Otakanomori	4.0%	7.4%	2.6%	4.6%	3.6%	3.6%	3.0%	-0.5%	-0.5%	-2.0%	-4.2%	-0.4%	15.9%	-16.1%	-1.6%	-2.7%			39,972	5.2%
Takashimaya (parent; 13 stores)	**-3.4%**	**3.9%**	**-0.5%**	**0.5%**	**-2.7%**	**1.8%**	**1.3%**	**-1.1%**	**-0.1%**	**0.7%**	**-1.4%**	**3.5%**	**33.4%**	**-19.7%**	**-4.3%**	**-4.9%**				
Okayama Takashimaya	2.5%	-0.3%	-0.3%	0.6%	-0.2%	1.9%	4.5%	-0.9%	-1.1%	4.2%	5.5%	7.1%	22.5%	-20.6%	-2.2%	-4.4%			18,376	2.4%
Gifu Takashimaya	-7.5%	-1.5%	-5.8%	-1.1%	-5.4%	-6.2%	-4.0%	-3.1%	-5.2%	-0.5%	-4.1%	1.9%	17.7%	-14.7%	1.2%	-6.9%			14,055	1.8%
Yonago Takashimaya	-4.5%	-1.1%	-2.3%	0.4%	-0.8%	1.5%	-12.0%	-1.8%	4.2%	-5.9%	-5.1%	-3.9%	30.0%	-23.8%	-12.8%	-7.5%			4,788	0.6%
Takasaki Takashimaya	8.5%	-3.6%	0.5%	0.4%	1.8%	1.2%	3.2%	2.5%	3.5%	-0.9%	-1.6%	3.8%	33.4%	-21.5%	-2.8%	-4.8%			15,894	2.1%
Takashimaya and domestic dept. store subsidiaries	**-3.1%**	**3.5%**	**-0.6%**	**0.5%**	**-2.5%**	**1.6%**	**1.2%**	**-1.1%**	**-0.1%**	**0.7%**	**-1.3%**	**3.5%**	**32.8%**	**-19.7%**	**-4.2%**	**-5.0%**			**746,248**	**97.1%**
Corporate	7.0%	-4.2%	-27.9%	-0.2%	18.6%	5.3%	-18.2%	28.7%	5.7%	17.9%	31.2%	26.9%	4.4%	-14.6%	-18.5%				34,655	4.5%
Cross-media	1.0%	11.7%	8.2%	13.4%	6.6%	5.6%	-0.5%	12.9%	4.0%	0.8%	8.1%	6.2%	41.2%	3.2%	-3.9%				17,543	2.3%
Customer count by store																				
Osaka	-12.3%	12.6%	8.1%	5.4%	3.8%	6.6%	10.3%	5.2%	10.2%	16.4%	12.5%	16.1%	30.9%	-4.2%	-1.0%					
Sakai	-7.8%	2.2%	-0.6%	-6.3%	-1.9%	-2.1%	-4.2%	-2.1%	-2.0%	0.4%	1.7%	1.2%	12.4%	3.8%	4.8%					
Kyoto, Rakusai	-6.1%	3.0%	-1.5%	1.5%	1.3%	0.0%	-1.4%	-1.9%	-3.3%	2.6%	1.8%	-0.6%	10.5%	-7.2%	-1.1%					
Senboku	-8.2%	-1.0%	-2.9%	-1.0%	-2.0%	0.2%	-0.6%	-3.2%	-2.1%	0.7%	-4.0%	-0.9%	6.7%	-5.6%	-1.2%					
Nihombashi	40.1%	84.4%	58.0%	51.3%	-4.9%	45.8%	39.0%	26.4%	31.4%	28.6%	25.7%	35.2%	1.6%	-30.3%	-12.8%					
Yokohama, Foodmaison, Stylemaison	-0.2%	0.4%	-3.5%	-2.4%	-2.1%	-1.3%	-0.3%	-1.4%	-2.0%	-1.7%	-0.7%	-1.4%	5.7%	-3.3%	4.8%					
Konandai	2.7%	2.5%	-3.5%	-1.6%	-3.9%	-4.0%	-0.9%	-1.1%	-2.0%	0.7%	-6.4%	-2.9%	-4.9%	-12.3%	-7.2%					
Shinjuku	-0.2%	2.7%	1.3%	1.8%	-0.5%	-1.3%	-0.4%	-1.9%	-1.7%	-4.4%	-5.9%	0.7%	-3.3%	-13.1%	-2.9%					
Tamagawa	2.3%	1.3%	-1.5%	1.9%	-0.8%	0.0%	-0.3%	-0.5%	0.1%	0.6%	-7.4%	2.8%	1.5%	-6.9%	-0.3%					
Tachikawa	5.7%	30.5%	5.3%	7.7%	10.5%	10.1%	7.7%	5.1%	11.1%	9.0%	12.1%	16.5%	19.6%	-7.1%	4.9%					
Omiya	-3.2%	7.9%	-2.3%	0.8%	5.8%	1.2%	3.4%	4.4%	1.0%	-2.5%	-5.8%	0.1%	10.1%	-14.2%	-1.9%					
Kashiwa, Foodmaison Otakanomori	3.6%	6.8%	2.3%	4.6%	1.2%	4.7%	3.2%	4.0%	2.4%	0.5%	-2.0%	-1.4%	3.9%	-5.9%	-1.2%					
Takashimaya (parent; 13 stores)	**-0.4%**	**9.6%**	**3.8%**	**4.2%**	**3.3%**	**3.9%**	**4.4%**	**2.3%**	**3.0%**	**4.2%**	**2.0%**	**5.0%**	**8.5%**	**-8.5%**	**-0.8%**					
Okayama Takashimaya	2.9%	-2.5%	-0.7%	-2.7%	-2.6%	-1.4%	-0.9%	-1.2%	1.0%	-0.5%	0.7%	-3.3%	0.2%	-3.0%	-1.1%					
Gifu Takashimaya	-9.7%	-2.2%	-8.7%	-5.5%	-1.3%	-3.5%	-4.0%	-6.8%	-8.9%	-7.7%	-6.6%	-4.6%	1.7%	-9.6%	3.5%					
Yonago Takashimaya	-21.2%	-6.0%	-14.0%	-19.8%	-9.2%	-16.1%	-15.3%	3.9%	2.2%	-3.6%	-8.6%	-12.2%	0.0%	-19.7%	-4.4%					
Takasaki Takashimaya	18.1%	-25.1%	-18.9%	-6.9%	-7.2%	-3.3%	0.1%	-2.0%	-3.0%	-5.2%	-4.8%	1.7%	4.8%	-9.1%	2.9%					
Takashimaya and domestic dept. store subsidiaries	**-0.2%**	**8.0%**	**2.9%**	**3.4%**	**2.7%**	**3.3%**	**3.8%**	**1.9%**	**2.6%**	**3.6%**	**1.7%**	**4.3%**	**7.9%**	**-8.3%**	**-0.8%**					
By product (Takashimaya, domestic dept. store subsidiaries)																				
Apparel	-1.9%	-0.2%	-4.9%	-0.5%	-2.5%	1.5%	2.1%	-2.7%	-1.1%	0.8%	-4.0%	6.9%	22.3%	-19.6%	-6.7%				214,827	28.0%
Menswear and goods	-4.4%	-6.0%	-10.5%	-3.0%	-2.9%	-5.4%	-4.3%	-7.9%	-6.8%	-0.1%	-8.5%	-2.4%	11.9%	-23.9%	-7.2%				43,235	5.6%
Womenswear and goods	-1.3%	2.0%	-3.5%	0.7%	-3.2%	3.8%	5.2%	0.9%	0.9%	0.9%	-3.2%	8.9%	20.6%	-18.1%	-5.2%				137,326	17.9%
Children's wear and goods	-1.2%	-5.9%	-7.8%	-3.1%	-8.0%	-4.5%	-0.4%	-8.9%	-4.7%	-1.8%	-5.0%	-1.6%	2.1%	-14.7%	-1.8%				18,580	2.4%
Other apparel	-1.7%	4.4%	4.2%	1.0%	13.5%	6.5%	-5.0%	-10.7%	2.2%	4.9%	0.5%	20.9%	83.5%	-25.2%	-22.2%				15,684	2.0%
Personal items	-0.0%	4.5%	3.5%	4.9%	-2.0%	0.3%	6.5%	2.2%	2.9%	6.1%	1.0%	7.3%	48.0%	-24.0%	-8.2%				120,302	15.7%
Household goods	-7.4%	0.2%	-27.3%	-5.0%	-0.1%	3.2%	-24.0%	1.8%	-9.0%	-1.8%	6.5%	8.6%	28.7%	-21.9%	-3.2%				47,932	6.2%
Furniture	5.0%	6.8%	-7.2%	-5.4%	-6.7%	50.4%	-7.5%	3.3%	-15.2%	-6.0%	25.3%	0.4%	58.5%	-22.9%	5.5%				9,997	1.3%
Home appliances	-66.8%	-3.6%	-88.2%	-57.5%	-24.4%	-5.3%	-5.6%	32.3%	12.5%	126.9%	235.0%	61.7%	277.4%	96.7%	126.0%				2,748	0.4%
Other household goods	-5.7%	-1.4%	-2.6%	-0.9%	2.3%	-5.7%	-29.3%	-0.9%	-10.0%	-12.0%	-6.7%	1.4%	11.9%	-27.3%	-13.1%				35,186	4.6%
Food	0.5%	7.4%	1.9%	1.1%	0.3%	1.0%	1.1%	1.2%	-0.5%	-0.2%	-1.3%	-0.8%	4.2%	-6.1%	1.7%				217,759	28.3%
Fresh produce	-0.6%	2.6%	-3.3%	-2.8%	-2.2%	-1.6%	-2.5%	-3.3%	-3.2%	-1.0%	-4.1%	-1.2%	-0.5%	-6.4%	-0.3%				39,788	5.2%
Confectionery	0.7%	7.7%	5.1%	3.2%	3.1%	4.5%	3.0%	9.8%	0.2%	3.3%	5.7%	3.8%	5.0%	-5.9%	2.8%				60,488	7.9%
Deli foods	0.1%	4.9%	1.1%	0.8%	-0.2%	-2.3%	3.8%	7.4%	1.6%	3.5%	2.0%	2.5%	8.5%	-5.1%	3.3%				57,369	7.5%
Other foods	1.7%	12.7%	3.4%	2.3%	-0.7%	0.1%	-1.7%	-8.2%	-1.3%	-4.8%	-7.9%	-9.8%	2.4%	-6.8%	0.8%				60,113	7.8%
Restaurants and cafes	-19.1%	-13.1%	-15.1%	-14.5%	-12.2%	-14.1%	-12.7%	-16.8%	-13.4%	-12.6%	-16.5%	-8.1%	11.7%	-7.2%	1.1%				12,849	1.7%
Accessories	-6.5%	6.2%	4.7%	2.8%	-1.5%	7.2%	1.2%	2.8%	4.5%	2.3%	6.1%	6.4%	68.1%	-33.1%	-14.7%				137,655	17.9%
Cosmetics	-2.5%	8.2%	4.5%	3.3%	-4.9%	6.2%	4.4%	6.6%	4.1%	2.5%	5.8%	5.0%	31.2%	-27.7%	-14.2%				78,324	10.2%
Art work and jewelry	-5.9%	7.4%	8.5%	2.6%	4.6%	10.7%	6.6%	6.6%	12.2%	6.0%	7.3%	16.2%	151.4%	-43.9%	-14.4%				42,232	5.5%
Other accessories	-24.4%	-5.4%	-2.1%	1.4%	1.3%	1.8%	-23.1%	-20.9%	-15.5%	-10.0%	4.1%	-9.8%	20.5%	-28.8%	-18.0%				17,098	2.2%
Services	-5.7%	-4.2%	-9.7%	-4.4%	-13.9%	-12.1%	-7.9%	-2.9%	-6.4%	2.8%	-0.1%	11.0%	30.4%	-13.9%	-5.6%				17,120	2.2%
Other	6.8%	2.6%	-1.0%	-1.3%	7.2%	-2.2%	-1.6%	21.2%	17.5%	17.5%	12.8%	25.6%	34.5%	8.7%	15.6%					
Total	**-2.6%**	**3.3%**	**-2.0%**	**1.0%**	**-1.6%**	**1.9%**	**0.0%**	**0.5%**	**0.2%**	**1.4%**	**0.0%**	**4.7%**	**31.6%**	**-18.9%**	**-4.8%**				**768,448**	**100.0%**

Source: Shared Research based on company data

Quarterly trends and results

Cumulative	FY02/18				FY02/19				FY02/20			FY02/20	
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Operating revenue	215,649	433,279	649,508	907,805	219,825	441,524	659,595	912,848	223,682	453,144	676,639	72.5%	933,000
YoY	-	-	-	-	1.9%	1.9%	1.6%	0.6%	1.8%	2.6%	2.6%		2.2%
Sales	200,134	401,904	602,990	844,934	203,747	409,356	611,424	846,894	205,744	417,630	623,531	72.3%	862,000
YoY	-	-	-	-	1.8%	1.9%	1.4%	0.2%	1.0%	2.0%	2.0%		1.8%
Gross profit	51,849	103,914	156,058	218,405	53,249	105,797	158,188	217,403	52,963	106,453	159,332	73.0%	218,130
YoY	2.0%	2.3%	2.7%	3.0%	2.7%	1.8%	1.4%	-0.5%	-0.5%	0.6%	0.7%		0.3%
GPM	25.9%	25.9%	25.9%	25.8%	26.1%	25.8%	25.9%	25.7%	25.7%	25.5%	25.6%		25.3%
SG&A expenses	59,276	121,396	180,865	245,957	60,775	124,544	186,976	256,695	63,154	128,543	192,178	73.6%	261,130
YoY	0.3%	1.2%	1.3%	2.1%	2.5%	2.6%	3.4%	4.4%	3.9%	3.2%	2.8%		1.7%
SG&A ratio	29.6%	30.2%	30.0%	29.1%	29.8%	30.4%	30.6%	30.3%	30.7%	30.8%	30.8%		30.3%
Operating profit	8,088	13,893	21,710	35,318	8,552	13,420	19,383	26,661	7,746	13,424	20,261	72.4%	28,000
YoY	5.1%	0.8%	5.6%	3.9%	5.7%	-3.4%	-10.7%	-24.5%	-9.4%	0.0%	4.5%		5.0%
OPM	4.0%	3.5%	3.6%	4.2%	4.2%	3.3%	3.2%	3.1%	3.8%	3.2%	3.2%		3.2%
Recurring profit	8,691	15,636	24,376	38,606	9,968	16,125	22,877	31,234	7,117	12,659	19,403	74.6%	26,000
YoY	7.2%	3.9%	5.8%	3.7%	14.7%	3.1%	-6.1%	-19.1%	-28.6%	-21.5%	-15.2%		-16.8%
RPM	4.3%	3.9%	4.0%	4.6%	4.9%	3.9%	3.7%	3.7%	3.5%	3.0%	3.1%		3.0%
Net income	5,154	9,012	14,477	23,658	5,845	8,782	11,438	16,443	10,597	12,404	16,447	96.7%	17,000
YoY	44.7%	6.3%	9.5%	13.4%	13.4%	-2.6%	-21.0%	-30.5%	81.3%	41.2%	43.8%		3.4%
Net margin	2.6%	2.2%	2.4%	2.8%	2.9%	2.1%	1.9%	1.9%	5.2%	3.0%	2.6%		2.0%

Quarterly	FY02/18				FY02/19				FY02/20		
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Operating revenue	215,649	217,630	216,229	258,297	219,825	221,699	218,071	253,253	223,682	229,462	223,495
YoY	-	-	-	-	1.9%	1.9%	0.9%	-2.0%	1.8%	3.5%	2.5%
Sales	200,134	201,770	201,086	241,944	203,747	205,609	202,068	235,470	205,744	211,886	205,901
YoY	-	-	-	-	1.8%	1.9%	0.5%	-2.7%	1.0%	3.1%	1.9%
Gross profit	51,849	52,065	52,144	62,347	53,249	52,548	52,391	59,215	52,963	53,490	52,879
YoY	2.0%	2.6%	3.4%	3.9%	2.7%	0.9%	0.5%	-5.0%	-0.5%	1.8%	0.9%
GPM	25.9%	25.8%	25.9%	25.8%	26.1%	25.6%	25.9%	25.1%	25.7%	25.2%	25.7%
SG&A expenses	59,276	62,120	59,469	65,092	60,775	63,769	62,432	69,719	63,154	65,389	63,635
YoY	0.3%	2.1%	1.4%	4.5%	2.5%	2.7%	5.0%	7.1%	3.9%	2.5%	1.9%
SG&A ratio	29.6%	30.8%	29.6%	26.9%	29.8%	31.0%	30.9%	29.6%	30.7%	30.9%	30.9%
Operating profit	8,088	5,805	7,817	13,608	8,552	4,868	5,963	7,278	7,746	5,678	6,837
YoY	5.1%	-4.6%	15.4%	1.2%	5.7%	-16.1%	-23.7%	-46.5%	-9.4%	16.6%	14.7%
OPM	4.0%	2.9%	3.9%	5.6%	4.2%	2.4%	3.0%	3.1%	3.8%	2.7%	3.3%
Recurring profit	8,691	6,945	8,740	14,230	9,968	6,157	6,752	8,357	7,117	5,542	6,744
YoY	7.2%	-0.1%	9.4%	0.4%	14.7%	-11.3%	-22.7%	-41.3%	-28.6%	-10.0%	-0.1%
RPM	4.3%	3.4%	4.3%	5.9%	4.9%	3.0%	3.3%	3.5%	3.5%	2.6%	3.3%
Net income	5,154	3,858	5,465	9,181	5,845	2,937	2,656	5,005	10,597	1,807	4,043
YoY	44.7%	-21.5%	15.1%	20.1%	13.4%	-23.9%	-51.4%	-45.5%	81.3%	-38.5%	52.2%
Net margin	2.6%	1.9%	2.7%	3.8%	2.9%	1.4%	1.3%	2.1%	5.2%	0.9%	2.0%

By segment	FY02/18				FY02/19				FY02/20			FY02/20	
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Operating revenue	215,649	217,630	216,229	258,297	219,825	221,699	218,071	253,253	223,682	229,462	223,495	72.5%	933,000
YoY	-1.7%	-2.8%	0.4%	-2.5%	1.9%	1.9%	0.9%	-2.0%	1.8%	3.5%	2.5%		2.2%
Department Stores	187,520	189,482	190,377	217,621	192,111	191,624	189,768	218,542	193,316	195,134	191,949	72.4%	801,917
YoY	-2.5%	-1.5%	1.5%	-3.3%	2.4%	1.1%	-0.3%	0.4%	0.6%	1.8%	1.1%		1.2%
Commercial Property Development	9,960	9,965	9,875	17,676	10,504	10,475	10,571	12,131	11,365	11,162	11,261	73.8%	45,755
YoY	-6.7%	-4.5%	-1.5%	5.3%	5.5%	5.1%	7.0%	-31.4%	8.2%	6.6%	6.5%		4.7%
Finance	3,607	3,590	3,375	3,615	3,826	3,667	3,647	3,804	4,363	4,256	4,383	75.4%	17,248
YoY	3.6%	11.0%	4.0%	4.7%	6.1%	2.1%	8.1%	5.2%	14.0%	16.1%	20.2%		15.4%
Contract and Design	6,926	6,442	4,876	7,672	5,354	6,842	5,407	7,192	6,628	9,741	6,357	72.9%	31,184
YoY	44.1%	-31.7%	-33.4%	-17.7%	-22.7%	6.2%	10.9%	-6.3%	23.8%	42.4%	17.6%		25.8%
Other	7,634	8,152	7,725	11,919	8,028	9,090	8,679	11,584	8,008	9,168	9,544		
YoY	-5.1%	-5.5%	6.3%	16.8%	5.2%	11.5%	12.3%	-2.8%	-0.2%	0.9%	10.0%		
Operating profit	8,088	5,805	7,817	13,608	8,552	4,868	5,963	7,278	7,746	5,678	6,837	72.4%	28,000
YoY	5.1%	-4.6%	15.4%	1.2%	5.7%	-16.1%	-23.7%	-46.5%	-9.4%	16.6%	14.7%		5.0%
OPM	3.8%	2.7%	3.6%	5.3%	3.9%	2.2%	2.7%	2.9%	3.5%	2.5%	3.1%		3.0%
Department Stores	2,948	1,182	3,945	5,434	3,963	464	1,779	2,485	2,849	1,425	2,289	65.7%	9,982
YoY	-12.6%	-14.7%	76.0%	4.8%	34.4%	-60.7%	-54.9%	-54.3%	-28.1%	207.1%	28.7%		14.9%
OPM	1.6%	0.6%	2.1%	2.5%	2.1%	0.2%	0.9%	1.1%	1.5%	0.7%	1.2%		1.2%
Commercial Property Development	2,783	2,317	2,444	3,849	2,638	2,094	2,256	2,422	2,914	2,108	2,505	74.2%	10,139
YoY	-4.4%	-7.8%	-2.0%	23.8%	-5.2%	-9.6%	-7.7%	-37.1%	10.5%	0.7%	11.0%		7.7%
OPM	27.9%	23.3%	24.7%	21.8%	25.1%	20.0%	21.3%	20.0%	25.6%	18.9%	22.2%		22.2%
Finance	1,190	1,053	1,025	1,295	1,167	1,234	1,268	1,211	1,401	1,205	1,271	72.0%	5,385
YoY	1.4%	-6.7%	-3.2%	14.2%	-1.9%	17.2%	23.7%	-6.5%	20.1%	-2.4%	0.2%		10.3%
OPM	33.0%	29.3%	30.4%	35.8%	30.5%	33.7%	34.8%	31.8%	32.1%	28.3%	29.0%		31.2%
Contract and Design	264	474	-170	639	-39	480	114	172	175	583	528	100.9%	1,275
YoY	-	-49.8%	-	-33.4%	-	1.3%	-	-73.1%	-	21.5%	363.2%		75.4%
OPM	3.8%	7.4%	-3.5%	8.3%	-0.7%	7.0%	2.1%	2.4%	2.6%	6.0%	8.3%		4.1%
Other	550	803	689	1,289	455	724	736	1,023	347	629	684		
YoY	231.3%	185.8%	11.1%	1.8%	-17.3%	-9.8%	6.8%	-20.6%	-23.7%	-13.1%	-7.1%		
OPM	7.2%	9.9%	8.9%	10.8%	5.7%	8.0%	8.5%	8.8%	4.3%	6.9%	7.2%		
Adjustments	350	-24	-116	1,104	366	-128	-191	-34	59	-274	-438		

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: From FY02/19, sales from consignment transaction by overseas subsidiaries are reported on a net basis, the portion that represents income to the company. Includes some figures based on SR estimates.
Note: From FY02/20 IFRS16 "Leases" is adopted for overseas subsidiaries.
Note: From FY02/20, Takashimaya insurance was transferred from Finance to Other segment (data in table above not retrospectively adjusted).
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

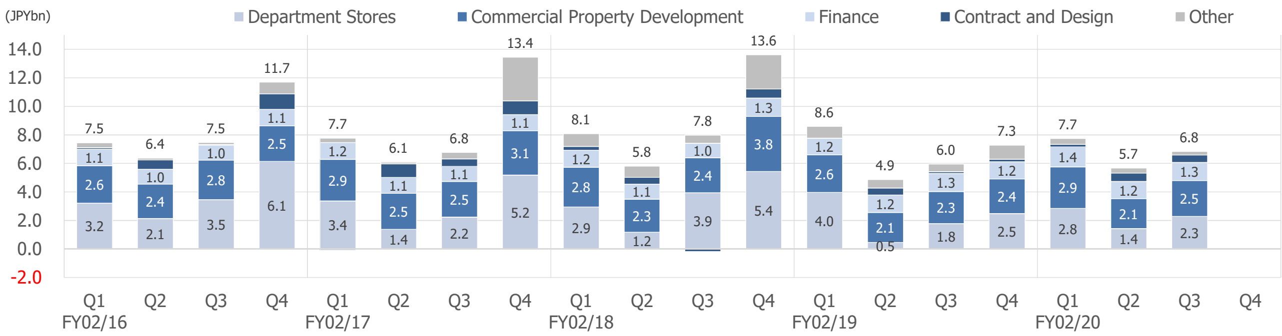
Q3 FY02/20 results (out December 26, 2019)

- For the nine-month period through Q3 FY02/20, Takashimaya reported consolidated operating revenue of JPY676.6bn (+2.6% YoY), operating profit of JPY20.3bn (+4.5% YoY), and net income of JPY16.4bn (+43.8% YoY). Operating profit reflected a JPY2.1bn boost from the adoption of IFRS 16 "Leases." The outsized rise in net income was primarily the result of the JPY9.7bn gain on the sale of fixed assets booked in Q1. The company made no changes to its full-year forecast (revised at the time of its Q2 results announcement), and continues to project full-year consolidated operating revenue of JPY933.0bn (+2.2% YoY), operating profit of JPY28.0bn (+5.0% YoY), net income of JPY17.0bn (+3.4% YoY), and EPS of JPY99.3. Versus full-year company forecasts, results for the first nine months of FY02/20 left the company with 72.5% for operating revenue (versus 72.3% for the first nine months of FY02/19), 72.4% for operating profit (72.7%), and 96.7% for net income (69.6%). For the three months of Q3 (September–November 2019), the company reported consolidated operating revenue of JPY223.5bn (+2.5% YoY) and operating profit of JPY6.8bn (+14.7% YoY).
- Department stores: The Department Store segment reported Q3 operating revenue of JPY191.9bn (+1.1% YoY) and operating profit of JPY2.3bn (+28.7% YoY). At the parent company level, operating revenue for the three-month period finished up 1.1% YoY, having logged a sharp 32.1% YoY rise in the month of September on the rush of last-minute buying ahead of the consumption tax hike, followed by a 18.8% YoY decline in October and 5.0% YoY decline in November. However, gross profit at the parent was up only 0.2% YoY, which combined with a 0.6% rise in SG&A spending to leave the parent operating profit down 7.5% YoY. The profits at the Department Store segment as a whole reflect strong results at overseas department stores, which benefited from the switch to IFRS 16 for lease accounting, a 62.2% YoY rise in operating profit at Takashimaya Singapore, and the shift to profitability at both Shanghai Takashimaya and Takashimaya Vietnam.
- Commercial Property Development: The Commercial Property Development segment reported Q3 operating revenue of JPY11.3bn (+6.5% YoY) and operating profit of JPY2.5bn (+11.0% YoY). Mainstay subsidiary Toshin Development reported a 0.5% rise in operating revenue and 3.3% rise in operating profit. Quarterly operating profit at the subsidiary increased YoY for the first time since Q4 FY02/18. Overseas, Toshin Development Singapore (TDS) reported a 45.8% jump in operating profit to JPY780mn, the rise reflecting the adoption of IFRS 16 for lease accounting and increases in percentage rent income (based on tenant sales).
- Finance: The Finance segment reported Q3 operating revenue of JPY4.4bn (+20.2% YoY) and operating profit of JPY1.3bn (+0.2% YoY). Operating profit at Takashimaya Credit was down 8.4% YoY, but the Finance segment was still able to report an operating profit that was on par with the Q3 FY02/19 level thanks to the transfer of the group's insurance business from the Other segment.
- Contract and Design: The Contract and Design segment reported Q3 operating revenue of JPY6.4bn (+17.6% YoY) and operating profit of JPY528mn (4.6x YoY). The segment is enjoying continued strong demand from hotels and commercial facilities ahead of the Tokyo Olympics and Paralympics in 2020.
- Returns to shareholders: The company made no changes to its initial dividend forecast for an annual dividend of JPY24.0 per share. With regard to progress on its share buyback program announced in June (authorizing the purchase of up to 8.0mn shares at a total cost of up to JPY10.0bn, to be undertaken between July 1, 2019 and February 29, 2020), the company said that by the end of November it had completed buybacks of 4,746,000 shares at a total cost of JPY5.9bn.

Impact of the adoption of IFRS 16 "Leases": The group's overseas subsidiaries adopted IFRS 16 for lease accounting starting FY02/20. The impact of this switch added a total of JPY2.1bn to operating profit for the first nine months of FY02/20 while reducing both recurring profit and pre-tax profit by JPY1.5bn versus the same nine-month period in FY02/19. At the individual segment level, the adoption of IFRS 16 added JPY1.9bn to operating profit at the Department Store segment and JPY687mn to operating profit at the Commercial Property Development segment, with this reduced in part by a JPY478mn adjustment charge at the consolidated level.

Segment name change: Effective Q3 FY02/20, the company has changed the name of its Real Estate segment to the Commercial Property Development segment. The name change was made to better reflect the nature of the company's businesses in this area, which under its Machi-Zukuri (urban development) strategy will involve not only property and facilities management but also expanded efforts to develop commercial properties that will work to the benefit of its department store business.

Operating profit at major subsidiaries by segment



Source: Shared Research based on company data
Note: Effective Q1 FY02/17, subsidiary Fashion Plaza Sunroser was moved from the Department Stores segment to the Commercial Property Development segment.
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

Department stores

Department Stores	FY02/18				FY02/19				FY02/20			FY02/20	
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Operating revenue	187,520	189,482	190,377	217,621	192,111	191,624	189,768	218,542	193,316	195,134	191,949	72.4%	801,917
YoY	-2.5%	-1.5%	1.5%	-3.3%	2.4%	1.1%	-0.3%	0.4%	0.6%	1.8%	1.1%		1.2%
Parent	173,177	175,232	175,562	200,633	175,856	176,432	174,565	202,345	176,677	179,838	176,473	72.3%	736,797
YoY	2.9%	2.9%	5.7%	1.1%	1.5%	0.7%	-0.6%	0.9%	0.5%	1.9%	1.1%		1.0%
Takashimaya Singapore	4,046	4,260	4,109	5,025	4,262	4,351	4,122	5,410	4,085	4,112	3,792	70.0%	17,123
YoY	-	-	-	-	5.3%	2.1%	0.3%	7.7%	-4.2%	-5.5%	-8.0%		-5.6%
Shanghai Takashimaya	803	744	807	810	854	792	749	791	849	791	956	93.9%	2,766
YoY	-	-	-	-	6.4%	6.5%	-7.2%	-2.3%	-0.6%	-0.1%	27.6%		-13.2%
Takashimaya Vietnam	351	339	373	431	391	419	440	528	469	463	472	70.4%	1,994
YoY	-	-	-	-	11.4%	23.6%	17.9%	22.6%	19.9%	10.5%	7.3%		12.1%
Other, adjustments	9,143	8,907	9,526	10,723	10,748	9,630	9,892	9,468	11,236	9,930	10,256		43,237
Operating profit	2,948	1,182	3,945	5,434	3,963	464	1,779	2,485	2,849	1,425	2,289	65.7%	9,982
YoY	-12.6%	-14.7%	76.0%	4.8%	34.4%	-60.7%	-54.9%	-54.3%	-28.1%	207.1%	28.7%		14.9%
OPM	1.6%	0.6%	2.1%	2.5%	2.1%	0.2%	0.9%	1.1%	1.5%	0.7%	1.2%		1.2%
Parent	2,916	1,536	3,427	5,041	3,639	811	1,668	2,423	1,938	945	1,543	66.5%	6,653
YoY	17.5%	17.1%	84.0%	8.8%	24.8%	-47.2%	-51.3%	-51.9%	-46.7%	16.5%	-7.5%		-22.1%
OPM	1.7%	0.9%	2.0%	2.5%	2.1%	0.5%	1.0%	1.2%	1.1%	0.5%	0.9%		0.9%
Takashimaya Singapore	653	707	620	1,642	802	636	640	1,182	1,179	1,063	1,038	67.8%	4,835
YoY	-32.5%	67.7%	-0.5%	43.9%	22.8%	-10.0%	3.2%	-28.0%	47.0%	67.1%	62.2%		48.3%
OPM	16.1%	16.6%	15.1%	32.7%	18.8%	14.6%	15.5%	21.8%	28.9%	25.9%	27.4%		28.2%
Shanghai Takashimaya	-270	-297	-276	-297	-185	-241	-216	-224	28	28	111	-	-137
YoY	-	-	-	-	-	-	-	-	-	-	-		-
OPM	-33.6%	-39.9%	-34.2%	-36.7%	-21.7%	-30.4%	-28.8%	-28.3%	3.3%	3.5%	11.6%		-5.0%
Takashimaya Vietnam	-51	-90	-57	-83	-16	-52	-21	-28	35	7	33	94.9%	79
YoY	-	-	-	-	-	-	-	-	-	-	-		-
OPM	-14.5%	-26.6%	-15.3%	-19.3%	-4.1%	-12.4%	-4.8%	-5.3%	7.5%	1.5%	7.0%		4.0%
Other, adjustments	-300	-674	231	-869	-277	-690	-292	-868	-331	-618	-436		-1,448

Source: Shared Research based on company data
Note: From FY02/19, sales from consignment transaction by overseas subsidiaries are shown in net revenue, the portion that represents income to the company.

Q3 operating revenue in the Department Store segment was JPY191.9bn (+1.1% YoY), and operating profit was JPY2.3bn (+28.7% YoY). Parent company sales increase ahead of a consumption tax hike offset the reactionary drop that occurred after the tax hike, which was the primary factor contributing to the increase in operating revenue. The rise in operating profit, on the other hand, was mostly attributable to upward impact from the application of IFRS 16 "Leases" at overseas subsidiaries.

Domestic department stores

At the parent company, operating revenue in Q3 was JPY176.5bn (+1.1% YoY), and operating profit was JPY1.5bn (-7.5% YoY). September sales were up 33.4% YoY, increasing significantly ahead of a consumption tax hike, but October sales were down 19.7% YoY after the tax hike, and November sales declined by 4.3% YoY, in line with expectations. At this pace, Q3 sales rose YoY. However, this rise in sales was driven by choice goods, jewelry, and other products with relatively low gross profit margins, which brought the overall gross profit margin down from its Q3 FY02/19 level of 24.2% to 24.0%, while gross profit fell by 0.4%

YoY. SG&A rose by 1.4% YoY as personnel spending and advertising expenses fell and general and administrative expenses increased. This increase in SG&A contributed to the drop in operating profit.

However, a comparison to the company forecast made in Q2 revealed that decrease in GPM was within the expected range and SG&A had been curbed further than projected. September sales exceeded forecast due to a surge in demand ahead of a consumption tax hike, which helped Q3 sales finish slightly higher than projections as of Q2.

The company forecast, as of Q2, predicted that the reactionary drop in sales associated with the consumption tax hike will have run its course by Q4, resulting in higher sales YoY for the same quarter. Parent company sales for the month of December were down 4.9% YoY. Shared Research will monitor the timing of when impact from the consumption tax hike subsides and sales begins to increase YoY.

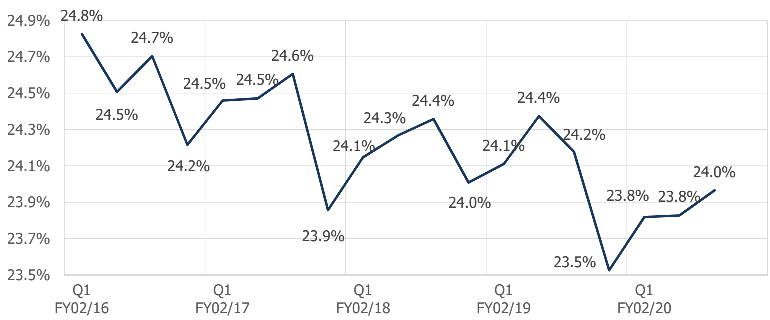
Parent company performance

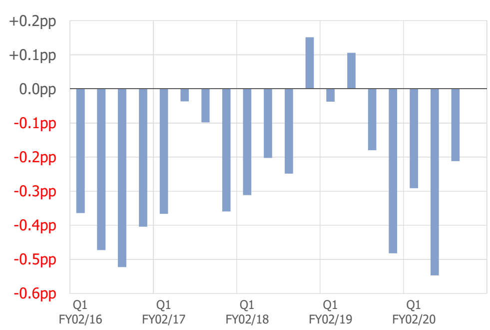
Parent company	FY02/18				FY02/19				FY02/20			FY02/20	
Cumulative (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Operating revenue	173,177	348,409	523,971	724,604	175,856	352,288	526,853	729,198	176,677	356,515	532,988	72.3%	736,797
YoY	2.9%	2.9%	3.8%	3.1%	1.5%	1.1%	0.6%	0.6%	0.5%	1.2%	1.2%		1.0%
Sales	169,858	341,759	514,057	711,341	172,536	345,613	516,639	715,333	173,097	349,272	522,150	72.3%	722,319
YoY	2.5%	2.5%	3.6%	2.9%	1.6%	1.1%	0.5%	0.6%	0.3%	1.1%	1.1%		1.0%
Gross profit	41,016	82,734	124,701	172,065	41,598	83,784	125,133	171,878	41,229	83,207	124,637	72.9%	171,073
YoY	1.2%	1.4%	2.5%	2.3%	1.4%	1.3%	0.3%	-0.1%	-0.9%	-0.7%	-0.4%		-0.5%
GPM	24.1%	24.2%	24.3%	24.2%	24.1%	24.2%	24.2%	24.0%	23.8%	23.8%	23.9%		23.7%
SG&A expenses	41,419	84,932	126,736	172,408	41,279	86,009	129,229	177,202	42,871	87,566	131,051	73.3%	178,898
YoY	2.1%	2.5%	2.0%	1.7%	-0.3%	1.3%	2.0%	2.8%	3.9%	1.8%	1.4%		1.0%
SG&A ratio	24.4%	24.9%	24.7%	24.2%	23.9%	24.9%	25.0%	24.8%	24.8%	25.1%	25.1%		24.8%
Operating profit	2,916	4,452	7,879	12,920	3,639	4,450	6,118	8,541	1,938	2,883	4,426	66.5%	6,653
YoY	17.5%	17.3%	39.3%	25.5%	24.8%	0.0%	-22.4%	-33.9%	-46.7%	-35.2%	-27.7%		-22.1%
OPM	1.7%	1.3%	1.5%	1.8%	2.1%	1.3%	1.2%	1.2%	1.1%	0.8%	0.8%		0.9%

Parent company	FY02/18				FY02/19				FY02/20		
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Operating revenue	173,177	175,232	175,562	200,633	175,856	176,432	174,565	202,345	176,677	179,838	176,473
YoY	2.9%	2.9%	5.7%	1.1%	1.5%	0.7%	-0.6%	0.9%	0.5%	1.9%	1.1%
Sales	169,858	171,901	172,298	197,284	172,536	173,077	171,026	198,694	173,097	176,175	172,878
YoY	2.5%	2.5%	5.9%	1.1%	1.6%	0.7%	-0.7%	0.7%	0.3%	1.8%	1.1%
Gross profit	41,016	41,718	41,967	47,364	41,598	42,186	41,349	46,745	41,229	41,978	41,430
YoY	1.2%	1.7%	4.8%	1.7%	1.4%	1.1%	-1.5%	-1.3%	-0.9%	-0.5%	0.2%
GPM	24.1%	24.3%	24.4%	24.0%	24.1%	24.4%	24.2%	23.5%	23.8%	23.8%	24.0%
SG&A expenses	41,419	43,513	41,804	45,672	41,279	44,730	43,220	47,973	42,871	44,695	43,485
YoY	2.1%	2.9%	0.9%	0.9%	-0.3%	2.8%	3.4%	5.0%	3.9%	-0.1%	0.6%
SG&A ratio	24.4%	25.3%	24.3%	23.2%	23.9%	25.8%	25.3%	24.1%	24.8%	25.4%	25.2%
Operating profit	2,916	1,536	3,427	5,041	3,639	811	1,668	2,423	1,938	945	1,543
YoY	17.5%	17.1%	84.0%	8.8%	24.8%	-47.2%	-51.3%	-51.9%	-46.7%	16.5%	-7.5%
OPM	1.7%	0.9%	2.0%	2.6%	2.1%	0.5%	1.0%	1.2%	1.1%	0.5%	0.9%

Source: Shared Research based on company data

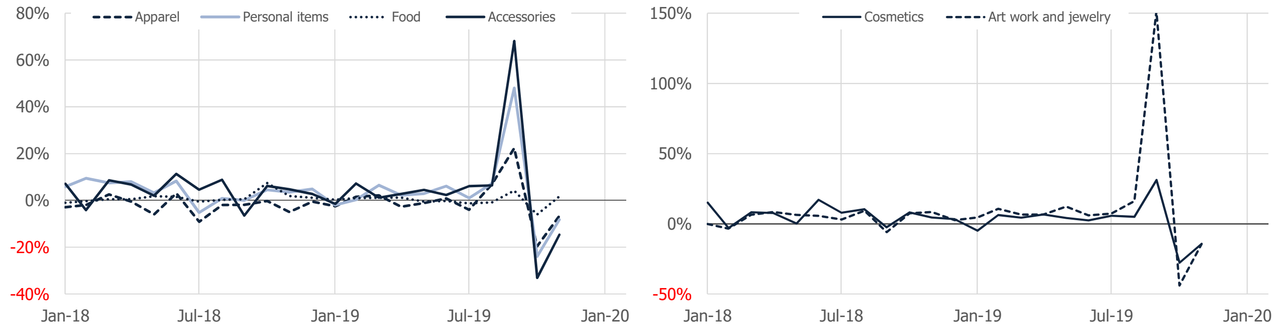
Parent gross profit margin (left), YoY change (right)





Source: Shared Research based on company data

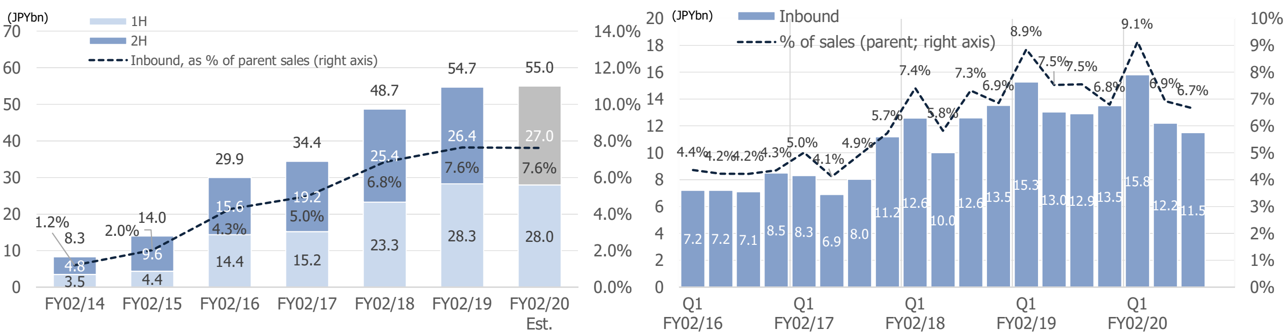
Sales by main products



Source: Shared Research based on company data

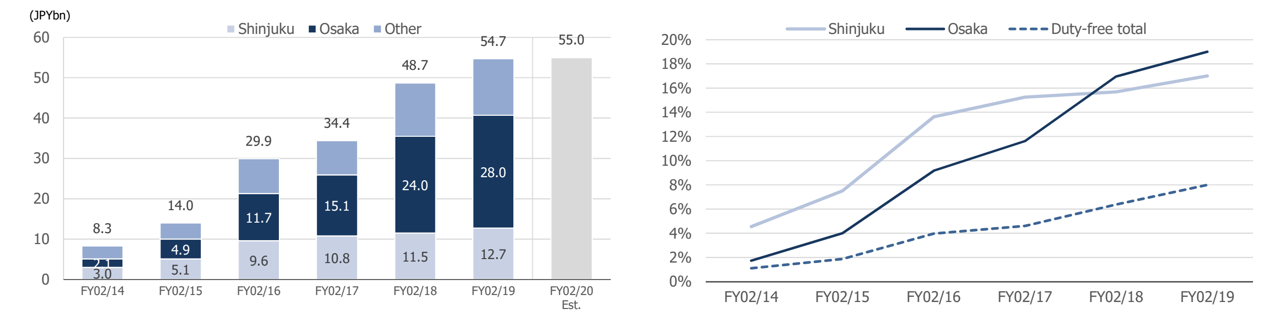
Duty-free sales to foreigners visiting Japan (inbound) in Q3 were approximately JPY11.5bn (-11% YoY). This drop could be viewed as reactionary because sales were high in Q3 FY03/19, but this decline is substantially large when compared to the results of competitors in the industry. The company's inbound share appears to be decreasing as competing companies are working more actively than before to capture larger shares for themselves.

Sales to inbound tourists



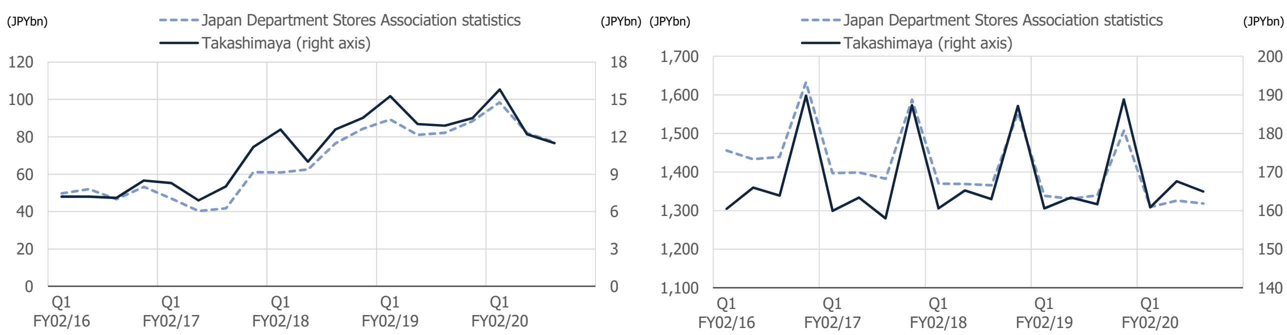
Source: Shared Research based on company data

Sales to inbound tourists by store (left: sales, right: share of sales)



Source: Shared Research based on company data

Comparison with Japan Department Stores Association data (left: duty-free sales, right: non-duty-free sales)



Source: Shared Research based on company and Japan Department Stores Association data

Overseas department stores

Operating profit from overseas department stores primarily comprised JPY1.0bn from Singapore (+62.2% YoY), JPY111mn from Shanghai (versus JPY216mn in operating loss in Q3 FY02/19), and JPY33mn from Vietnam (versus JPY21mn in operating loss in Q3 FY02/19). The application of IFRS 16 "Leases" had an impact of approximately JPY400mn on operating profit from Singapore, around JPY160mn on operating profit from Shanghai, and about JPY30mn on operating profit from Vietnam.

Operating revenue in Singapore was JPY3.8bn (-8.0% YoY), but sales on a gross basis remained at a high level, decreasing only slightly YoY in terms of local currency. The increase in operating profit can be attributed mostly to changes in accounting policy.

Operating revenue in Shanghai was JPY956mn (+27.6% YoY). In the case of the company, Q3 results reflect performance at overseas subsidiaries from July–September, and a bargain sale campaign held in advance of an August 25 store closing in Shanghai led to higher sales (The decision to close the store was abandoned on August 23, and September sales on a gross basis dropped about 20% YoY). Operating profit of JPY111mn in Q3 would have been an operating loss if not for the shift in accounting policy.

In Vietnam, operating revenue was JPY472mn (+7.3% YoY). Sales on a gross basis increased by 9% YoY in terms of local currency. The increase in sales was steady and was partly due to contributions from store opening anniversary events. Business is expanding to the point at which it will break even in terms of earnings and expenses, even without changes to accounting policy.

The business environment in Thailand continued to be tough. The Bangkok Transit System (BTS) that is scheduled to run nearby the store in Thailand remains unopened, a factor that hindered an increase in sales. Locally, the view is widely held that the BTS will finally open in the second half of 2020, and the business results could likely continue to be harsh until then. The company plans to work on optimizing its product lineup for Thai customers until the opening occurs.

Domestic department store sales

Sales by store	FY02/18				FY02/19				FY02/20			FY02/20	
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Total sales	182,691	184,747	185,355	212,244	185,262	185,647	183,894	213,645	185,797	188,884	185,770	72.2%	776,181
YoY	2.1%	2.4%	5.6%	1.0%	1.4%	0.5%	-0.8%	0.7%	0.3%	1.7%	1.0%		1.0%
Takashimaya (parent)	169,858	171,901	172,298	197,284	172,536	173,077	171,026	198,694	173,097	176,175	172,878	72.3%	722,319
YoY	2.5%	2.5%	5.9%	1.1%	1.6%	0.7%	-0.7%	0.7%	0.3%	1.8%	1.1%		1.0%
Osaka	33,998	33,462	34,577	39,413	36,066	34,803	35,541	40,861	38,471	37,560	36,829	74.3%	151,811
YoY	9.4%	9.1%	12.0%	5.6%	6.1%	4.0%	2.8%	3.7%	6.7%	7.9%	3.6%		3.1%
% of total sales	20.0%	19.5%	20.1%	20.0%	20.9%	20.1%	20.8%	20.6%	22.2%	21.3%	21.3%		21.0%
Sakai	3,047	3,293	3,040	3,742	3,078	3,328	2,788	3,431	2,736	2,997	2,607	68.5%	12,184
YoY	0.7%	-2.3%	4.3%	1.8%	1.0%	1.1%	-8.3%	-8.3%	-11.1%	-9.9%	-6.5%		-3.5%
% of total sales	1.8%	1.9%	1.8%	1.9%	1.8%	1.9%	1.6%	1.7%	1.6%	1.7%	1.5%		1.7%
Kyoto	20,697	21,015	21,528	24,886	21,785	21,465	21,625	25,468	21,984	21,938	22,081	72.4%	91,124
YoY	1.6%	2.7%	7.3%	4.1%	5.3%	2.1%	0.5%	2.3%	0.9%	2.2%	2.1%		0.9%
% of total sales	12.2%	12.2%	12.5%	12.6%	12.6%	12.4%	12.6%	12.8%	12.7%	12.5%	12.8%		12.6%
Senboku	3,828	4,274	3,814	4,962	3,831	4,429	3,828	5,031	3,830	4,207	3,780	70.1%	16,858
YoY	-7.9%	-7.0%	-6.6%	-3.9%	0.1%	3.6%	0.4%	1.4%	0.0%	-5.0%	-1.3%		-1.5%
% of total sales	2.3%	2.5%	2.2%	2.5%	2.2%	2.6%	2.2%	2.5%	2.2%	2.4%	2.2%		2.3%
Nhombashi	32,568	32,109	33,562	36,002	31,518	30,429	31,270	36,091	30,856	32,188	32,696	71.7%	133,483
YoY	1.0%	-1.7%	7.0%	-1.6%	-3.2%	-5.2%	-6.8%	0.2%	-2.1%	5.8%	4.6%		3.2%
% of total sales	19.2%	18.7%	19.5%	18.2%	18.3%	17.6%	18.3%	18.2%	17.8%	18.3%	18.9%		18.5%
Yokohama	31,512	31,975	32,011	36,151	31,902	32,476	32,037	36,113	31,559	32,018	32,173	72.2%	132,558
YoY	1.3%	2.0%	3.8%	0.0%	1.2%	1.6%	0.1%	-0.1%	-1.1%	-1.4%	0.4%		0.0%
% of total sales	18.6%	18.6%	18.6%	18.3%	18.5%	18.8%	18.7%	18.2%	18.2%	18.2%	18.6%		18.4%
Konandai	1,901	2,119	1,886	2,331	1,817	2,039	1,861	2,262	1,779	1,986	1,753	70.9%	7,780
YoY	-18.1%	-5.3%	-2.6%	-2.9%	-4.4%	-3.8%	-1.3%	-3.0%	-2.1%	-2.6%	-5.8%		-2.5%
% of total sales	1.1%	1.2%	1.1%	1.2%	1.1%	1.2%	1.1%	1.1%	1.0%	1.1%	1.0%		1.1%
Shinjuku	17,550	17,256	17,641	20,884	18,397	18,070	17,932	20,425	18,235	17,879	16,928	71.4%	74,251
YoY	1.6%	2.3%	6.9%	3.3%	4.8%	4.7%	1.6%	-2.2%	-0.9%	-1.1%	-5.6%		-0.8%
% of total sales	10.3%	10.0%	10.2%	10.6%	10.7%	10.4%	10.5%	10.3%	10.5%	10.1%	9.8%		10.3%
Tamagawa	10,002	10,853	10,293	12,517	10,044	11,110	10,117	12,484	9,839	10,993	10,204	71.1%	43,634
YoY	0.1%	1.6%	2.7%	1.0%	0.4%	2.4%	-1.7%	-0.3%	-2.0%	-1.1%	0.9%		-0.3%
% of total sales	5.9%	6.3%	6.0%	6.3%	5.8%	6.4%	5.9%	6.3%	5.7%	6.2%	5.9%		6.0%
Tachikawa	3,312	3,586	2,477	2,957	2,268	2,490	2,189	2,681	2,035	2,269	2,204	72.4%	8,988
YoY	-1.0%	-2.8%	-26.6%	-29.2%	-31.5%	-30.6%	-11.6%	-9.3%	-10.3%	-8.9%	0.7%		-6.6%
% of total sales	1.9%	2.1%	1.4%	1.5%	1.3%	1.4%	1.3%	1.3%	1.2%	1.3%	1.3%		1.2%
Omiya	2,313	2,693	2,392	2,760	2,301	2,588	2,364	2,722	2,182	2,515	2,265	71.1%	9,788
YoY	-1.9%	0.8%	2.0%	0.2%	-0.5%	-3.9%	-1.2%	-1.4%	-5.2%	-2.8%	-4.2%		-1.9%
% of total sales	1.4%	1.6%	1.4%	1.4%	1.3%	1.5%	1.4%	1.4%	1.3%	1.4%	1.3%		1.4%
Kashiwa	9,125	9,265	9,075	10,682	9,522	9,851	9,476	11,123	9,590	9,620	9,358	71.7%	39,860
YoY	7.6%	10.0%	7.9%	2.7%	4.4%	6.3%	4.4%	4.1%	0.7%	-2.3%	-1.2%		-0.3%
% of total sales	5.4%	5.4%	5.3%	5.4%	5.5%	5.7%	5.5%	5.6%	5.5%	5.5%	5.4%		5.5%
Domestic subsidiaries													
Okayama Takashimaya	4,628	4,428	4,591	5,027	4,475	4,221	4,614	5,066	4,514	4,453	4,624	71.0%	19,152
YoY	3.5%	2.8%	3.8%	-1.7%	-3.3%	-4.7%	0.5%	0.8%	0.9%	5.5%	0.2%		4.2%
Gifu Takashimaya	3,475	3,517	3,514	4,157	3,370	3,345	3,306	4,034	3,230	3,305	3,319	70.9%	13,907
YoY	-5.2%	-0.1%	-1.9%	-0.8%	-3.0%	-4.9%	-5.9%	-3.0%	-4.2%	-1.2%	0.4%		-1.1%
Yonago Takashimaya	1,189	1,204	1,166	1,353	1,097	1,198	1,130	1,363	1,055	1,139	1,081	69.6%	4,706
YoY	-11.1%	-10.4%	-8.0%	-2.2%	-7.7%	-0.5%	-3.1%	0.7%	-3.8%	-4.9%	-4.3%		-1.7%
Takasaki Takashimaya	3,538	3,698	3,787	4,423	3,782	3,805	3,819	4,488	3,899	3,811	3,870	71.9%	16,097
YoY	-2.2%	2.7%	5.8%	0.8%	6.9%	2.9%	0.8%	1.5%	3.1%	0.2%	1.3%		1.3%

Source: Shared Research based on company data

Commercial Property Development

Quarterly results

Commercial Property Development	FY02/18				FY02/19				FY02/20			FY02/20	
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Operating revenue	9,960	9,965	9,875	17,676	10,504	10,475	10,571	12,131	11,365	11,162	11,261	73.8%	45,755
YoY	-6.7%	-4.5%	-1.5%	5.3%	5.5%	5.1%	7.0%	-31.4%	8.2%	6.6%	6.5%		4.7%
Toshin Development	10,010	10,176	9,876	22,250	10,433	10,552	11,080	11,765	11,043	11,044	11,137	73.9%	44,928
YoY	12.7%	15.0%	0.8%	30.5%	4.2%	3.7%	12.2%	-47.1%	5.8%	4.7%	0.5%		2.5%
Toshin Development Singapore	2,224	2,215	2,220	2,293	2,272	2,200	2,191	2,226	2,267	2,167	2,114	75.7%	8,648
YoY	-6.4%	0.8%	7.2%	7.0%	2.2%	-0.7%	-1.3%	-2.9%	-0.2%	-1.5%	-3.5%		-2.7%
Operating profit	2,783	2,317	2,444	3,849	2,638	2,094	2,256	2,422	2,914	2,108	2,505	74.2%	10,139
YoY	-4.4%	-7.8%	-2.0%	23.8%	-5.2%	-9.6%	-7.7%	-37.1%	10.5%	0.7%	11.0%		7.7%
OPM	27.9%	23.3%	24.7%	21.8%	25.1%	20.0%	21.3%	20.0%	25.6%	18.9%	22.2%		22.2%
Toshin Development	2,182	1,802	1,736	3,324	2,026	1,586	1,730	1,977	1,981	1,324	1,787	73.9%	6,888
YoY	-0.3%	-8.4%	-12.7%	23.3%	-7.1%	-12.0%	-0.3%	-40.5%	-2.2%	-16.5%	3.3%		-5.9%
OPM	21.8%	17.7%	17.6%	14.9%	19.4%	15.0%	15.6%	16.8%	17.9%	12.0%	16.0%		15.3%
Toshin Development Singapore	617	572	569	726	638	539	535	482	851	721	780	77.1%	3,052
YoY	-18.4%	-3.4%	4.4%	62.4%	3.4%	-5.8%	-6.0%	-33.6%	33.4%	33.8%	45.8%		39.1%
OPM	27.7%	25.8%	25.6%	31.7%	28.1%	24.5%	24.4%	21.7%	37.5%	33.3%	36.9%		35.3%

Source: Shared Research based on company data
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

In the Commercial Property Development segment, operating revenue was JPY11.3bn (+6.5% YoY), and operating profit was JPY2.5bn (+11.0% YoY). At Toshin Development, operating revenue was level YoY, and operating profit increased by 3.3% YoY. The opening of Nihombashi Takashimaya Shopping Center was accompanied by higher advertising and other expenses, but this spike has run its course, leading to an increase in operating profit. Sales at Toshin Development Singapore fell 3.5% YoY due to impact from accounting policy. Excluding this impact, sales increased slightly in terms of local currency. Operating profit in

Singapore was JPY780mn (+45.8% YoY), and accounting policy was a major factor contributing to this increase, with an upward impact of about JPY220mn.

Finance

Quarterly results

Finance	FY02/18				FY02/19				FY02/20			FY02/20	
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Operating revenue	3,607	3,590	3,375	3,615	3,826	3,667	3,647	3,804	4,363	4,256	4,383	75.4%	17,248
YoY	3.6%	11.0%	4.0%	4.7%	6.1%	2.1%	8.1%	5.2%	14.0%	16.1%	20.2%		15.4%
Takashimaya Credit	4,619	4,513	4,610	4,702	4,833	4,674	4,774	4,884	5,031	5,110	5,242	72.1%	21,330
YoY	3.7%	4.8%	5.3%	3.9%	4.6%	3.6%	3.6%	3.9%	4.1%	9.3%	9.8%		11.3%
Operating profit	1,190	1,053	1,025	1,295	1,167	1,234	1,268	1,211	1,401	1,205	1,271	72.0%	5,385
YoY	1.4%	-6.7%	-3.2%	14.2%	-1.9%	17.2%	23.7%	-6.5%	20.1%	-2.4%	0.2%		10.3%
OPM	33.0%	29.3%	30.4%	35.8%	30.5%	33.7%	34.8%	31.8%	32.1%	28.3%	29.0%		31.2%
Takashimaya Credit	1,183	1,047	1,018	1,295	1,167	1,239	1,270	1,216	1,212	1,179	1,163	72.0%	4,934
YoY	1.5%	-6.6%	-3.3%	14.8%	-1.4%	18.3%	24.8%	-6.1%	3.9%	-4.8%	-8.4%		0.9%
OPM	25.6%	23.2%	22.1%	27.5%	24.1%	26.5%	26.6%	24.9%	24.1%	23.1%	22.2%		23.1%

Source: Shared Research based on company data
Note: From FY02/20, Takashimaya insurance transferred from Finance to Other segment (data in table above not retrospectively adjusted).

In the Finance segment, Q3 operating revenue was JPY4.4bn (+20.2% YoY), and operating profit was JPY1.3bn (+0.2% YoY). Takashimaya Insurance transferred from the Other segment into the Finance segment, which netted the latter an increase in operating profit, but operating profit fell to JPY1.2bn (-8.4% YoY) at Takashimaya Credit, a core business. Expenses are temporarily increasing due to the issue of the new "Takashimaya Card Premium" exclusively for gaisho customers. Cardholders and transaction volumes are steadily increasing, and the company expects to return to an upward trend in profit once miscellaneous expenses associated with the issue of the new card dissipate.

Contract and Design

Quarterly results

Contract and Design	FY02/18				FY02/19				FY02/20			FY02/20	
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Operating revenue	6,926	6,442	4,876	7,672	5,354	6,842	5,407	7,192	6,628	9,741	6,357	72.9%	31,184
YoY	44.1%	-31.7%	-33.4%	-17.7%	-22.7%	6.2%	10.9%	-6.3%	23.8%	42.4%	17.6%		25.8%
Takashimaya Space Create	7,631	6,944	6,670	8,075	6,198	9,226	7,847	8,359	7,285	10,852	8,238	75.6%	34,887
YoY	43.7%	-36.0%	-22.0%	-17.7%	-18.8%	32.9%	17.6%	3.5%	17.5%	17.6%	5.0%		10.3%
Operating profit	264	474	-170	639	-39	480	114	172	175	583	528	100.9%	1,275
YoY	-	-49.8%	-	-33.4%	-	1.3%	-	-73.1%	-	21.5%	363.2%		75.4%
OPM	3.8%	7.4%	-3.5%	8.3%	-0.7%	7.0%	2.1%	2.4%	2.6%	6.0%	8.3%		4.1%
Takashimaya Space Create	272	476	-159	642	-33	461	129	198	173	581	530	106.0%	1,211
YoY	-	-49.7%	-	-33.5%	-	-3.2%	-	-69.2%	-	26.0%	310.9%		60.4%
OPM	3.6%	6.9%	-2.4%	8.0%	-0.5%	5.0%	1.6%	2.4%	2.4%	5.4%	6.4%		3.5%

Source: Shared Research based on company data

Q3 operating revenue in the Contract and Design segment was JPY6.4bn, and operating profit was JPY528mn (+360% YoY). The company continues to post high sales, driven primarily by interior decorating projects related to hotels and luxury brands ahead of the Tokyo Olympics and Paralympics. Takashimaya predicts that strong results will continue through Q1 FY02/21, but acknowledges the possibility that it could enter an off-season starting in Q2 of the same year.

Other

Quarterly results

Other	FY02/18				FY02/19				FY02/20		
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Operating revenue	7,634	8,152	7,725	11,919	8,028	9,090	8,679	11,584	8,008	9,168	9,544
YoY	-5.1%	-5.5%	6.3%	16.8%	5.2%	11.5%	12.3%	-2.8%	-0.2%	0.9%	10.0%
Operating profit	550	803	689	1,289	455	724	736	1,023	347	629	684
YoY	231.3%	185.8%	11.1%	1.8%	-17.3%	-9.8%	6.8%	-20.6%	-23.7%	-13.1%	-7.1%
OPM	7.2%	9.9%	8.9%	10.8%	5.7%	8.0%	8.5%	8.8%	4.3%	6.9%	7.2%

Source: Shared Research based on company data

For details on previous results, please refer to the Historical performance section.

Forecasts for FY02/20

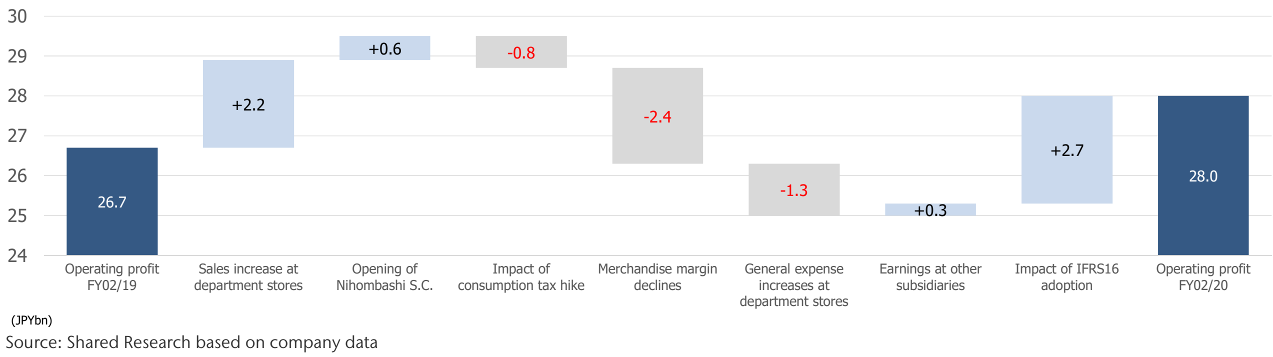
Consolidated	FY02/19			FY02/20			FY02/20 Init. Est.		
(JPYmn)	1H	2H	FY	1H Act.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
Operating revenue	441,524	471,324	912,848	453,144	479,856	933,000	458,000	484,000	942,000
YoY	1.9%	-0.7%	0.6%	2.6%	1.8%	2.2%	3.7%	2.7%	3.2%
Sales	409,356	437,538	846,894	417,630	444,370	862,000	-	-	871,000
YoY	1.9%	-1.2%	0.2%	2.0%	1.6%	1.8%	-	-	2.8%
Gross profit	105,797	111,606	217,403	106,453	111,677	218,130	-	-	223,000
YoY	1.8%	-2.5%	-0.5%	0.6%	0.1%	0.3%	-	-	2.6%
GPM	25.8%	25.5%	25.7%	25.5%	25.1%	25.3%	-	-	25.6%
SG&A expenses	124,544	132,151	256,695	128,543	132,587	261,130	-	-	263,000
YoY	2.6%	6.1%	4.4%	3.2%	0.3%	1.7%	-	-	2.5%
SG&A ratio	30.4%	30.2%	30.3%	30.8%	29.8%	30.3%	-	-	30.2%
Operating profit	13,420	13,241	26,661	13,424	14,576	28,000	14,500	16,500	31,000
YoY	-3.4%	-38.2%	-24.5%	0.0%	10.1%	5.0%	8.0%	24.6%	16.3%
OPM	3.3%	3.0%	3.1%	3.2%	3.3%	3.2%	-	-	3.6%
Recurring profit	16,125	15,109	31,234	12,659	13,341	26,000	13,500	15,500	29,000
YoY	3.1%	-34.2%	-19.1%	-21.5%	-11.7%	-16.8%	-16.3%	2.6%	-7.2%
RPM	3.9%	3.5%	3.7%	3.0%	3.0%	3.0%	-	-	3.3%
Net income	8,782	7,661	16,443	12,404	4,596	17,000	12,500	7,500	20,000
YoY	-2.6%	-47.7%	-30.5%	41.2%	-40.0%	3.4%	42.3%	-2.1%	21.6%
Net margin	2.1%	1.8%	1.9%	3.0%	1.0%	2.0%	-	-	2.3%

Source: Shared Research based on company data

For FY02/20, Takashimaya forecasts operating revenue of JPY933.0bn (+2.2% YoY), operating profit of JPY28.0bn (+5.0% YoY), net income of JPY17.0bn (+3.4% YoY), and EPS of JPY99.3. It expects the adoption of IFRS 16 "Leases" to boost operating profit by JPY2.7bn, but excluding this impact, it forecasts a 5.2% YoY decline (about JPY1.4bn) in operating profit. Positive impacts on operating profit YoY include JPY2.2bn contributed by higher revenue at department stores, JPY600mn from the opening of the Nihombashi Takashimaya Shopping Center, and JPY300mn contributed by subsidiaries, but negative impacts include JPY800mn caused by a decline in demand accompanying the consumption tax increase (after a JPY300mn positive impact from last-minute demand during 1H), JPY2.4bn caused by lower gross margins on merchandise sales, and JPY1.3bn due to increased expenses at department stores.

Adoption of IFRS 16 for lease accounting: Starting in FY02/20, the company is accounting for leases at overseas consolidated subsidiaries using the standards set out under IFRS 16. Compared with its previous lease accounting, the switch to IFRS 16 will add about JPY2.7bn to operating profit (by reducing rent expense) but will reduce recurring profit by JPY2.0bn (by increasing reported interest expense).

Factors contributing to operating profit



Source: Shared Research based on company data

When the company released its 1H FY02/20 results, it also announced a downward revision of its full-year FY02/20 forecasts (initial forecasts were for operating revenue of JPY942.0bn and operating profit of JPY31.0bn). The new forecasts put operating revenue JPY9.0bn lower and operating profit JPY3.0bn lower than the initial forecasts. Specifically, for domestic department stores, the company revised its operating revenue target down by JPY8.5bn and its operating profit target down by JPY3.0bn. The reasons for the revision were that it expects difficulty in increasing demand from inbound tourists to continue in 2H (the full-year revenue target for inbound tourists is JPY55.0bn [+0.5% YoY], down from the initial target of JPY60.0bn), last-minute demand ahead of the consumption tax increase was less than expected in 1H, but the forecast regarding a falloff in demand in 2H has not changed (although there is also a possibility that since last-minute demand was less than expected, the falloff may also be smaller), and the company chose to reflect a dip in gross margins on merchandise sales in 1H (revising the full-year gross margin down to 23.61% from the initial 23.87% target).

Domestic department stores	FY02/19			FY02/20			FY02/20 Init. Est.		
(JPYmn)	1H	2H	FY	1H Act.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
Operating revenue	377,738	404,870	782,608	382,071	408,873	790,944	387,600	411,859	799,459
YoY	0.9%	0.1%	0.5%	1.1%	1.0%	1.1%	2.6%	1.7%	2.2%
Sales	370,909	397,539	768,448	374,681	401,500	776,181	380,400	404,577	784,977
YoY	0.9%	0.0%	0.4%	1.0%	1.0%	1.0%	2.6%	1.8%	2.2%
Gross profit	89,606	94,391	183,997	88,987	94,270	183,256	91,486	95,882	187,368
YoY	1.1%	-1.1%	0.0%	-0.7%	-0.1%	-0.4%	2.1%	1.6%	1.8%
GPM	24.2%	23.7%	23.9%	23.8%	23.5%	23.6%	24.0%	23.7%	23.9%
Gross operating profit	96,435	101,722	198,157	96,380	101,644	198,024	98,700	103,150	201,850
YoY	1.0%	-0.4%	0.3%	-0.1%	-0.1%	-0.1%	2.3%	1.4%	1.9%
Gross OPM	26.0%	25.6%	25.8%	25.7%	25.3%	25.5%	25.9%	25.5%	25.7%
SG&A expenses	92,064	97,488	189,552	93,576	97,491	191,067	94,300	97,548	191,848
YoY	1.3%	4.7%	3.0%	1.6%	0.0%	0.8%	2.4%	0.1%	1.2%
SG&A ratio	24.8%	24.5%	24.7%	25.0%	24.3%	24.6%	24.8%	24.1%	24.4%
Operating profit	4,371	4,234	8,605	2,804	4,153	6,957	4,400	5,602	10,002
YoY	-4.1%	-53.2%	-36.7%	-35.8%	-1.9%	-19.2%	0.7%	32.3%	16.2%
OPM	1.2%	1.1%	1.1%	0.7%	1.0%	0.9%	1.2%	1.4%	1.3%
Recurring profit	7,227	13,951	21,178	4,714	9,574	14,288	6,100	4,747	10,847
YoY	-3.8%	65.6%	32.9%	-34.8%	-31.4%	-32.5%	-15.6%	-66.0%	-48.8%
RPM	1.9%	3.5%	2.8%	1.3%	2.4%	1.8%	1.6%	1.2%	1.4%
Net income	3,654	6,556	10,210	5,985	3,061	9,046	8,400	644	9,044
YoY	-18.9%	44.2%	12.8%	63.8%	-53.3%	-11.4%	129.9%	-90.2%	-11.4%
Net margin	1.0%	1.6%	1.3%	1.6%	0.8%	1.2%	2.2%	0.2%	1.2%

Source: Shared Research based on company data

By segment	FY02/18			FY02/19			FY02/20			Init. Est.
(JPYmn)	1H	2H	FY	1H	2H	FY	1H Act.	2H Est.	FY Est.	FY
Operating revenue	433,279	474,526	907,805	441,524	471,324	912,848	453,144	479,856	933,000	942,000
YoY	-	-	-	1.9%	-0.7%	0.6%	2.6%	1.8%	2.2%	3.2%
Department Stores	377,002	407,998	785,000	383,735	408,310	792,045	388,450	413,467	801,917	812,697
YoY	-	-	-	1.8%	0.1%	0.9%	1.2%	1.3%	1.2%	2.6%
Commercial Property Development	19,925	27,551	47,476	20,979	22,702	43,681	22,527	23,228	45,755	46,292
YoY	-	-	-	5.3%	-17.6%	-8.0%	7.4%	2.3%	4.7%	6.0%
Finance	7,197	6,990	14,187	7,493	7,451	14,944	8,619	8,629	17,248	17,199
YoY	-	-	-	4.1%	6.6%	5.3%	15.0%	15.8%	15.4%	15.1%
Contract and Design	13,368	12,548	25,916	12,196	12,599	24,795	16,369	14,815	31,184	24,431
YoY	-	-	-	-8.8%	0.4%	-4.3%	34.2%	17.6%	25.8%	-1.5%
Other	15,786	19,644	35,430	17,118	20,263	37,381	17,176	19,718	36,894	41,378
YoY	-	-	-	8.4%	3.2%	5.5%	0.3%	-2.7%	-1.3%	10.7%
Operating profit	13,893	21,425	35,318	13,420	13,241	26,661	13,424	14,576	28,000	31,000
YoY	-	-	-	-3.4%	-38.2%	-24.5%	0.0%	10.1%	5.0%	16.3%
OPM	3.2%	4.5%	3.9%	3.0%	2.8%	2.9%	3.0%	3.0%	3.0%	3.3%
Department Stores	4,130	9,379	13,509	4,427	4,264	8,691	4,274	5,708	9,982	13,644
YoY	-	-	-	7.2%	-54.5%	-35.7%	-3.5%	33.9%	14.9%	57.0%
OPM	1.1%	2.3%	1.7%	1.2%	1.0%	1.1%	1.1%	1.4%	1.2%	1.7%
Commercial Property Development	5,100	6,293	11,393	4,732	4,678	9,410	5,022	5,117	10,139	10,182
YoY	-	-	-	-7.2%	-25.7%	-17.4%	6.1%	9.4%	7.7%	8.2%
OPM	25.6%	22.8%	24.0%	22.6%	20.6%	21.5%	22.3%	22.0%	22.2%	22.0%
Finance	2,243	2,320	4,563	2,401	2,479	4,880	2,606	2,779	5,385	5,449
YoY	-	-	-	7.0%	6.9%	6.9%	8.5%	12.1%	10.3%	11.7%
OPM	31.2%	33.2%	32.2%	32.0%	33.3%	32.7%	30.2%	32.2%	31.2%	31.7%
Contract and Design	738	469	1,207	441	286	727	758	517	1,275	782
YoY	-	-	-	-40.2%	-39.0%	-39.8%	71.9%	80.8%	75.4%	7.6%
OPM	5.5%	3.7%	4.7%	3.6%	2.3%	2.9%	4.6%	3.5%	4.1%	3.2%
Other	1,353	1,978	3,331	1,179	1,759	2,938	976	-	-	-
Adjustments	326	988	1,314	238	-225	13	-215	-	-	-

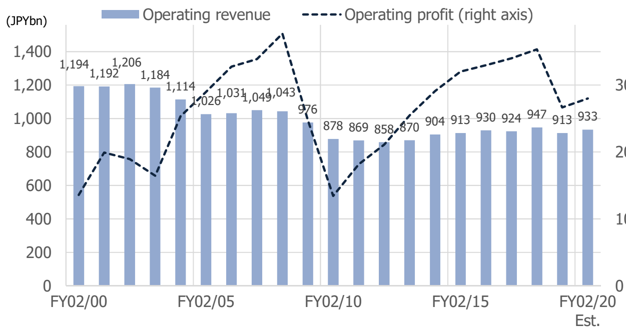
Source: Shared Research based on company data
Note: From FY02/20, Takashimaya Insurance was transferred from Finance to Other segment (data in table above not retrospectively adjusted).
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

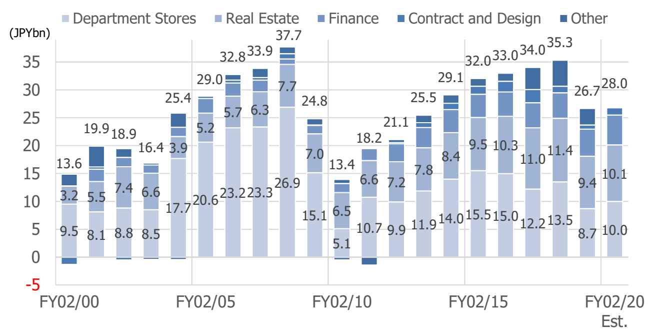
Company forecast for FY02/20: Breakdown by segment

By segment (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Est.
Operating revenue	869,476	858,123	870,333	904,180	912,523	929,588	923,601	907,805	912,848	933,000
YoY	-0.9%	-1.3%	1.4%	3.9%	0.9%	1.9%	-0.6%	-1.7%	0.6%	2.2%
Department Stores	777,478	762,827	770,089	798,079	802,956	811,648	797,253	785,000	792,045	801,917
YoY	-1.2%	-1.9%	1.0%	3.6%	0.6%	1.1%	-1.8%	-1.5%	0.9%	1.2%
Commercial Property Development	29,434	32,259	33,863	36,804	38,102	42,389	47,923	47,476	43,681	45,755
YoY	0.1%	9.6%	5.0%	8.7%	3.5%	11.3%	13.1%	-0.9%	-8.0%	4.7%
Finance	11,689	11,514	11,655	11,911	12,385	12,865	13,414	14,187	14,944	17,248
YoY	7.1%	-1.5%	1.2%	2.2%	4.0%	3.9%	4.3%	5.8%	5.3%	15.4%
Contract and Design	17,451	17,097	19,010	20,622	24,658	26,710	30,874	25,916	24,795	31,184
YoY	10.9%	-2.0%	11.2%	8.5%	19.6%	8.3%	15.6%	-16.1%	-4.3%	25.8%
Other	33,421	34,424	35,714	36,762	34,420	35,974	34,135	35,430	37,381	36,894
YoY	-3.7%	3.0%	3.7%	2.9%	-6.4%	4.5%	-5.1%	3.8%	5.5%	-1.3%
Operating profit	18,173	21,099	25,476	29,099	32,022	32,972	34,000	35,318	26,661	28,000
YoY	35.3%	16.1%	20.7%	14.2%	10.0%	3.0%	3.1%	3.9%	-24.5%	5.0%
OPM	2.1%	2.5%	2.9%	3.2%	3.5%	3.5%	3.7%	3.9%	2.9%	3.0%
Department Stores	10,728	9,909	11,880	13,962	15,519	14,975	12,182	13,509	8,691	9,982
YoY	110.4%	-7.6%	19.9%	17.5%	11.2%	-3.5%	-18.7%	10.9%	-35.7%	14.9%
OPM	1.4%	1.3%	1.5%	1.7%	1.9%	1.8%	1.5%	1.7%	1.1%	1.2%
Commercial Property Development	6,613	7,184	7,757	8,380	9,528	10,297	11,028	11,393	9,410	10,139
YoY	1.9%	8.6%	8.0%	8.0%	13.7%	8.1%	7.1%	3.3%	-17.4%	7.7%
OPM	22.5%	22.3%	22.9%	22.8%	25.0%	24.3%	23.0%	24.0%	21.5%	22.2%
Finance	2,135	3,228	3,625	4,144	4,176	4,376	4,495	4,563	4,880	5,385
YoY	32.4%	51.2%	12.3%	14.3%	0.8%	4.8%	2.7%	1.5%	6.9%	10.3%
OPM	18.3%	28.0%	31.1%	34.8%	33.7%	34.0%	33.5%	32.2%	32.7%	31.2%
Contract and Design	121	217	868	1,110	1,439	1,898	2,342	1,207	727	1,275
YoY	-	79.3%	300.0%	27.9%	29.6%	31.9%	23.4%	-48.5%	-39.8%	75.4%
OPM	0.7%	1.3%	4.6%	5.4%	5.8%	7.1%	7.6%	4.7%	2.9%	4.1%
Other	-1,280	248	1,261	1,650	1,590	1,496	2,333	3,331	2,938	-
Adjustments	-144	310	83	-150	-231	-69	1,616	1,314	13	-

Source: Shared Research, based on company data
Note: From FY02/20, Takashimaya Insurance was transferred from Finance to Other segment (data in table above not retrospectively adjusted).
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

Earnings (left), operating profit (right)





Source: Shared Research, based on company data
Note: With the adoption of IFRS 15 in FY02/19, operating revenue at overseas department stores is reported on a net basis; with the adoption of IFRS 16 in FY02/20, the company changed the way it accounts for real estate rental expenses (providing roughly a JPY2.7bn boost to operating profit).
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

Department Stores

Domestic department stores

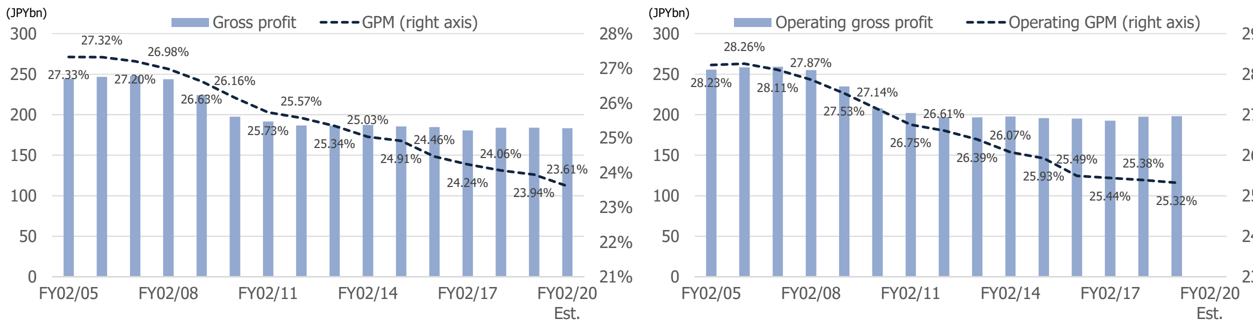
At its domestic department store business, the company forecasts FY02/20 operating revenue of JPY790.9bn (+1.1% YoY) and operating profit of JPY7.0bn (-19.2% YoY). The company sees department store sales rising 1.0% YoY to JPY776.2bn; this assumes the consumption tax hike will reduce sales by JPY3.2bn while sales to inbound foreign tourists will rise 0.5% YoY to JPY55.0bn, with sales also getting a boost from individual store-level initiatives and changes in merchandise and customer policies.

At the Osaka store, the company sees sales rising 3.1% YoY to JPY151.8bn. In addition to continued growth in sales to inbound foreign tourists (which accounted for 19% of the Osaka store's sales in FY02/19), the company also plans to boost sales by renovating the nearby Takashimaya East Annex at the end of 2019 and open the Citadines Namba Osaka serviced residences. At the Nihombashi store, the company sees sales rising 3.2% YoY to JPY133.5bn, based on the expectation that the opening of the Nihombashi Takashimaya Shopping Center (in March 2019) will attract a growing number of shoppers and lead to increases in sales at its Nihombashi department store. At the Yokohama store, the company sees sales remaining flat YoY at JPY132.6bn, despite special events to help celebrate the 60-year anniversary of the store's opening and the phased expansion of the store's basement-level sales floor for food, which upon its scheduled completion in the spring of 2021 will be 5,000sqm. At its Shinjuku store (where foreign tourists accounted for 17% of sales in FY02/19), the company sees sales falling 0.8% YoY to JPY74.3bn. It will take steps aimed at attracting even more inbound foreign tourist traffic and is also hoping for a general boost to traffic at the store as redevelopment of the surrounding area helps revitalize the Shinjuku Station South Exit area where it is located.

For gross profit on merchandise sales, the company is projecting a 0.4% YoY decrease, to JPY183.3bn. This represents a gross profit margin of 23.61%, down 0.33pp from 23.94% in FY02/19. While the company plans to undertake a number of initiatives—including the development of internally designed sales displays and products—aimed at halting the ongoing decline in its gross profit margin caused by a falling ratio of relatively high margin apparel sales, it does not appear to be confident that the boost from these initiatives will be enough to bring about a turnaround.

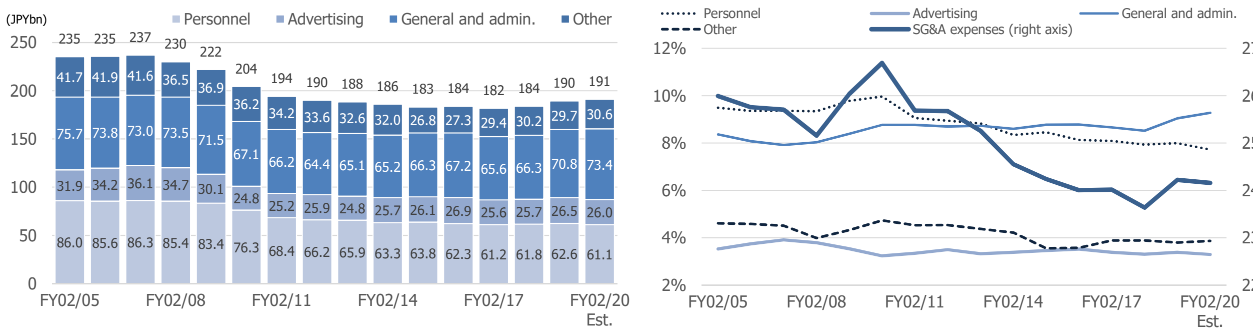
For SG&A spending, the company is projecting a 0.8% YoY increase, to JPY191.1bn. The company expects personnel expenses to come down by 2.3% YoY and plans to reduce advertisement spending by 1.7% YoY, but this will be easily offset by a 3.6% increase in general and administrative expenses, including increases in depreciation (related to the opening of the Nihombashi Takashimaya Shopping Center and IT systems) and increases in business expenses (including outsourcing fees), and a 2.9% increase in rent and other expenses.

Domestic department store business GPM and OPM



Source: Shared Research based on company data

Domestic department store business SG&A expenses



Source: Shared Research based on company data

Domestic department store (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Est.
Operating revenue	755,397	740,047	745,757	758,338	755,239	765,466	757,171	778,624	782,608	790,944
YoY	-1.3%	-2.0%	0.8%	1.7%	-0.4%	1.4%	-1.1%	2.8%	0.5%	1.1%
Takashimaya (parent)	697,861	684,215	690,334	701,773	699,656	710,161	703,056	724,604	729,198	736,797
YoY	-1.2%	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.0%	3.1%	0.6%	1.0%
Okayama Takashimaya	18,994	18,358	18,153	18,895	18,680	18,644	18,443	18,797	18,495	19,273
YoY	-3.4%	-3.3%	-1.1%	4.1%	-1.1%	-0.2%	-1.1%	1.9%	-1.6%	4.2%
Gifu Takashimaya	16,531	16,138	15,801	16,088	15,476	15,396	15,015	14,686	14,051	13,892
YoY	-4.3%	-2.4%	-2.1%	1.8%	-3.8%	-0.5%	-2.5%	-2.2%	-4.3%	-1.1%
Yonago Takashimaya	6,605	6,423	6,368	6,386	6,182	6,023	5,393	5,004	4,896	4,813
YoY	-4.2%	-2.8%	-0.9%	0.3%	-3.2%	-2.6%	-10.5%	-7.2%	-2.2%	-1.7%
Takasaki Takashimaya	14,507	14,915	15,099	15,194	15,244	15,240	15,261	15,530	15,966	16,169
YoY	-5.2%	2.8%	1.2%	0.6%	0.3%	-0.0%	0.1%	1.8%	2.8%	1.3%
Sales	745,021	729,746	735,332	747,812	745,039	755,041	745,146	765,037	768,448	776,181
YoY	-1.4%	-2.1%	0.8%	1.7%	-0.4%	1.3%	-1.3%	2.7%	0.4%	1.0%
Takashimaya (parent)	687,845	674,262	680,255	691,580	689,779	700,045	691,353	711,341	715,333	722,319
YoY	-1.3%	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.2%	2.9%	0.6%	1.0%
Four subsidiaries	57,176	55,484	55,077	56,232	55,260	54,996	53,793	53,696	53,115	53,862
YoY	-2.7%	-3.0%	-0.7%	2.1%	-1.7%	-0.5%	-2.2%	-0.2%	-1.1%	1.4%
Gross profit	191,718	186,597	186,358	187,194	185,601	184,687	180,591	184,059	183,997	183,256
YoY	-3.0%	-2.7%	-0.1%	0.4%	-0.9%	-0.5%	-2.2%	1.9%	-0.0%	-0.4%
GPM	25.73%	25.57%	25.34%	25.03%	24.91%	24.46%	24.24%	24.06%	23.94%	23.61%
Takashimaya (parent)	177,529	172,863	172,825	173,562	172,364	171,848	168,179	171,705	171,878	171,073
YoY	-2.9%	-2.6%	-0.0%	0.4%	-0.7%	-0.3%	-2.1%	2.1%	0.1%	-0.5%
GPM	25.81%	25.64%	25.41%	25.10%	24.99%	24.55%	24.33%	24.14%	24.03%	23.68%
Four subsidiaries	14,189	13,734	13,533	13,632	13,237	12,839	12,412	12,354	12,119	12,183
YoY	-4.1%	-3.2%	-1.5%	0.7%	-2.9%	-3.0%	-3.3%	-0.5%	-1.9%	0.5%
GPM	24.82%	24.75%	24.57%	24.24%	23.95%	23.35%	23.07%	23.01%	22.82%	22.62%
SG&A expenses	194,036	189,988	188,368	186,196	183,057	183,737	181,835	184,045	189,552	191,067
YoY	-5.0%	-2.1%	-0.9%	-1.2%	-1.7%	0.4%	-1.0%	1.2%	3.0%	0.8%
% of operating revenue	25.7%	25.7%	25.3%	24.6%	24.2%	24.0%	24.0%	23.6%	24.2%	24.2%
Takashimaya (parent)	179,706	176,394	175,167	172,977	169,991	171,023	169,591	172,408	177,202	178,898
YoY	-5.1%	-1.8%	-0.7%	-1.3%	-1.7%	0.6%	-0.8%	1.7%	2.8%	1.0%
% of operating revenue	25.8%	25.8%	25.4%	24.6%	24.3%	24.1%	24.1%	23.8%	24.3%	24.3%
Four subsidiaries	14,330	13,594	13,201	13,219	13,066	12,714	12,244	11,637	12,350	12,169
YoY	-3.9%	-5.1%	-2.9%	0.1%	-1.2%	-2.7%	-3.7%	-5.0%	6.1%	-1.5%
% of operating revenue	24.9%	24.3%	23.8%	23.4%	23.5%	23.0%	22.6%	21.5%	23.1%	22.5%
Personnel	68,394	66,185	65,866	63,288	63,845	62,255	61,244	61,825	62,556	61,097
YoY	-10.3%	-3.2%	-0.5%	-3.9%	0.9%	-2.5%	-1.6%	0.9%	1.2%	-2.3%
% of operating revenue	9.1%	8.9%	8.8%	8.3%	8.5%	8.1%	8.1%	7.9%	8.0%	7.7%
Advertising	25,249	25,894	24,808	25,662	26,123	26,923	25,608	25,695	26,481	26,028
YoY	2.0%	2.6%	-4.2%	3.4%	1.8%	3.1%	-4.9%	0.3%	3.1%	-1.7%
% of operating revenue	3.3%	3.5%	3.3%	3.4%	3.5%	3.5%	3.4%	3.3%	3.4%	3.3%
General and administrative	66,195	64,351	65,077	65,221	66,271	67,212	65,592	66,311	70,793	73,351
YoY	-1.3%	-2.8%	1.1%	0.2%	1.6%	1.4%	-2.4%	1.1%	6.8%	3.6%
% of operating revenue	8.8%	8.7%	8.7%	8.6%	8.8%	8.8%	8.7%	8.5%	9.0%	9.3%
Other	34,197	33,557	32,615	32,024	26,817	27,346	29,389	30,212	29,721	30,591
YoY	-5.6%	-1.9%	-2.8%	-1.8%	-16.3%	2.0%	7.5%	2.8%	-1.6%	2.9%
% of operating revenue	4.5%	4.5%	4.4%	4.2%	3.6%	3.6%	3.9%	3.9%	3.8%	3.9%
Operating profit	8,058	6,910	8,415	11,524	12,744	11,375	10,781	13,601	8,605	6,957
YoY	134.0%	-14.2%	21.8%	36.9%	10.6%	-10.7%	-5.2%	26.2%	-36.7%	-19.2%
OPM	1.1%	0.9%	1.1%	1.5%	1.7%	1.5%	1.4%	1.7%	1.1%	0.9%
Takashimaya (parent)	7,838	6,421	7,738	10,777	12,250	10,940	10,292	12,920	8,541	6,653
YoY	144.0%	-18.1%	20.5%	39.3%	13.7%	-10.7%	-5.9%	25.5%	-33.9%	-22.1%
OPM	1.1%	0.9%	1.1%	1.5%	1.8%	1.5%	1.5%	1.8%	1.2%	0.9%
Okayama Takashimaya	-179	10	74	39	-75	-92	118	114	-124	54
YoY	-	-	640.0%	-47.3%	-	-	-	-3.4%	-	-
OPM	-0.9%	0.1%	0.4%	0.2%	-0.4%	-0.5%	0.6%	0.6%	-0.7%	0.3%
Gifu Takashimaya	175	220	241	239	83	11	-91	61	-190	-167
YoY	-20.8%	25.7%	9.5%	-0.8%	-65.3%	-86.7%	-	-	-	-
OPM	1.1%	1.4%	1.5%	1.5%	0.5%	0.1%	-0.6%	0.4%	-1.4%	-1.2%
Yonago Takashimaya	-38	-32	-66	19	-23	-68	-136	32	2	2
YoY	-	-	-	-	-	-	-	-	-93.8%	0.0%
OPM	-0.6%	-0.5%	-1.0%	0.3%	-0.4%	-1.1%	-2.5%	0.6%	0.0%	0.0%
Takasaki Takashimaya	262	291	427	449	509	585	599	473	376	414
YoY	5.2%	11.1%	46.7%	5.2%	13.4%	14.9%	2.4%	-21.0%	-20.5%	10.1%
OPM	1.8%	2.0%	2.8%	3.0%	3.3%	3.8%	3.9%	3.0%	2.4%	2.6%

Source: Shared Research based on company data

By product (domestic dept.) (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	**745,021**	**729,746**	**735,332**	**747,812**	**745,039**	**755,041**	**745,146**	**765,037**	**768,448**
YoY	**-1.4%**	**-2.1%**	**0.8%**	**1.7%**	**-0.4%**	**1.3%**	**-1.3%**	**2.7%**	**0.4%**
Apparel total	232,704	242,822	243,418	243,529	241,849	234,049	221,093	219,252	214,827
YoY	-2.4%	4.3%	0.2%	0.0%	-0.7%	-3.2%	-5.5%	-0.8%	-2.0%
Menswear	51,044	50,202	50,495	50,309	51,030	48,474	45,833	45,324	43,235
YoY	-2.4%	-1.6%	0.6%	-0.4%	1.4%	-5.0%	-5.4%	-1.1%	-4.6%
Womenswear	143,301	154,336	155,118	155,268	153,086	148,931	140,731	139,182	137,326
YoY	-2.6%	7.7%	0.5%	0.1%	-1.4%	-2.7%	-5.5%	-1.1%	-1.3%
Children's wear	20,353	20,368	19,671	19,460	19,541	19,660	19,120	19,138	18,580
YoY	-1.3%	0.1%	-3.4%	-1.1%	0.4%	0.6%	-2.7%	0.1%	-2.9%
Other apparel	18,005	17,915	18,133	18,490	18,191	16,983	15,407	15,606	15,684
YoY	-2.1%	-0.5%	1.2%	2.0%	-1.6%	-6.6%	-9.3%	1.3%	0.5%
Personal items	120,518	103,352	106,357	110,255	109,332	113,454	110,663	116,708	120,302
YoY	-0.7%	-14.2%	2.9%	3.7%	-0.8%	3.8%	-2.5%	5.5%	3.1%
Accessories total	93,917	88,528	90,587	95,434	99,788	110,343	118,389	131,807	137,655
YoY	-2.5%	-5.7%	2.3%	5.4%	4.6%	10.6%	7.3%	11.3%	4.4%
Cosmetics	41,256	41,251	41,978	42,991	45,603	53,217	62,450	74,351	78,324
YoY	-0.3%	-0.0%	1.8%	2.4%	6.1%	16.7%	17.3%	19.1%	5.3%
Art work and jewelry	29,791	27,282	29,755	34,205	36,658	39,312	38,009	40,114	42,232
YoY	-2.1%	-8.4%	9.1%	15.0%	7.2%	7.2%	-3.3%	5.5%	5.3%
Other accessories	22,869	19,994	18,853	18,237	17,525	17,812	17,930	17,341	17,098
YoY	-6.9%	-12.6%	-5.7%	-3.3%	-3.9%	1.6%	0.7%	-3.3%	-1.4%
Household goods total	60,273	57,961	56,814	58,944	57,303	57,423	54,691	50,648	47,932
YoY	-1.1%	-3.8%	-2.0%	3.7%	-2.8%	0.2%	-4.8%	-7.4%	-5.4%
Furniture	13,857	13,336	12,581	13,439	12,464	12,047	10,775	9,333	9,997
YoY	0.7%	-3.8%	-5.7%	6.8%	-7.3%	-3.3%	-10.6%	-13.4%	7.1%
Home appliances	2,095	1,923	1,956	2,851	2,786	2,481	2,917	4,235	2,748
YoY	-10.3%	-8.2%	1.7%	45.8%	-2.3%	-10.9%	17.6%	45.2%	-35.1%
Other household goods	44,320	42,701	42,276	42,653	42,052	42,895	40,998	37,079	35,186
YoY	-1.2%	-3.7%	-1.0%	0.9%	-1.4%	2.0%	-4.4%	-9.6%	-5.1%
Foods total	216,116	215,643	215,949	216,449	213,530	214,983	214,820	215,617	217,759
YoY	0.4%	-0.2%	0.1%	0.2%	-1.3%	0.7%	-0.1%	0.4%	1.0%
Fresh produce	46,209	42,247	42,508	42,568	41,825	41,058	40,393	40,255	39,788
YoY	0.5%	-8.6%	0.6%	0.1%	-1.7%	-1.8%	-1.6%	-0.3%	-1.2%
Confectionery	55,735	55,146	54,787	55,260	56,189	58,246	58,588	59,164	60,488
YoY	-0.9%	-1.1%	-0.7%	0.9%	1.7%	3.7%	0.6%	1.0%	2.2%
Deli foods	47,860	57,739	56,467	56,461	55,783	56,558	56,468	57,121	57,369
YoY	-0.8%	20.6%	-2.2%	-0.0%	-1.2%	1.4%	-0.2%	1.2%	0.4%
Other foods	66,310	60,509	62,185	62,158	59,732	59,120	59,369	59,076	60,113
YoY	2.3%	-8.7%	2.8%	-0.0%	-3.9%	-1.0%	0.4%	-0.5%	1.8%
Restaurant and cafes	13,086	12,885	13,316	13,875	13,971	14,115	14,017	14,016	12,849
YoY	-4.0%	-1.5%	3.3%	4.2%	0.7%	1.0%	-0.7%	-0.0%	-8.3%
Services and others	8,404	8,553	8,887	9,323	9,263	10,670	11,470	16,987	17,120
YoY	-9.4%	1.8%	3.9%	4.9%	-0.6%	15.2%	7.5%	48.1%	0.8%

Source: Shared Research based on company data

Parent earnings (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Est.
Operating revenue	697,861	684,215	690,334	701,773	699,656	710,161	703,056	724,604	729,198	736,797
YoY	-1.2%	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.0%	3.1%	0.6%	1.0%
Sales	687,845	674,262	680,255	691,580	689,779	700,045	691,353	711,341	715,333	722,319
YoY	-1.3%	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.2%	2.9%	0.6%	1.0%
Difference	10,016	9,953	10,079	10,193	9,877	10,116	11,703	13,263	13,865	14,478
YoY	1.7%	-0.6%	1.3%	1.1%	-3.1%	2.4%	15.7%	13.3%	4.5%	4.4%
Gross profit	177,529	172,863	172,825	173,562	172,364	171,848	168,179	171,705	171,878	171,073
YoY	-2.9%	-2.6%	-0.0%	0.4%	-0.7%	-0.3%	-2.1%	2.1%	0.1%	-0.5%
GPM	25.8%	25.6%	25.4%	25.1%	25.0%	24.5%	24.3%	24.1%	24.0%	23.7%
SG&A expenses	179,706	176,394	175,167	172,977	169,991	171,023	169,591	172,408	177,202	178,898
YoY	-5.1%	-1.8%	-0.7%	-1.3%	-1.7%	0.6%	-0.8%	1.7%	2.8%	1.0%
% of operating revenue	25.8%	25.8%	25.4%	24.6%	24.3%	24.1%	24.1%	23.8%	24.3%	24.3%
Personnel	63,246	61,450	61,303	58,754	59,394	58,024	57,157	57,822	58,467	57,052
YoY	-10.6%	-2.8%	-0.2%	-4.2%	1.1%	-2.3%	-1.5%	1.2%	1.1%	-2.4%
% of operating revenue	9.1%	9.0%	8.9%	8.4%	8.5%	8.2%	8.1%	8.0%	8.0%	7.7%
Advertising	24,691	25,279	24,151	24,968	25,355	26,182	24,803	24,855	25,648	25,319
YoY	1.8%	2.4%	-4.5%	3.4%	1.5%	3.3%	-5.3%	0.2%	3.2%	-1.3%
% of operating revenue	3.5%	3.7%	3.5%	3.6%	3.6%	3.7%	3.5%	3.4%	3.5%	3.4%
General and administrative	60,306	58,569	59,460	59,555	60,698	61,640	60,241	61,012	65,353	67,908
YoY	-1.2%	-2.9%	1.5%	0.2%	1.9%	1.6%	-2.3%	1.3%	7.1%	3.9%
% of operating revenue	8.6%	8.6%	8.6%	8.5%	8.7%	8.7%	8.6%	8.4%	9.0%	9.2%
Other expenses	31,463	31,095	30,252	29,700	24,543	25,176	27,388	28,359	27,733	28,619
YoY	-5.8%	-1.2%	-2.7%	-1.8%	-17.4%	2.6%	8.8%	3.5%	-2.2%	3.2%
% of operating revenue	4.5%	4.5%	4.4%	4.2%	3.5%	3.5%	3.9%	3.9%	3.8%	3.9%
Operating profit	7,838	6,421	7,738	10,777	12,250	10,940	10,292	12,920	8,541	6,653
YoY	144.0%	-18.1%	20.5%	39.3%	13.7%	-10.7%	-5.9%	25.5%	-33.9%	-22.1%
OPM	1.1%	0.9%	1.1%	1.5%	1.8%	1.5%	1.5%	1.8%	1.2%	0.9%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Overseas department stores

Overseas department stores (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Est.
Operating revenue (simple aggregate)	35,268	37,480	39,912	55,190	61,308	65,124	58,897	22,097	23,427	23,917
YoY	4.2%	6.3%	6.5%	38.3%	11.1%	6.2%	-9.6%	-	6.0%	2.1%
Takashimaya Singapore	35,268	37,480	39,710	49,980	55,015	57,818	50,745	17,440	18,145	17,123
YoY	4.2%	6.3%	5.9%	25.9%	10.1%	5.1%	-12.2%	-	4.0%	-5.6%
Shanghai Takashimaya	-	-	202	5,210	6,293	7,306	6,333	3,164	3,186	2,766
YoY	-	-	-	2,479.2%	20.8%	16.1%	-13.3%	-	0.7%	-13.2%
Takashimaya Vietnam	-	-	-	-	-	-	1,819	1,494	1,778	1,994
YoY	-	-	-	-	-	-	-	-	19.0%	12.1%
Siam Takashimaya	-	-	-	-	-	-	-	-	318	2,034
YoY	-	-	-	-	-	-	-	-	-	539.6%
Operating profit (simple aggregate)	2,813	3,454	3,380	2,387	2,347	2,834	1,665	2,201	1,773	3,907
YoY	-0.1%	22.8%	-2.1%	-29.4%	-1.7%	20.7%	-41.2%	32.2%	-19.4%	120.4%
OPM	8.0%	9.2%	8.5%	4.3%	3.8%	4.4%	2.8%	10.0%	7.6%	16.3%
Takashimaya Singapore	2,897	3,454	3,599	3,915	4,302	4,076	3,153	3,622	3,260	4,835
YoY	2.9%	19.2%	4.2%	8.8%	9.9%	-5.3%	-22.6%	14.9%	-10.0%	48.3%
OPM	8.2%	9.2%	9.1%	7.8%	7.8%	7.0%	6.2%	20.8%	18.0%	28.2%
Shanghai Takashimaya	-84	-	-219	-1,528	-1,955	-1,242	-980	-1,140	-866	-137
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-108.4%	-29.3%	-31.1%	-17.0%	-15.5%	-36.0%	-27.2%	-5.0%
Takashimaya Vietnam	-	-	-	-	-	-	-508	-281	-117	79
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-27.9%	-18.8%	-6.6%	4.0%
Siam Takashimaya	-	-	-	-	-	-	-	-	-504	-870
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-	-158.5%	-42.8%

Source: Shared Research based on company data
Note: From FY02/19, sales from consignment transaction by overseas subsidiaries are reported on a net basis, the portion that represents income to the company. The table above reflects the change in accounting going back to FY02/18.

For its four overseas department stores, the company expects combined operating revenue of JPY23.9bn (+2.1% YoY) and operating profit of JPY3.9bn, a 2.2-fold increase over FY02/19. Operating revenue at the Singapore store is expected to finish down 5.6% YoY, due in large part to the adoption of IFRS 16, which would cause a drop of about JPY1.0bn in operating revenue. Excluding this impact, operating revenue should be flat YoY. At the Shanghai store, the company sees operating revenue falling 13.2% YoY. In addition to increasing competition in the retail store industry, the company's temporary plan to close Shanghai Takashimaya (now reversed) seems to have had a negative impact. In Vietnam, it sees operating revenue rising 12.1%YoY, maintaining growth. Although the company expects a YoY increase in operating revenue at the new store in Thailand as FY02/20 is its first full-year in operation, the delayed opening of the Bangkok Transit System (BTS) means the store is unlikely to achieve the company's initial forecast (operating revenue of JPY3.0bn).

The sharp jump in operating profit projected for overseas department stores is in large part due to the adoption of IFRS 16, which will boost operating profit by JPY2.5bn. If the impact of the move to IFRS 16 were excluded, the company would be projecting a JPY40mn decline in operating profit for Singapore (due to a decline in rent income), a JPY60mn increase in operating profit for Shanghai, and an JPY80mn increase in operating profit for Vietnam. In the case of Thailand, however, delays in the opening of BTS terminals are likely to result in an operating loss of JPY870mn. The company is currently working to eliminate the disparity between expected demand and actual sales by making improvements to sales floors, product lineup, and services in preparation for the opening of the BTS.

Department Stores (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Est.
Operating revenue	777,478	762,827	770,089	798,079	802,956	811,648	797,253	785,000	792,045	801,917
YoY	-1.2%	-1.9%	1.0%	3.6%	0.6%	1.1%	-1.8%	-	0.9%	1.2%
Domestic department stores	755,397	740,047	745,757	758,338	755,239	765,466	757,171	778,624	782,608	790,944
YoY	-1.3%	-2.0%	0.8%	1.7%	-0.4%	1.4%	-1.1%	2.8%	0.5%	1.1%
Takashimaya (parent)	697,861	684,215	690,334	701,773	699,656	710,161	703,056	724,604	729,198	736,797
YoY	-1.2%	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.0%	3.1%	0.6%	1.0%
Takashimaya Singapore	35,268	37,480	39,710	49,980	55,015	57,818	50,745	17,440	18,145	17,123
YoY	4.2%	6.3%	5.9%	25.9%	10.1%	5.1%	-12.2%	-	4.0%	-5.6%
Shanghai Takashimaya	-	-	202	5,210	6,293	7,306	6,333	3,164	3,186	2,766
YoY	-	-	-	2,479.2%	20.8%	16.1%	-13.3%	-	0.7%	-13.2%
Takashimaya Vietnam	-	-	-	-	-	-	1,819	1,494	1,778	1,994
YoY	-	-	-	-	-	-	-	-	19.0%	12.1%
Siam Takashimaya	-	-	-	-	-	-	-	-	318	2,034
YoY	-	-	-	-	-	-	-	-	-	539.6%
Takashimaya Tomonokai	4,596	4,454	4,413	4,411	4,402	4,348	4,416	4,737	4,792	4,843
YoY	-2.6%	-3.1%	-0.9%	-0.0%	-0.2%	-1.2%	1.6%	7.3%	1.2%	1.1%
R.T. Corporation	9,562	9,225	9,304	9,643	9,672	9,748	10,558	10,926	11,441	11,943
YoY	7.3%	-3.5%	0.9%	3.6%	0.3%	0.8%	8.3%	3.5%	4.7%	4.4%
Food and Partners	-	-	-	-	-	-	59	232	362	453
YoY	-	-	-	-	-	-	-	293.2%	56.0%	25.1%
Dear Mayuko	-	-	-	-	-	-	18	53	98	173
YoY	-	-	-	-	-	-	-	194.4%	84.9%	76.5%
A&S Takashimaya Duty Free	-	-	-	-	-	-	-	3,307	7,089	8,038
YoY	-	-	-	-	-	-	-	-	114.4%	13.4%
Operating profit	10,728	9,909	11,880	13,962	15,519	14,975	12,182	13,509	8,691	9,982
YoY	110.4%	-7.6%	19.9%	17.5%	11.2%	-3.5%	-18.7%	10.9%	-35.7%	14.9%
OPM	1.4%	1.3%	1.5%	1.7%	1.9%	1.8%	1.5%	1.7%	1.1%	1.2%
Domestic department stores	8,058	6,910	8,415	11,524	12,744	11,375	10,781	13,601	8,605	6,957
YoY	134.0%	-14.2%	21.8%	36.9%	10.6%	-10.7%	-5.2%	26.2%	-36.7%	-19.2%
OPM	1.1%	0.9%	1.1%	1.5%	1.7%	1.5%	1.4%	1.7%	1.1%	0.9%
Takashimaya (parent)	7,838	6,421	7,738	10,777	12,250	10,940	10,292	12,920	8,541	6,653
YoY	144.0%	-18.1%	20.5%	39.3%	13.7%	-10.7%	-5.9%	25.5%	-33.9%	-22.1%
OPM	1.1%	0.9%	1.1%	1.5%	1.8%	1.5%	1.5%	1.8%	1.2%	0.9%
Takashimaya Singapore	2,897	3,454	3,599	3,915	4,302	4,076	3,153	3,622	3,260	4,835
YoY	2.9%	19.2%	4.2%	8.8%	9.9%	-5.3%	-22.6%	14.9%	-10.0%	48.3%
OPM	8.2%	9.2%	9.1%	7.8%	7.8%	7.0%	6.2%	20.8%	18.0%	28.2%
Shanghai Takashimaya	-84	-	-219	-1,528	-1,955	-1,242	-980	-1,140	-866	-137
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-108.4%	-29.3%	-31.1%	-17.0%	-15.5%	-36.0%	-27.2%	-5.0%
Takashimaya Vietnam	-	-	-	-	-	-	-508	-281	-117	79
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-27.9%	-18.8%	-6.6%	4.0%
Siam Takashimaya	-	-	-	-	-	-	-	-	-504	-870
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-	-158.5%	-42.8%
Takashimaya Tomonokai	-923	-1,001	-974	-935	-1,024	-1,007	-996	-963	-952	-952
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-20.1%	-22.5%	-22.1%	-21.2%	-23.3%	-23.2%	-22.6%	-20.3%	-19.9%	-19.7%
R.T. Corporation	475	423	509	555	546	708	742	597	563	675
YoY	70.9%	-10.9%	20.3%	9.0%	-1.6%	29.7%	4.8%	-19.5%	-5.7%	19.9%
OPM	5.0%	4.6%	5.5%	5.8%	5.6%	7.3%	7.0%	5.5%	4.9%	5.7%
Food and Partners	-	-	-	-	-	-	-186	-178	-163	-144
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-315.3%	-76.7%	-45.0%	-31.8%
Dear Mayuko	-	-	-	-	-	-	-262	-286	-389	-325
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-1,455.6%	-539.6%	-396.9%	-187.9%
A&S Takashimaya Duty Free	-	-	-	-	-	-	-	-1,309	-620	-382
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-39.6%	-8.7%	-4.8%

Source: Shared Research based on company data
Note: From FY02/19, sales from consignment transaction by overseas subsidiaries are reported on a net basis, the portion that represents income to the company. The table above reflects the change in accounting going back to FY02/18.

Commercial Property Development

Commercial Property Development (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Est.
Operating revenue	29,434	32,259	33,863	36,804	38,102	42,389	47,923	47,476	43,681	45,755
YoY	0.1%	9.6%	5.0%	8.7%	3.5%	11.3%	13.1%	-0.9%	-8.0%	4.7%
Toshin Development	29,787	31,424	32,111	33,549	33,956	35,008	44,581	52,312	43,830	44,928
YoY	-13.5%	5.5%	2.2%	4.5%	1.2%	3.1%	27.3%	17.3%	-16.2%	2.5%
TDS	4,789	5,782	6,115	7,618	8,528	9,490	8,785	8,952	8,889	8,648
YoY	-	20.7%	5.8%	24.6%	11.9%	11.3%	-7.4%	1.9%	-0.7%	-2.7%
Operating profit	6,613	7,184	7,757	8,380	9,528	10,297	11,028	11,393	9,410	10,139
YoY	1.9%	8.6%	8.0%	8.0%	13.7%	8.1%	7.1%	3.3%	-17.4%	7.7%
OPM	22.5%	22.3%	22.9%	22.8%	25.0%	24.3%	23.0%	24.0%	21.5%	22.2%
Toshin Development	5,646	6,005	6,588	6,886	7,754	8,006	8,840	9,044	7,319	6,888
YoY	-11.4%	6.4%	9.7%	4.5%	12.6%	3.2%	10.4%	2.3%	-19.1%	-5.9%
OPM	19.0%	19.1%	20.5%	20.5%	22.8%	22.9%	19.8%	17.3%	16.7%	15.3%
TDS	1,018	1,368	1,356	1,681	1,961	2,476	2,340	2,484	2,194	3,052
YoY	-	34.4%	-0.9%	24.0%	16.7%	26.3%	-5.5%	6.2%	-11.7%	39.1%
OPM	21.3%	23.7%	22.2%	22.1%	23.0%	26.1%	26.6%	27.7%	24.7%	35.3%

Source: Shared Research based on company data
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

For its Commercial Property Development business, the company forecasts FY02/20 operating revenue of JPY45.8bn (+4.7% YoY) and operating profit of JPY10.1bn (+7.7% YoY). At Toshin Development, the company is projecting operating revenue of JPY44.9bn (+2.5% YoY) and operating profit of JPY6.9bn (-5.9% YoY). The projected top-line gains at Toshin Development reflect the addition of a full-year worth of contributions from the Nihombashi Takashimaya Shopping Center; the projected drop in operating profit at Toshin Development reflects the loss of rental income from tenants whose stores will be closed to accommodate the renovation work being done at the large Tamagawa Shopping Center in connection with the 50-year anniversary of the shopping center's opening.

For Toshin Development Singapore, the company forecasts FY02/20 operating revenue of JPY8.6bn (-2.7% YoY) and operating profit of JPY3.1bn (+39.1% YoY), as the adoption of IFRS 16 boosts operating profit by JPY880mn. Excluding this impact, the company forecasts a drop in operating profit of JPY20mn.

Finance

Finance (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Est.
Operating revenue	11,689	11,514	11,655	11,911	12,385	12,865	13,414	14,187	14,944	17,248
YoY	7.1%	-1.5%	1.2%	2.2%	4.0%	3.9%	4.3%	5.8%	5.3%	15.4%
Takashimaya Credit	15,894	15,542	15,759	16,205	16,789	17,257	17,662	18,444	19,165	21,330
YoY	4.2%	-2.2%	1.4%	2.8%	3.6%	2.8%	2.3%	4.4%	3.9%	11.3%
Operating profit	2,135	3,228	3,625	4,144	4,176	4,376	4,495	4,563	4,880	5,385
YoY	32.4%	51.2%	12.3%	14.3%	0.8%	4.8%	2.7%	1.5%	6.9%	10.3%
OPM	18.3%	28.0%	31.1%	34.8%	33.7%	34.0%	33.5%	32.2%	32.7%	31.2%
Takashimaya Credit	2,135	3,229	3,625	4,101	4,137	4,341	4,468	4,543	4,892	4,934
YoY	32.2%	51.2%	12.3%	13.1%	0.9%	4.9%	2.9%	1.7%	7.7%	0.9%
OPM	13.4%	20.8%	23.0%	25.3%	24.6%	25.2%	25.3%	24.6%	25.5%	23.1%

Source: Shared Research based on company data

For its Finance business, the company forecasts FY02/20 operating revenue of JPY17.2bn (+15.4% YoY) and operating profit of JPY5.4bn (+10.3% YoY). The insurance business, which was included in the Other segment through FY02/19, is now included in the Finance segment, causing a boost of JPY950mn in operating revenue and JPY560mn in operating profit. Excluding this impact, the company forecasts 8.5% YoY growth in operating revenue, but a 1.1% decline in operating profit. At Takashimaya Credit, which accounts for the bulk of earnings at its Finance business, the company sees the gains being driven by increases in the number of cardholders and transaction volumes in the wake of successful promotions done in connection with the opening of the Nihombashi Takashimaya Shopping Center.

Contract and Design

Contract and Design (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Est.
Operating revenue	17,451	17,097	19,010	20,622	24,658	26,710	30,874	25,916	24,795	31,184
YoY	10.9%	-2.0%	11.2%	8.5%	19.6%	8.3%	15.6%	-16.1%	-4.3%	25.8%
Takashimaya Space Create	21,293	19,175	23,647	24,893	28,327	30,251	34,521	29,320	31,630	34,887
YoY	1.8%	-9.9%	23.3%	5.3%	13.8%	6.8%	14.1%	-15.1%	7.9%	10.3%
Takashimaya Space Create Tohoku	-	-	-	551	773	910	564	533	588	546
YoY	-	-	-	-	40.3%	17.7%	-38.0%	-5.5%	10.3%	-7.1%
Operating profit	121	217	868	1,110	1,439	1,898	2,342	1,207	727	1,275
YoY	-124.2%	79.3%	300.0%	27.9%	29.6%	31.9%	23.4%	-48.5%	-39.8%	75.4%
OPM	0.7%	1.3%	4.6%	5.4%	5.8%	7.1%	7.6%	4.7%	2.9%	4.1%
Takashimaya Space Create	126	217	870	1,123	1,414	1,871	2,352	1,231	755	1,211
YoY	-124.1%	72.2%	300.9%	29.1%	25.9%	32.3%	25.7%	-47.7%	-38.7%	60.4%
OPM	0.6%	1.1%	3.7%	4.5%	5.0%	6.2%	6.8%	4.2%	2.4%	3.5%
Takashimaya Space Create Tohoku	-	-	-1	-12	25	27	-9	-23	-28	14
YoY	-	-	-	-	-308.3%	8.0%	-	-	-	-
OPM	-	-	-	-2.2%	3.2%	3.0%	-1.6%	-4.3%	-4.8%	2.6%

Source: Shared Research based on company data

For its Contract and Design business, the company forecasts FY02/20 operating revenue of JPY34.9bn (+25.8% YoY) and operating profit of JPY1.2bn (+75.4% YoY). In contrast to FY02/19, when the Contract and Design business had an abundance of orders but margins were squeezed by the rising cost of outside contractors, in FY02/20 the company is looking to diversify its order sources and improve margins with the help of better construction project management. It has been winning orders for commercial facilities such as hotels and other lodging facilities, along with luxury brand boutiques, which should lead to expanded earnings. Based on the current order backlog, performance in the Contract and Design business should remain steady at least through 1H FY02/21.

Progress on group's business strategy

At the 1H FY02/20 results briefing, Yoshio Murata, who assumed the position of president in March 2019, gave an explanation of the group's business strategy. The company aims to create group synergies by leveraging the customer base of its Department Stores business in order to achieve sustained growth in the long term. It believes it is important to improve customer satisfaction by concentrating the group's expertise in the Commercial Property Development and Finance businesses to further solidify its customer base.

The company is promoting the group's Machi-Zukuri (urban development) strategy in order to maximize synergies. Under this strategy, it aims to maximize the appeal of its department stores and shopping centers in their role as anchors that draw people to the areas in which they are located. By creating commercial facilities that serve as anchors to draw people to communities, it aims to grow in tandem with those communities by creating new flows of people and invigorating whole districts.

To maximize the appeal of its buildings, with a focus on its department stores, the company aims to develop its own next-generation commercial facilities for the purpose of increasing customer satisfaction. To achieve this, it will concentrate its expertise it has garnered as a group in the Commercial Property Development business (including Toshin Development), the Finance business (including Takashimaya Credit), and the restaurant business (including R.T. Corporation). It wants its commercial facilities to continue providing customers the feelings of well-being and excitement one gets from walking through town. President Murata says that to achieve this, maximizing synergies between the company's various businesses is essential, and the strategy can only be discussed as a whole.

The company approached the Nihombashi Takashimaya Shopping Center with this thinking in mind, and is also applying it to the East Annex in Osaka, the expansion of the Yokohama store, Nagareyama Otakanomori, and the overseas business, including Vietnam and Thailand.

In creating synergies, the company wants to focus on the Finance and overseas businesses in particular. It believes the former has strong compatibility with the Department Stores business. By combining the two businesses, it aims to provide lifestyle support throughout a customer's lifetime, strengthening the bonds of trust and creating improved brand value. Department stores often play a part in customers' important life events, including marriage, childbirth, and retirement. The company plans to build relationships with customers through shopping and get these customers interested in the services of its Finance business as well, such as loan products and fund management products (including investment trusts).

By holding down operating costs and expanding profitable businesses through measures such as alliances with financial specialist companies, the company aims to generate about JPY5.0bn (JPY2.0–2.5bn from existing businesses such as payment and loan services and JPY2.0–2.5bn from new businesses such as trusts) in operating profit from the Finance business by FY02/24, the final year of the current medium-term plan.

In the overseas business, the company aims to increase revenue in Vietnam, Thailand, and Shanghai, where it is already active, generating an additional JPY2.0–3.0bn in operating profit by improving profitability, and to add JPY1.5–2.5bn through new commercial development, including expansion of the Vietnam business. It wants to apply the urban development experience it has cultivated in Singapore, combining department store and real estate aspects, to other regions. Overseas companies have had a favorable view of the unified development in Singapore between department stores and real estate and, in fact, the success of the Singapore model gave the company a foothold for development in Ho Chi Minh City. In June 2009, the company decided to participate in the Starlake development project in Hanoi. It expects to obtain usage rights for two properties near upscale residential districts and with good access to the city center and airport. Additionally, in November 2009, the company acquired equity in a company that owns and operates Indochina Plaza Hanoi (construction completed in 2012), a commercial and office building complex. Takashimaya is speeding up investment in Vietnam, an area of projected growth moving forward.

On the other hand, one issue the company faces is a decline in profitability at its domestic department stores, which have been key to its brand value. It plans to accelerate initiatives centered on cutting costs to improve revenue and earnings, including 1) a review of its store strategy (closure of unprofitable stores and optimization of department store floor space); 2) scaling down its investment plans (reviewing marketing, facilities, and systems investments from a zero-based perspective); and 3) streamlining personnel in the organization (making store management and backend processes more efficient). In connection with these initiatives, on October 11, 2019, it announced the planned closure of its Konandai Store and Takashimaya Style Maison and the sale of its entire stake in Yonago Takashimaya.

Growth strategy and long-term business plan

Long-term plan (announced April 2019)

The company announces its long-term plan on a rolling basis every year. This time around the long-term plan covers the years from FY02/20 through FY02/24. The new long-term plan was put together under the leadership of Yoshio Murata, who took over as president in March 2019.

As before, the company's Machi-Zukuri strategy is at the heart of its basic strategy, which is aimed at realizing stable growth. Under its Machi-Zukuri strategy, the company is looking to make its department stores and shopping centers the anchor that draws people to an area. In addition to revitalizing the areas where stores are located, the company looks to sustain steady growth through synergies between its domestic department store business, other domestic group businesses (Commercial Property Development, Finance), and overseas department store businesses.

Quantitative targets

For FY02/24, the company has set a target of JPY990bn for operating revenue and JPY43bn for operating profit; this represents a CAGR of 1.6% and 10.0% from FY02/20 for operating revenue and profit, respectively. The company is targeting ROE of 5.0%, ROA of 3.7%, and shareholders' equity ratio of 42.9%. During the period the company is looking to generate a cumulative total of JPY210bn in operating cash flow and spend an equal amount on investments. The company made no changes with respect to its policy on making returns to shareholders; as before, it plans to maintain a stable dividend that provides the optimum level of returns to shareholders while taking into consideration the various challenges presented by the operating environment. However, on June 25, 2019, it announced an acquisition of treasury shares (maximum of 8mn shares/JPY10.0bn), which will enable it to enhance shareholder returns and flexibly implement capital policy. It is also starting flexible shareholder returns.

Long-term plan: Key performance indicators

Long-term plan KPI (JPYmn)	FY02/18 Act.	FY02/19 Act.	FY02/24 Long-term plan	CAGR
Operating revenue	949,572	912,848	990,000	1.6%
YoY	2.8%	-3.9%		
Domestic department stores	778,624	782,608	760,000	-0.6%
YoY	2.8%	0.5%		
Domestic group companies	160,551	155,046	230,000	8.2%
YoY	3.1%	-3.4%		
Overseas	31,049	32,316	60,000	13.2%
YoY	-	4.1%		
Operating profit	35,318	26,661	43,000	10.0%
YoY	3.9%	-24.5%		
OPM	3.7%	2.9%	4.3%	
Domestic department stores	13,601	8,605	10,000	3.1%
YoY	26.2%	-36.7%		
OPM	1.7%	1.1%	1.3%	
Domestic group companies	15,929	14,296	22,500	9.5%
YoY	-11.9%	-10.3%		
OPM	9.9%	9.2%	9.8%	
Overseas	4,578	3,930	11,000	22.9%
YoY	21.1%	-14.2%		
OPM	14.7%	12.2%	18.3%	

	FY02/18 Act.	FY02/19 Act.	FY02/24 LTP
ROE	5.6%	3.7%	5.0%
ROA (RP-based)	3.8%	3.0%	3.7%
Equity ratio	42.2%	41.2%	42.9%
Interest-bearing debt	174,262	194,783	194,800
Operating CF	36,870	67,913	210,000
Investing CF	-62,286	-85,815	-210,000
Financing CF	14,185	17,226	-20,000
Growth strategy investment (5-year total)			230,000
Domestic department stores			53,000
Domestic group companies			75,000
Overseas			26,000
Safe and secure systems			76,000

Reference: Key performance indicators under previous long-term plan (announced April 2018)

Long-term plan KPI (JPYmn)	FY02/17 Act.	FY02/18 Act.	FY02/23 Long-term plan	CAGR
Operating revenue	923,601	949,572	1,033,000	2.3%
YoY	-0.6%	2.8%		
Domestic department stores	757,171	778,624	788,000	0.8%
YoY	-1.1%	2.8%		
Domestic group companies	155,663	160,551	190,000	4.1%
YoY	7.4%	3.1%		
Overseas	68,092	78,514	112,000	10.5%
YoY	-8.7%	15.3%		
Operating profit	34,000	35,318	50,000	8.0%
YoY	3.1%	3.9%		
OPM	3.7%	3.7%	4.8%	
Domestic department stores	10,781	13,601	17,000	9.5%
YoY	-5.2%	26.2%		
OPM	1.4%	1.7%	2.2%	
Domestic group companies	18,084	15,929	25,000	6.7%
YoY	8.2%	-11.9%		
OPM	11.6%	9.9%	13.2%	
Overseas	3,779	4,578	8,000	16.2%
YoY	-27.0%	21.1%		
OPM	5.5%	5.8%	7.1%	

	FY02/17 Act.	FY02/18 Act.	FY02/23 LTP
ROE	6.0%	5.1%	7.0%
ROA (RP-based)	3.9%	3.8%	4.6%
Equity ratio	40.9%	41.8%	48.0%
Interest-bearing debt	154,600	155,262	170,000
Operating CF	25,638	42,266	280,000
Investing CF	-16,081	-9,124	-270,000
Financing CF	-19,239	-4,228	-30,000
Growth strategy investment (5-year total)			280,000
Domestic department stores			60,500
Domestic group companies			60,000
Overseas			32,000
Safe and secure systems			127,500

Source: Shared Research based on company data

Under the previous long-term plan (announced April 2018), which covered the years from FY02/19 through FY02/23, the company set a final-year target for operating revenue of JPY1,030bn, representing an average annual growth rate of 2.3%. Under the current long-term plan, the company has brought down its target for final-year operating revenue to JPY990bn, representing an average annual growth rate of only 1.6%. The reduction in the projected growth in top-line revenue is due in large part to the downward revision to the company's forecast for its domestic department store businesses, where it had previously projected average annual growth of +0.8% but is now projecting annual growth of -0.6%. This turnabout likely reflects management's recognition that the assumptions underlying its previous forecasts were overly optimistic. Under the new forecast, the company still assumes that sales to foreign tourists will continue to rise along with the ongoing growth in the number of tourists visiting Japan, and also assumes that sales to wealthier households will basically remain flat. The negative growth part comes from the company's assumption that spending at its stores by domestic consumers other than wealthy households will go down, hurt by cutbacks in consumption spending as the population ages, younger consumers' preference for other retail formats over department stores, and the drop in consumer buying power following the hike in the consumption tax. As a result, the company has brought its final-year operating profit target for its domestic department store business down from JPY17.0bn (representing an average annual growth rate of 9.5%) under its previous long-term plan to only JPY10.0bn (representing an average annual growth rate of 3.1%) under its current long-term plan.

For domestic group companies as a whole, the company has brought down its final-year target for operating profit from JPY25.0bn under its previous long-term plan to JPY22.5bn under its current plan, though the average annual growth rate this represents has risen from 6.7% to 9.5%. Although department stores will still account for the bulk of earnings, the company is looking to sustain steady growth in group earnings with the help of growing contributions from its real estate, finance, and other businesses.

For its overseas department store business, the company has raised its final-year operating profit target from JPY8.0bn under its previous long-term plan to JPY11.0bn under its current plan. This comes mainly only the back of a boost in profit from the adoption of IFRS 16 (for lease accounting), but also likely reflects its plan to remain on track for overseas expansion.

During the five-year period covered by the current long-term plan, the company looks to generate a cumulative total of JPY210bn in operating cash flow and, based on its desire to keep capital spending within cash flow from operations, plans to lay out roughly the same amount for capital investments. To be precise, the company expects to have a cash outflow of JPY20bn from financing activities during the next five years. From this, we would conclude that the company is sending the message that it expects no change in its interest-bearing debt burden and also expects to maintain its dividend at the current level.

Initiatives planned to help meet growth targets

The most pressing issue for the domestic department store business is the reform of its earnings structure. It is essential that the company move to a more profitable business structure for a number of reasons, one of those being it needs to generate additional funds so that it can make the investments needed to push ahead with its Machi-Zukuri strategy. With the operating environment changing and its social cost burden rising (due to changes to more environmentally friendly procurement practices, the creation of so-called universal sales floors, etc.), the company is facing the very real possibility that its department store business may no longer be able to generate a profit unless it continues making reforms. For this reason, it is pushing ahead with its Group Reform Project, which calls for greater use of digital technology, and other initiatives aimed at improving its profit margins by reducing costs, especially costs under SG&A such as personnel and general and administrative spending.

Given the growing tendency among younger generations of shoppers to favor other retail formats over department stores, it is also important for Takashimaya to create more attractive stores and field more attractive lineups of merchandise and services that will get sales back on an upward track. Current plans call for maintaining the current level of sales at domestic department stores with the help of group-wide sales promotion efforts in conjunction with Takashimaya Credit, merchandising that takes better advantage of Takashimaya's internally designed sales displays and specialty shops, an online presence that conveys its theme of "machi" (community), and store concierge services that provide the comfortable shopping experience unique to Takashimaya.

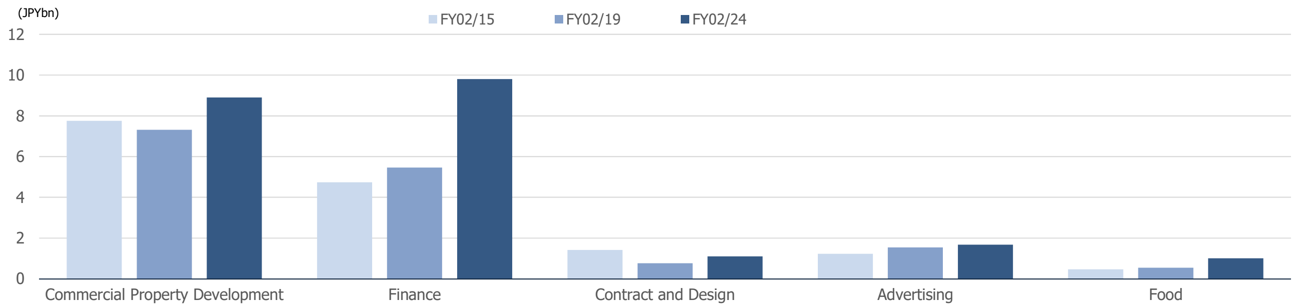
At the individual store level, we will be keeping an especially close watch on 1) how Takashimaya takes advantage of the customer drawing power of the new Nihombashi Takashimaya Shopping Center (opened in March 2019), 2) the renovation work being done at the Tamagawa Shopping Center in connection with the 50-year anniversary of its opening and the remodeling of the food floor of its Tamagawa department store; 3) the phased expansion of the basement-level food floor at its Yokohama store ahead of the 60-year anniversary of its opening (when completed in Spring 2021, the new food floor is expected to be largest in Japan at 5,000sqm); and 4) efforts to revitalize traffic at the Osaka store by renovating the Takashimaya East Annex (near its Osaka department store) and opening the Citadines Namba Osaka serviced residences.

Sales to foreign tourists is one area where the company is forecasting growth in sales at its domestic department stores. Initiatives aimed at attracting more foreign tourists to Takashimaya stores include the expansion of tourist-oriented services such as the A&S Takashimaya Duty Free shop in Shinjuku and at Citadines Namba Osaka, and expanded partnership arrangements with other companies that deal with foreign tourists, including overseas travel agencies, financial services companies, and transportation companies. With help from these initiatives, the company aims to boost sales to foreign tourists from JPY54.7bn in FY02/19 to JPY80.0bn by FY02/24.

Among its domestic group businesses, Takashimaya is looking to expand both its Commercial Property Development and Finance businesses. In real estate, the company is looking to create synergies with the group's department stores business, and is also looking to grow on other fronts with the help of M&A and business alliances. Specific moves include 1) area redevelopment and store renovation projects undertaken in conjunction with the department store business aimed at attracting more shoppers to the Nihombashi Takashimaya Shopping Center and the Tamagawa Shopping Center (in Autumn 2019); 2) the use of mergers and acquisitions to expand business opportunities, such as the January 2019 acquisition of T&T Co., Ltd. (the management company for the commercial space in stations along the Tsukuba Express Line) and a business alliance with the Nagareyama Otakanomori Shopping Center; and 3) joint ventures with other companies, including projects that would help make better use of the group's non-core real estate assets.

At its finance business, which now consists largely of its credit card business, the company looks to double operating profit over the next five years, from JPY4.9bn in FY02/19 to JPY9.8bn in FY02/24. The company did not offer any specifics as to how this would be accomplished, saying only that it is looking to "take its finance business to the next stage."

Operating profit outlook for domestic group businesses



Source: Shared Research, based on company data
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

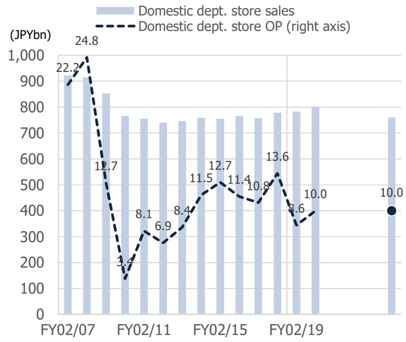
Overseas businesses: Takashimaya's subsidiary in Singapore is already operating in the black and, with the help of store remodeling and other measures, the company is looking to further increase the profitability of its operations in Singapore while at the same time bringing newer operations in Shanghai, Vietnam, and Thailand (which all ran losses in FY02/19) into the black. Particularly in Vietnam, the company is looking to develop the real estate around its department stores and create new sources of earnings in this manner as well.

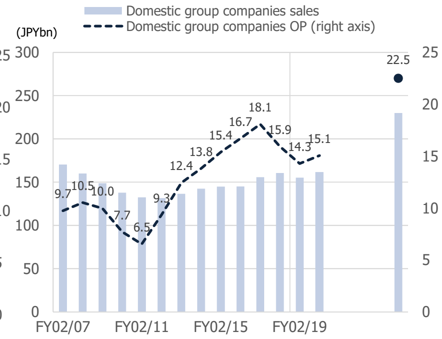
ESG

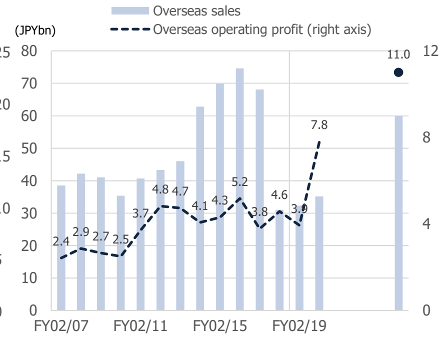
The company's medium-term plan was especially notable for its comprehensive list of ESG goals and initiatives. In April 2019, the company laid out a set of SDG principles for the group. The principles—including concern for the environment, the creation of communities, providing accessible and value-free products and facilities, and sustainable products and services—will serve as a roadmap for the group as it works towards its performance goals.

Targets for FY02/24

Long-term plan	FY02/11	FY02/12	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/24	FY02/23	FY02/22
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Est.	LTP	Last plan	Before last
Operating revenue	869,476	858,123	870,333	904,180	912,523	929,588	923,601	949,572	912,848	933,000	990,000	1,033,000	1,000,000
YoY	-0.9%	-1.3%	1.4%	3.9%	0.9%	1.9%	-0.6%	2.8%	-3.9%	2.2%			
Domestic department stores	755,397	740,047	745,757	758,338	755,239	765,466	757,171	778,624	782,608	790,944	760,000	788,000	757,000
YoY	-1.3%	-2.0%	0.8%	1.7%	-0.4%	1.4%	-1.1%	2.8%	0.5%	1.1%			
Domestic group companies	132,494	131,363	136,580	142,411	144,770	144,974	155,663	160,551	155,046	165,158	230,000	190,000	191,000
YoY	-3.9%	-0.9%	4.0%	4.3%	1.7%	0.1%	7.4%	3.1%	-3.4%	6.5%			
Overseas	40,703	43,262	46,027	62,808	69,836	74,616	68,092	31,049	32,316	32,565	60,000	112,000	108,000
YoY	15.2%	6.3%	6.4%	36.5%	11.2%	6.8%	-8.7%	-	4.1%	0.8%			
Operating profit	18,173	21,099	25,476	29,099	32,022	32,972	34,000	35,318	26,661	28,000	43,000	50,000	50,000
YoY	35.3%	16.1%	20.7%	14.2%	10.0%	3.0%	3.1%	3.9%	-24.5%	5.0%			
OPM	2.1%	2.5%	2.9%	3.2%	3.5%	3.5%	3.7%	3.7%	2.9%	3.0%	4.3%	4.8%	5.0%
Domestic department stores	8,058	6,910	8,415	11,524	12,744	11,375	10,781	13,601	8,605	6,957	10,000	17,000	16,000
YoY	134.0%	-14.2%	21.8%	36.9%	10.6%	-10.7%	-5.2%	26.2%	-36.7%	-19.2%			
OPM	1.1%	0.9%	1.1%	1.5%	1.7%	1.5%	1.4%	1.7%	1.1%	0.9%	1.3%	2.2%	2.1%
Domestic group companies	6,537	9,344	12,440	13,815	15,397	16,712	18,084	15,929	14,296	15,249	22,500	25,000	27,000
YoY	-15.1%	42.9%	33.1%	11.1%	11.5%	8.5%	8.2%	-11.9%	-10.3%	6.7%			
OPM	4.9%	7.1%	9.1%	9.7%	10.6%	11.5%	11.6%	9.9%	9.2%	9.2%	9.8%	13.2%	14.1%
Overseas	3,711	4,822	4,736	4,068	4,308	5,179	3,779	4,578	3,930	6,967	11,000	8,000	7,000
YoY	48.5%	29.9%	-1.8%	-14.1%	5.9%	20.2%	-27.0%	21.1%	-14.2%	77.3%			
OPM	9.1%	11.1%	10.3%	6.5%	6.2%	6.9%	5.5%	14.7%	12.2%	21.4%	18.3%	7.1%	6.5%
ROE	4.7%	3.6%	5.2%	5.4%	5.9%	6.0%	5.1%	5.6%	3.7%	3.8%	5.0%	7.0%	7.0%
ROA (RP-based)	2.8%	3.0%	3.7%	3.9%	3.8%	3.9%	3.8%	3.8%	3.0%	2.3%	3.7%	4.6%	4.6%
Equity ratio	36.3%	37.6%	41.7%	39.7%	40.9%	40.9%	41.8%	42.2%	41.2%	38.1%	42.9%	48.0%	48.0%
Interest-bearing debt	131,762	127,479	98,846	167,529	163,518	154,600	155,262	174,262	194,783	195,000	194,800	170,000	
Operating CF	20,645	31,921	44,141	40,582	41,018	25,638	42,266	36,870	67,913	46,000			
Investing CF	-13,240	-16,356	-28,470	-30,389	-116,049	-16,081	-9,124	-62,286	-85,815	-29,000			
Financing CF	7,673	-8,210	-32,931	64,391	11,619	-19,239	-4,228	14,185	17,226	-22,000			
Operating CF (5-year total)	153,001	156,160	134,821	160,717	178,307	183,300	193,645	186,374	213,705	218,687	210,000	280,000	270,000
Investing CF (5-year total)	-117,693	-123,974	-106,922	-98,963	-204,504	-207,345	-200,113	-233,929	-289,355	-202,306	-210,000	-270,000	-310,000
Financing CF (5-year total)	-14,362	-6,724	-4,530	45,740	42,542	15,630	19,612	66,728	19,563	-14,056	-20,000	-30,000	10,000
Growth strategy investments (5-year total)											230,000	280,000	320,000
Domestic department stores											53,000	60,500	82,000
Domestic group companies											75,000	60,000	163,000
Overseas											26,000	32,000	19,000
Safe and secure systems											76,000	127,500	56,000







Source: Shared Research based on company data
Note: The long-term plan YoY figures are five-year average growth rates.
Note: From FY02/19, sales from consignment transaction by overseas subsidiaries are shown in net revenue, the portion that represents income to the company.

Business

Business description

Department store model

Of the company's 17 stores, only the Wakayama store is not a large-sized department store. The government's Census of Commerce defines a department store as a store with product lineups for apparel, food, and household items that each constitutes 10% or more and less than 70% of the total lineup, and where more than 50% of sales space is for face-to-face sales. This distinguishes it from a general merchandise store (GMS), which is defined as having 50% or less of its sales floor area assigned for face-to-face sales. Large-sized department stores are those with sales floor areas of 3,000sqm or more (6,000sqm or more in designated wards in Tokyo and government-designated major cities), while other department stores are those of less than 3,000sqm.

Hiraba and shouka: different accounting treatments. In department stores merchandise is sold at hiraba (the space designed by the company) or at boutique-type shops (unlike tenants at shopping centers [SCs], Takashimaya staff manage these shops). Hiraba sales at Takashimaya provide about 60% of total (domestic department store) sales. There are three typical transaction types—purchase-as-sold consignment sales, consignment sales, and outright purchase sales. The Japanese term for the main transaction method is shouka (purchase-as-sold), generally translated as consignment sales. Confusion can arise from the second method employed in the relationship, itaku hanbai, also translated as consignment sales. Despite common translation, the two methods have different accounting treatments. The former (purchase-as-sold) presumes that title is not transferred to a department store until actual sale, i.e., it is never booked as department store inventory; the latter "consignment sales" implies the goods become department store inventory (returnable to the manufacturer if unsold). The outright purchase method common in the US (department stores purchase inventory and assume inventory risk) is minor for the Japanese department stores (it is called kaitori, outright purchase).

For the department stores cost-of-goods-sold is always the wholesale price with the CoGS ratio about 10% lower for the outright purchase transaction (= about 10% higher gross profit margin, GPM). The outright purchase sales at Takashimaya account for about 5-10% of sales, purchase-as-sold 20–25% and itaku consignment around 70%. This split tallies with the industry average.

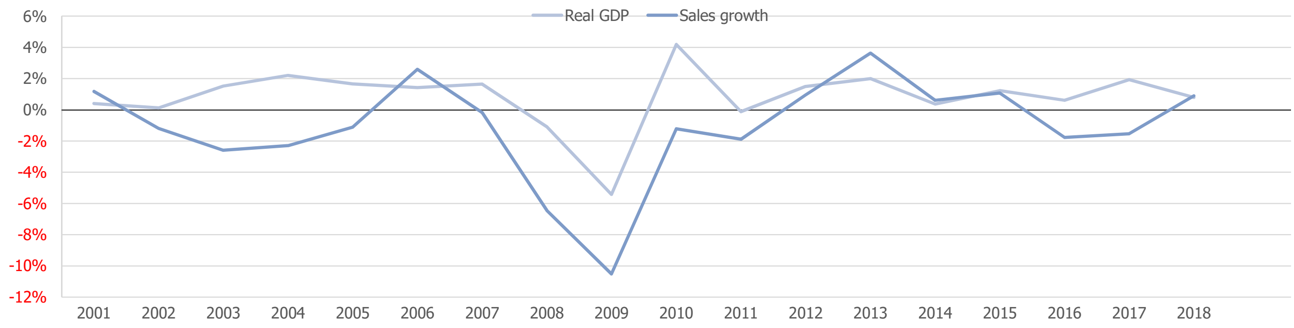
On a typical sales floor, about 20% of the sales staff are company employees (including non-full time employees) and the remaining 80% are suppliers' personnel, who sell all of the consignment merchandise on the sales floor they are responsible for, regardless of the supply method. By product group GPMs are the highest for men's accessories at around 40%, followed by menswear, sporting goods, kimono, womenswear, and women's fashion goods. The GPM for luxury brands is slightly above 20% and for foodstuffs just under 20%.

While other department store operators (where the bulk of sales come from the main store) tend to rely on the main store buyers for purchasing across the store network, Takashimaya with its multiple flagships has buyers at each individual store.

At a typical store, food is selling at the basement floor, cosmetics, shoes, handkerchiefs, and similar goods—at the first, apparel—at the second and higher floors, followed by household and other non-fashion items. In many cases, the top floor has restaurants and event spaces to generate a "shower effect," i.e., to drive customers to the top floor and then shower them down to the shops selling apparel and accessories on the upper floors.

Department store sales tend to mirror GDP growth. The short-term sales trends in Takashimaya's Department Stores segment, shown in the chart below, tend to be highly correlated with business sentiment and GDP growth. Long-term growth has been below the GDP growth rate as specialty stores and other emerging competitors took market share. In 2001 Shinjuku store sales (+2.7% YoY) and Kashiwa store sales (+9.4% YoY), both enjoying visible effects from renovations, contributed to performance. In 2003 and 2004, apparel sales were stagnant as the department store sector slumped as a whole due to economic slowdown.

Sales growth vs. GDP growth



Source: Shared Research based on company and Cabinet Office data

For details of the real estate business model, please see the discussion on Toshin Development.

Business segments

Parent sales are reported in three business segments: department stores (92.7% of total sales in FY02/19); corporate (4.8%); and cross-media (2.5%). Corporate includes sales of products for corporate sales promotions and company uniforms. Cross-media manages the company's mail order and online business (e-commerce). The company has five consolidated reporting segments: Department Stores (86.8% of total sales in FY02/19), Commercial Property Development (4.8%), Finance (1.6%), Contract and Design (2.7%), and Others (4.1%).

Earnings by segment (consolidated)

By segment (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Operating revenue	869,476	858,123	870,333	904,180	912,523	929,588	923,601	907,805	912,848
YoY	-0.9%	-1.3%	1.4%	3.9%	0.9%	1.9%	-0.6%	-1.7%	0.6%
Department Stores	777,478	762,827	770,089	798,079	802,956	811,648	797,253	785,000	792,045
YoY	-1.2%	-1.9%	1.0%	3.6%	0.6%	1.1%	-1.8%	-1.5%	0.9%
Commercial Property Development	29,434	32,259	33,863	36,804	38,102	42,389	47,923	47,476	43,681
YoY	0.1%	9.6%	5.0%	8.7%	3.5%	11.3%	13.1%	-0.9%	-8.0%
Finance	11,689	11,514	11,655	11,911	12,385	12,865	13,414	14,187	14,944
YoY	7.1%	-1.5%	1.2%	2.2%	4.0%	3.9%	4.3%	5.8%	5.3%
Contract and Design	17,451	17,097	19,010	20,622	24,658	26,710	30,874	25,916	24,795
YoY	10.9%	-2.0%	11.2%	8.5%	19.6%	8.3%	15.6%	-16.1%	-4.3%
Other	33,421	34,424	35,714	36,762	34,420	35,974	34,135	35,430	37,381
YoY	-3.7%	3.0%	3.7%	2.9%	-6.4%	4.5%	-5.1%	3.8%	5.5%
Operating profit	18,173	21,099	25,476	29,099	32,022	32,972	34,000	35,318	26,661
YoY	35.3%	16.1%	20.7%	14.2%	10.0%	3.0%	3.1%	3.9%	-24.5%
OPM	2.1%	2.5%	2.9%	3.2%	3.5%	3.5%	3.7%	3.9%	2.9%
Department Stores	10,728	9,909	11,880	13,962	15,519	14,975	12,182	13,509	8,691
YoY	110.4%	-7.6%	19.9%	17.5%	11.2%	-3.5%	-18.7%	10.9%	-35.7%
OPM	1.4%	1.3%	1.5%	1.7%	1.9%	1.8%	1.5%	1.7%	1.1%
Commercial Property Development	6,613	7,184	7,757	8,380	9,528	10,297	11,028	11,393	9,410
YoY	1.9%	8.6%	8.0%	8.0%	13.7%	8.1%	7.1%	3.3%	-17.4%
OPM	22.5%	22.3%	22.9%	22.8%	25.0%	24.3%	23.0%	24.0%	21.5%
Finance	2,135	3,228	3,625	4,144	4,176	4,376	4,495	4,563	4,880
YoY	32.4%	51.2%	12.3%	14.3%	0.8%	4.8%	2.7%	1.5%	6.9%
OPM	18.3%	28.0%	31.1%	34.8%	33.7%	34.0%	33.5%	32.2%	32.7%
Contract and Design	121	217	868	1,110	1,439	1,898	2,342	1,207	727
YoY	-	79.3%	300.0%	27.9%	29.6%	31.9%	23.4%	-48.5%	-39.8%
OPM	0.7%	1.3%	4.6%	5.4%	5.8%	7.1%	7.6%	4.7%	2.9%
Other	-1,280	248	1,261	1,650	1,590	1,496	2,333	3,331	2,938
Adjustments	-144	310	83	-150	-231	-69	1,616	1,314	13

Source: Shared Research based on company data
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

Department Stores: Includes 13 parent stores, four domestic subsidiary stores, Takashimaya Singapore, Shanghai Takashimaya, Takashimaya Vietnam, and Siam Takashimaya.

Commercial Property Development: Mostly comprises Toshin Development, real estate management, and shopping center operation. Revenues accrue from fixed rental charges and sales-linked revenues. A characteristic of the company's shopping centers is a high percentage (more than 90%) of fixed rental income in segment sales. Only 10% comes from sales-linked fees.

Contract and Design: Mainly subsidiary Takashimaya Space Create. It undertakes each stage of the production process for commercial facilities and multipurpose facilities, from basic concept development through to design, planning and post-opening operations. The company started a renovation business from FY02/13. In September 2001, the head office of the Takashimaya Contract and Design segment was integrated with Takashimaya Kosakusho, another subsidiary.

Finance: This segment is the operations of Takashimaya Credit, which carries out operations required for its credit card business. It collaborates with Credit Saison, to which it outsources processing and other operations. Card commissions from Takashimaya stores provide a little less than 30% of segment sales, card commissions from other stores 30%, annual fees 20%, and cashing (interest) fees 20%. More than 60% of the company's department store sales are made using the in-house credit card.

Others: This segment includes the cross-media business (mail order and online operations). In FY02/13, the company made SELECT SQUARE, an operator of a fashion mall-type online mail order website, a subsidiary.

Department Store segment

Store network

Domestically the company has 17 stores within its Department Stores segment—13 parent stores (eight stores in the Kanto region; five stores in the Kansai region) and four stores owned by subsidiaries. It holds a 100% equity position in each of its subsidiaries of Gifu Takashimaya, Yonago Takashimaya, and Takasaki Takashimaya, and a 66.6% equity position in Okayama Takashimaya. Equity method affiliates are JR Nagoya Takashimaya (equity position 33.4%) and Iyotetsu Takashimaya (33.6%). The company plans to transfer all of its shares in Yonago Takashimaya on March 1, 2020.

Prior to the Second World War, the company had only three stores (in Kyoto, Osaka, and Nihombashi) but it became Japan's largest department store chain in the post-war period. In 1989, it became the world's first department store operator to achieve sales in excess of JPY1tn. Takashimaya now has 17 domestic stores, each with its own characteristics, customer needs, and product lineups. While the domestic operating environment is tough, management wants to maintain the existing stores, considering their contributions to local economies.

The company is advancing into overseas markets with Takashimaya Singapore (100% equity, opened in 1993), Shanghai Takashimaya (100%, opened 2012), and Takashimaya Ho Chi Minh City (100%, opened 2016), and Siam Takashimaya (51%, opened 2018). Takashimaya Singapore is located on Orchard Road, Singapore's largest commercial area, and in addition to being a shopping center with 130 specialty stores it is one of the area's landmarks.

Main domestic stores

Nihombashi store

The **Nihombashi store** first opened in Kyobashi in 1900. The store moved to Nihombashi upon the 1933 completion of the current main building by Nippon Life Insurance that also occupied the building. From 1952 to 1965, a series of building extensions and renovations were done, and in 1963 Nippon Life Insurance vacated the building. In 2009, the building became the first department store to be designated as one of Japan's Important Cultural Properties. It is the most important of Takashimaya's stores, and most representative of its retail strategy, with a large percentage of affluent customers. For that reason, investment in services is high, and in comparison with other large stores the OPM is low. Also, as an example of its special status, the Nihombashi store uses its special wrapping paper with a picture of the store itself, in addition to the rose motif paper used by the other stores. The Nihombashi store accounted for the bulk of Takashimaya's JPY36.5bn in corporate sales in FY02/18, margins on which are low. This, too, is a factor behind the store's low OPM.

In September 2018, the company opened Nihombashi Shopping Center (developed through collaboration with Toshin Development) in the north side of its main building. The Nihombashi store has adopted policies aimed at bringing in comparatively young customers in response to the progressive aging of its primary customer base.

Nihombashi store

Nihombashi Store (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	127,092	124,242	126,124	129,901	129,843	136,631	132,908	134,241	129,308
YoY	-2.8%	-2.2%	1.5%	3.0%	-0.0%	5.2%	-2.7%	1.0%	-3.7%
Floor space (sqm)	50,508	50,508	50,508	50,508	48,616	49,234	48,852	49,144	47,132
Sales per sqm	2.52	2.46	2.50	2.57	2.67	2.78	2.72	2.73	2.74
YoY	-2.7%	-2.2%	1.5%	3.0%	3.8%	3.9%	-2.0%	0.4%	0.4%

Note: Figures may differ from company materials due to differences in rounding methods.
Source: Shared Research based on company data

Yokohama store

The **Yokohama store** was initially a joint venture with Sagami Railway and opened in the Sotetsu Joinus Building, a train station building owned by Sagami Railway. Along with the Nihombashi and Osaka stores, it is one of the Takashimaya group's flagship stores, posting top-class sales. At one point it was Japan's largest department store in terms of sales floor area.

The company announced that it would expand the top basement floor of the JOINUS shopping center to make room for a Takashimaya sales space. The company began incrementally expanding the food products sales floor and aims to convert it into one of the largest food products sales floors in Japan by Spring 2021, with an area of approximately 5,000 m^2.

Yokohama store

Yokohama Store (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	134,029	131,794	131,776	135,370	134,848	132,035	129,431	131,649	132,528
YoY	-1.1%	-1.7%	-0.0%	2.7%	-0.4%	-2.1%	-2.0%	1.7%	0.7%
Floor space (sqm)	56,073	55,699	55,699	55,699	55,955	56,548	56,318	56,529	56,466
Sales per sqm	2.39	2.37	2.37	2.43	2.41	2.33	2.30	2.33	2.35
YoY	-1.1%	-1.0%	-0.0%	2.7%	-0.8%	-3.1%	-1.6%	1.3%	0.8%

Note: FY02/03–FY02/06 includes Konandai Store sales.
Source: Shared Research based on company data

Osaka store

Of all Takashimaya's stores, the Osaka store had the highest sales and operating profit in FY02/19. The **Osaka store,** registered as the company's head office, is linked to the Namba Station of the Nankai Electric Railway (TSE1: 9044) and was originally known as Nankai Takashimaya. The Nankai Building that the Takashimaya store occupies is owned by Nankai Electric Railway. Expansion and renovation were completed in March 2011.

The goal of the renovation was to create a pleasant shopping space where items are easy to see and buy. An entrance that leads directly to the Namba Station platform has been newly built on the third floor, while part of the sales floor on the first-level basement previously used by Mitsubishi Tokyo UFJ Bank has been moved to the second floor. The main building and the TE annex have become more integrated and it is easier for customers to move between the Nankai Namba Station and the adjacent commercial facilities of Namba City and Namba Parks. In FY02/13, the company strengthened its womenswear and women's fashion goods lineups to combat the reopening of the renovated Hankyu Umeda, the main competitor.

Osaka Store (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	114,907	117,890	119,997	120,685	122,526	127,630	129,952	141,450	147,271
YoY	6.5%	2.6%	1.8%	0.6%	1.5%	4.2%	1.8%	8.8%	4.1%
Duty-free sales				2,100	4,900	11,700	15,100	24,000	27,981
YoY					133%	139%	29%	59%	17%
% of store sales				2%	4%	9%	12%	17%	19%
Floor space (sqm)	72,869	72,978	72,712	68,401	64,041	64,041	64,041	63,997	65,753
Sales per sqm	1.58	1.62	1.65	1.76	1.91	1.99	2.03	2.21	2.24
YoY	-6.4%	2.4%	2.2%	6.9%	8.4%	4.2%	1.8%	8.9%	1.3%

Note: Includes Wakayama Store sales, FY02/04–FY02/06 includes Sakai Store sales.
Source: Shared Research based on company data

Kyoto store

The **Kyoto store** is the birthplace of Takashimaya and its first regional store. In October 1950, the store moved from the location of the first ever Takashimaya store, in Karasuma Takatsuji, to its current site in Kawaramachi Shijo. Part of the current building is owned by the Hankyu Hanshin Toho Group.

Kyoto Store (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	85,370	83,878	83,866	85,191	84,384	85,945	84,815	88,126	90,343
YoY	-5.5%	-1.7%	-0.0%	1.6%	-0.9%	1.8%	-1.3%	3.9%	2.5%
Duty-free sales							4,200	7,100	9,938
YoY								69%	40%
% of store sales							5%	8%	11%
Floor space (sqm)	67,985	60,527	60,184	60,184	59,740	60,005	60,028	60,098	60,658
Sales per sqm	1.26	1.39	1.39	1.42	1.41	1.43	1.41	1.47	1.49
YoY	-5.1%	10.4%	0.6%	1.6%	-0.2%	1.4%	-1.4%	3.8%	1.6%

Note: Includes Rakusai Store figures.
Source: Shared Research based on company data

Shinjuku store

The **Shinjuku store** is at Shinjuku Station (a major Tokyo railway station) South Exit. It was completed in 1996 as part of the redevelopment of the freight marshaling yard of the former Japan National Railway. The store suffered substantial losses through 2006 under the burden of annual rental payments. When the original lease expired in 2007, the company acquired some of the underlying properties leading to a substantial reduction in rent expense. After that the company acquired other lots piecemeal and now owns all of the land under its Shinjuku store. The Shinjuku store is now one of its stores that consistently generates a decent profit.

Duty-free sales at the Shinjuku store (JPY12.7bn in FY02/19) are second only to the Osaka store (JPY28.0bn). An airport-style duty-free shop (A&S Takashimaya Duty Free) was opened at Takashimaya Times Square in April 2017; it generated sales of JPY3.3bn for the first fiscal year in operation and JPY7.1bn in sales in FY02/19.

Shinjuku Store (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	66,088	61,678	63,701	66,081	67,902	70,441	70,843	73,331	74,824
YoY	-2.6%	-6.7%	3.3%	3.7%	2.8%	3.7%	0.6%	3.5%	2.0%
Duty-free sales				3,000	5,100	9,600	10,800	11,500	12,720
YoY					70%	88%	13%	6%	11%
% of store sales				5%	8%	14%	15%	16%	17%
Floor space (sqm)	53,882	53,727	53,727	53,727	53,727	53,727	53,727	53,907	53,771
Sales per sqm	1.23	1.15	1.19	1.23	1.26	1.31	1.32	1.36	1.39
YoY	-2.6%	-6.4%	3.3%	3.7%	2.8%	3.7%	0.6%	3.2%	2.3%

Source: Shared Research based on company data

Tamagawa store

The **Tamagawa store** opened in 1969 and it is the core tenant of the Tamagawa Takashimaya SC. The store was the first successful full-scale suburban department store in Japan and continues to be the company's flagship in the Jonan area (that includes Tokyo wards of Setagaya, Meguro, and Ota). The store also is able to capture demand from affluent customers in the nearby Denenchofu area. In November 2003, in conjunction with the extension of the shopping center's South Building, the store was renovated to expand the food and select apparel floors and thus increase its drawing power. In 2015, a large commercial facility was opened on the opposite side of Futako-Tamagawa Station, and the company is working on a mutual urban development strategy.

Tamagawa Store (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	41,781	40,515	40,936	42,468	42,434	42,908	43,087	43,665	43,755
YoY	-1.2%	-3.0%	1.0%	3.7%	-0.1%	1.1%	0.4%	1.3%	0.2%
Floor space (sqm)	24,012	24,007	24,007	24,056	24,085	24,080	24,050	24,113	24,118
Sales per sqm	1.74	1.69	1.71	1.77	1.76	1.78	1.79	1.81	1.81
YoY	-1.2%	-3.0%	1.0%	3.5%	-0.2%	1.1%	0.5%	1.1%	0.2%

Source: Shared Research based on company data

Tachikawa store

The **Tachikawa store** is another store in the Tokyo area. It was originally located in front of the North exit of the JR Tachikawa Station, but was moved to the Faret Tachikawa building within an urban redevelopment area. Subsequently competition with Isetan Tachikawa (opened by Isetan near Takashimaya's original location) pushed the store's sales to second place after its rival. The sales floor area shrank in February 2011 when Otsuka Kagu, a furniture retailer, took the seventh floor and a part of the eighth floor of the building, in April when a Uniqlo store opened on the sixth floor, and in November when Nitori also took up occupancy. Also, in the same area, the company's Toshin Development subsidiary opened Wakaba Keyaki Mall in 2006, a development on the former site of the company's Wakaba Tachikawa distribution center.

Tachikawa Store (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	19,840	17,347	18,117	17,778	16,988	15,753	14,589	12,332	9,628
YoY	-6.6%	-12.6%	4.4%	-1.9%	-4.4%	-7.3%	-7.4%	-15.5%	-21.9%
Floor space (sqm)	20,295	16,738	16,738	16,732	16,732	16,732	16,732	8,156	6,469
Sales per sqm	0.98	1.04	1.08	1.06	1.02	0.94	0.87	1.51	1.49
YoY	15.8%	6.0%	4.4%	-1.8%	-4.4%	-7.3%	-7.4%	73.4%	-1.6%

Source: Shared Research based on company data

Kashiwa store

The **Kashiwa store** opened in 1973 in Kashiwa, Chiba Prefecture. In 1992, the store reopened in the Kashiwa Station Mall and has been developed as a railway station department store in a building owned by Tobu Railway (TSE1: 9001). A new 12-story building was opened in October 2008. The company renovated its foods section in FY02/12, and renovated the select apparel floors in FY02/13.

Kashiwa Store (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	13,779	13,128	12,666	11,722	10,907	10,528	10,129	10,158	9,975
YoY	-2.3%	-4.7%	-3.5%	-7.5%	-7.0%	-3.5%	-3.8%	0.3%	-1.8%
Floor space (sqm)	29,517	29,207	29,207	29,207	29,207	29,207	29,207	29,207	29,207
Sales per sqm	0.47	0.45	0.43	0.40	0.37	0.36	0.35	0.35	0.34
YoY	-2.3%	-3.7%	-3.5%	-7.5%	-7.0%	-3.5%	-3.8%	0.3%	-1.8%

Source: Shared Research based on company data

Senboku store

The **Senboku store** in Sakai city, another Takashimaya store in Osaka Prefecture, opened in 1974 in the Panjo Shopping Center in front of Senboku Newtown Station (managed by Panjo Co., Ltd., a subsidiary of Osaka Prefectural Urban Development Co., Ltd.). It is linked to the shopping center's 100-plus specialty stores.

Senboku Store (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	20,932	20,681	20,419	20,178	19,525	18,614	17,999	16,878	17,119
YoY	-3.0%	-1.2%	-1.3%	-1.2%	-3.2%	-4.7%	-3.3%	-6.2%	1.4%
Floor space (sqm)	21,253	20,811	20,811	20,781	20,781	20,781	20,781	17,107	17,526
Sales per sqm	0.98	0.99	0.98	0.97	0.94	0.90	0.87	0.99	0.98
YoY	-2.5%	0.9%	-1.3%	-1.0%	-3.2%	-4.7%	-3.3%	13.9%	-1.0%

Source: Shared Research based on company data

JR Nagoya Takashimaya in Nagoya, Aichi Prefecture

JR Nagoya Takashimaya in Nagoya, Aichi Prefecture, opened in March 2000 as a joint venture with Central Japan Railway Company (TSE1: 9022). The company has an equity position of 33.4% in the store and so it is an equity method affiliate. Sales are substantial at approximately JPY160.0bn a year. It had a sales floor area of 56,246sqm, but this increased to approximately 87,000sqm with the opening of additional floor space in the Nagoya Station Building in 2017. This would put it on a par with the Matsuzakaya Nagoya store, now the largest store by sales floor area in the Chubu area.

Overview of domestic department stores

By store (domestic dept.) (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Sales	**745,021**	**729,746**	**735,332**	**747,812**	**745,039**	**755,041**	**745,146**	**765,037**	**768,448**
YoY	**-1.4%**	**-2.1%**	**0.8%**	**1.7%**	**-0.4%**	**1.3%**	**-1.3%**	**2.7%**	**0.4%**
Takashimaya (parent)	687,845	674,262	680,255	691,580	689,779	700,045	691,353	711,341	715,333
YoY	-1.3%	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.2%	2.9%	0.6%
Osaka	114,907	117,890	119,997	120,685	122,526	127,630	129,952	141,450	147,271
YoY	6.5%	2.6%	1.8%	0.6%	1.5%	4.2%	1.8%	8.8%	4.1%
Sakai	15,883	15,618	15,386	15,171	14,243	13,860	12,988	13,122	12,625
YoY	-4.3%	-1.7%	-1.5%	-1.4%	-6.1%	-2.7%	-6.3%	1.0%	-3.8%
Kyoto	85,370	83,878	83,866	85,191	84,384	85,945	84,815	88,126	90,343
YoY	-5.5%	-1.7%	-0.0%	1.6%	-0.9%	1.8%	-1.3%	3.9%	2.5%
Senboku	20,932	20,681	20,419	20,178	19,525	18,614	17,999	16,878	17,119
YoY	-3.0%	-1.2%	-1.3%	-1.2%	-3.2%	-4.7%	-3.3%	-6.2%	1.4%
Tokyo (Nihombashi)	127,092	124,242	126,124	129,901	129,843	136,631	132,908	134,241	129,308
YoY	-2.8%	-2.2%	1.5%	3.0%	-0.0%	5.2%	-2.7%	1.0%	-3.7%
Yokohama	134,029	131,794	131,776	135,370	134,848	132,035	129,431	131,649	132,528
YoY	-1.1%	-1.7%	-0.0%	2.7%	-0.4%	-2.1%	-2.0%	1.7%	0.7%
Konandai	11,017	10,816	10,614	10,634	10,379	9,968	8,895	8,237	7,979
YoY	-1.5%	-1.8%	-1.9%	0.2%	-2.4%	-4.0%	-10.8%	-7.4%	-3.1%
Shinjuku	66,088	61,678	63,701	66,081	67,902	70,441	70,843	73,331	74,824
YoY	-2.6%	-6.7%	3.3%	3.7%	2.8%	3.7%	0.6%	3.5%	2.0%
Tamagawa	41,781	40,515	40,936	42,468	42,434	42,908	43,087	43,665	43,755
YoY	-1.2%	-3.0%	1.0%	3.7%	-0.1%	1.1%	0.4%	1.3%	0.2%
Tachikawa	19,840	17,347	18,117	17,778	16,988	15,753	14,589	12,332	9,628
YoY	-6.6%	-12.6%	4.4%	-1.9%	-4.4%	-7.3%	-7.4%	-15.5%	-21.9%
Omiya	13,779	13,128	12,666	11,722	10,907	10,528	10,129	10,158	9,975
YoY	-2.3%	-4.7%	-3.5%	-7.5%	-7.0%	-3.5%	-3.8%	0.3%	-1.8%
Kashiwa	37,121	36,670	36,646	36,394	35,793	35,726	35,711	38,147	39,972
YoY	-0.2%	-1.2%	-0.1%	-0.7%	-1.7%	-0.2%	-0.0%	6.8%	4.8%
Okayama Takashimaya	18,852	18,223	18,014	18,760	18,549	18,517	18,315	18,674	18,376
YoY	-3.5%	-3.3%	-1.1%	4.1%	-1.1%	-0.2%	-1.1%	2.0%	-1.6%
Gifu Takashimaya	16,433	16,041	15,715	16,002	15,397	15,330	14,960	14,663	14,055
YoY	-4.4%	-2.4%	-2.0%	1.8%	-3.8%	-0.4%	-2.4%	-2.0%	-4.1%
Yonago Takashimaya	6,577	6,396	6,341	6,363	6,158	5,993	5,333	4,912	4,788
YoY	-3.9%	-2.8%	-0.9%	0.3%	-3.2%	-2.7%	-11.0%	-7.9%	-2.5%
Takasaki Takashimaya	15,311	14,823	15,005	15,105	15,154	15,155	15,184	15,446	15,894
YoY	0.6%	-3.2%	1.2%	0.7%	0.3%	0.0%	0.2%	1.7%	2.9%

Source: Shared Research based on company data

Overseas department stores

Takashimaya Singapore (100% owned)

Established in 1993, Takashimaya Singapore was probably the most successful Japanese-affiliated department store outside of Japan in 2012. Initially the subsidiary struggled under a heavy capex burden, working to build the customer base from zero. The store initially targeted Japanese residents of Singapore and foreign tourists. The Asian currency crisis of 1997 dealt this strategy a major blow. By streamlining the business (the number of staff was cut from 650 to 370) and switching to catering to Singaporeans, Takashimaya Singapore turned profitable on a full-year basis in 1998. By 2007 it had recouped accumulated losses. Tourists account for roughly 20% of total sales.

According to the company, Takashimaya Singapore's department store and shopping center have a strong customer base among wealthy people in Singapore and nearby countries. The company also plans to further increase sales in cooperation with real estate subsidiary Toshin Development Singapore (TDS) by launching a new store in the ASEAN region (the fourth one after the stores in Singapore, Vietnam, and Thailand).

Shanghai Takashimaya (100% owned)

Opened in 2012, Shanghai Takashimaya worked on strengthening its customer base in the Shanghai area as the core of its China operations, and had been aiming to quickly achieve profitability by expanding independently managed floor space and the lineup of high-quality products. However, the company has found that it needs time to secure profitability due to intensifying competition, delays and changes to the development of adjacent commercial properties, high rents, and other factors. In June 2019, the company announced that it would close Shanghai Takashimaya in August 2019 but received support from the facility's landlord and other entities following this announcement and decided to continue operating this store.

Ho Chi Min Takashimaya (100% owned)

Ho Chi Min Takashimaya was opened in 2016. In Vietnam, Takashimaya participates in a large-scale multi-purpose development project with Keppel Land Ltd., a top-class real estate developer in Asia, contributing its own expertise in Singapore. The Saigon Centre facility (covering 181,800sqm with 55,500sqm of commercial floor space with 15,500sqm at the Ho Chi Minh Takashimaya) was opened in July 2016 and is expected to become profitable in FY02/20. Going forward, plans call for Toshin Development and TDS to work together to develop the area around Saigon Centre with the aim of further increasing property values in the area.

Siam Takashimaya (51% owned)

Opened in 2018. The company opened Siam Takashimaya (about 36,000sqm) as a core tenant of ICONSIAM, a biggest-class commercial real estate development project by private companies in Thailand. (The complex is under construction on the western bank of Chao Phraya River, Bangkok, and was completed in 2017.) Siam Takashimaya is a joint venture with the ICONSIAM operator ICONSIAM Co., Ltd., with Takashimaya Singapore owning 51%. Takashimaya plans to make the most of the management resources and expertise of Takashimaya Singapore and other group companies, as well as its name value in the ASEAN region.

With the store's highly profitable business scheme, the company aims for the store to turn a profit early on.

ICONSIAM and ICONSIAM Co., Ltd.
ICONSIAM will cover 80,000sqm of land, with total floor space of 750,000sqm. The complex will feature a shopping mall, two high-end residential towers, and a variety of attractions. ICONSIAM Co., Ltd. is a joint venture company, established with investment from major Thai company Siam Piwat Co., Ltd. (operating large commercial facilities in central Bangkok), major conglomerate Charoen Pokphand Group, and Magnolia Quality Development Corporation Limited (developer of high-end residential property). According to the company, this partnership with leading local real estate developers may provide it with future opportunities to expand its business in Bangkok.

Overseas department store performance

Overseas department stores (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Operating revenue (simple aggregate)	35,268	37,480	39,912	55,190	61,308	65,124	58,897	22,097	23,427
YoY	4.2%	6.3%	6.5%	38.3%	11.1%	6.2%	-9.6%	-	6.0%
Takashimaya Singapore	35,268	37,480	39,710	49,980	55,015	57,818	50,745	17,440	18,145
YoY	4.2%	6.3%	5.9%	25.9%	10.1%	5.1%	-12.2%	-	4.0%
Shanghai Takashimaya	-	-	202	5,210	6,293	7,306	6,333	3,164	3,186
YoY	-	-	-	2,479.2%	20.8%	16.1%	-13.3%	-	0.7%
Takashimaya Vietnam	-	-	-	-	-	-	1,819	1,494	1,778
YoY	-	-	-	-	-	-	-	-	19.0%
Siam Takashimaya	-	-	-	-	-	-	-	-	318
YoY	-	-	-	-	-	-	-	-	-
Operating profit (simple aggregate)	2,813	3,454	3,380	2,387	2,347	2,834	1,665	2,201	1,773
YoY	-0.1%	22.8%	-2.1%	-29.4%	-1.7%	20.7%	-41.2%	32.2%	-19.4%
OPM	8.0%	9.2%	8.5%	4.3%	3.8%	4.4%	2.8%	10.0%	7.6%
Takashimaya Singapore	2,897	3,454	3,599	3,915	4,302	4,076	3,153	3,622	3,260
YoY	2.9%	19.2%	4.2%	8.8%	9.9%	-5.3%	-22.6%	14.9%	-10.0%
OPM	8.2%	9.2%	9.1%	7.8%	7.8%	7.0%	6.2%	20.8%	18.0%
Shanghai Takashimaya	-84	-	-219	-1,528	-1,955	-1,242	-980	-1,140	-866
YoY	-	-	-	-	-	-	-	-	-
OPM	-	-	-108.4%	-29.3%	-31.1%	-17.0%	-15.5%	-36.0%	-27.2%
Takashimaya Vietnam	-	-	-	-	-	-	-508	-281	-117
YoY	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-27.9%	-18.8%	-6.6%
Siam Takashimaya	-	-	-	-	-	-	-	-	-504
YoY	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-	-158.5%

Source: Shared Research, based on company data
Note: Starting in FY02/10, reporting of consignment sales will be on a net basis, with only the amount equivalent to the gross profit on consignment sales reported as operating revenue.

Commercial Property Development

Toshin Development (100% owned)

Toshin Development was established in 1963 for the development of the first real suburban-type shopping center (SC) in Japan. During the period of high economic growth, Tamagawa Takashimaya SC opened as a pioneering retailer and subsequently has continued to innovate and grow, maintaining its position as one of Japan's leading suburban shopping facilities. Overseas, most of the group's development work is handled by Singapore-based Toshin Development Singapore (TDS). Toshin Development is characterized by a high OPM (around 20%) and a high percentage of fixed real estate revenue (earnings stability).

Its shopping center business is underpinned by real estate leasing and retailing. the shopping center business requires real estate management expertise (to maximize the function of infrastructure and systems from a long-term perspective) and retail knowledge (to grasp location characteristics and changing consumption behaviors to promote flexible operations). Toshin Development tackles land and building development with a broader concept of urban development, and its business model encompasses attracting prime tenants, managing properties and tenants, and receiving rental revenues. Toshin Development performs extensive market surveys to enable consumer needs-oriented merchandising and higher profitability. Its comprehensive capability in shopping center management has made possible the growth of Toshin Development's shopping center portfolio.

Besides the Tamagawa Takashimaya Shopping Center, other commercial properties managed by Toshin Development include the Kashiwa Takashimaya Station Mall, the Nagareyama Otakanomori Shopping Center, and the Nihombashi Takashimaya Shopping Center Shinjuku Takashimaya Times Square.

Toshin Development Singapore operates Takashimaya Singapore Shopping Center. Aided by strong consumption spending in Singapore and synergy with the Takashimaya Singapore department store, Toshin Development Singapore is enjoying solid rental revenue. Toshin Development Singapore is also involved in the development of the property around the Ho Chi Minh Takashimaya.

Facility	Location	Floor space (sqm)	Tenants	Parking lot capacity (units)	Opened
Tamagawa Store	Setagaya, Tokyo	86,600	Takashimaya and 340 specialty stores	2,000	Nov 1969
Kashiwa Takashimaya Station Mall	Kashiwa, Chiba	50,500	Takashimaya and 185 specialty stores	1,500	Apr 1992
Nagareyama Otakanomori Shopping Center	Nagareyama, Chiba	41,210	138 specialty stores	Approx. 1,900	Mar 2007
Nihombashi Takashimaya Shopping Center	Chuo, Tokyo	30,180	115 specialty stores (Annex)	Approx. 570	Sep 2018
Tachikawa Takashimaya Shoping Center	Tachikawa, Tokyo	32,400	Takashimaya and 43 specialty stores		Mar 2005
Wakaba Keyaki Mall	Tachikawa, Tokyo	6,947	Open mall with a food supermarket at the core	Approx. 300	Mar 2006
Takashimaya Singapore	Orchard Road, Singapore	77,100	Takashimaya and 130 specialty stores		Oct 1993
Yanagikoji	Setagaya, Tokyo	4,306			Fall 2004
Takashimaya Times Square	Shibuya, Tokyo	29,292	Nine specialty stores and 35 restaurants		Oct 1996
Konandai Glass Court	Yokoyama, Kanagawa	997	Three restaurants and one service store		Nov 2005
Namba Parks T-terrace by Takashimaya Group	Osaka, Osaka	4,300	28 specialty stores		Apr 2007
Namba Dining Maison	Osaka, Osaka	4,580	35 restaurants		Mar 2010
Hakata Riverain Mall by Takashimaya	Fukuoka, Fukuoka	30,812	Complex facility		Mar 1999

Source: Shared Research based on company data

Commercial Property Development (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Operating revenue	29,434	32,259	33,863	36,804	38,102	42,389	47,923	47,476	43,681
YoY	0.1%	9.6%	5.0%	8.7%	3.5%	11.3%	13.1%	-0.9%	-8.0%
Toshin Development	29,787	31,424	32,111	33,549	33,956	35,008	44,581	52,312	43,830
YoY	-13.5%	5.5%	2.2%	4.5%	1.2%	3.1%	27.3%	17.3%	-16.2%
TDS	4,789	5,782	6,115	7,618	8,528	9,490	8,785	8,952	8,889
YoY	-	20.7%	5.8%	24.6%	11.9%	11.3%	-7.4%	1.9%	-0.7%
Operating profit	6,613	7,184	7,757	8,380	9,528	10,297	11,028	11,393	9,410
YoY	1.9%	8.6%	8.0%	8.0%	13.7%	8.1%	7.1%	3.3%	-17.4%
OPM	22.5%	22.3%	22.9%	22.8%	25.0%	24.3%	23.0%	24.0%	21.5%
Toshin Development	5,646	6,005	6,588	6,886	7,754	8,006	8,840	9,044	7,319
YoY	-11.4%	6.4%	9.7%	4.5%	12.6%	3.2%	10.4%	2.3%	-19.1%
OPM	19.0%	19.1%	20.5%	20.5%	22.8%	22.9%	19.8%	17.3%	16.7%
TDS	1,018	1,368	1,356	1,681	1,961	2,476	2,340	2,484	2,194
YoY	-	34.4%	-0.9%	24.0%	16.7%	26.3%	-5.5%	6.2%	-11.7%
OPM	21.3%	23.7%	22.2%	22.1%	23.0%	26.1%	26.6%	27.7%	24.7%

Source: Shared Research based on company data

Finance

Takashimaya Credit

The core of the group's finance is Takashimaya Credit, a consolidated subsidiary in which Takashimaya holds a 66.6% stake. The remaining 33.4% stake is held by Credit Saison, which handles transaction processing for Takashimaya Credit on a contract basis. Takashimaya credit cards are distinguished by their high loyalty point award rates for purchases made at Takashimaya. Takashimaya Credit's main businesses include credit cards, lending, credit card-related back office processing services, and collection agency services. The company wants Takashimaya Credit to go beyond serving as the house card for Takashimaya stores to become a full-fledged finance company. Other financial services where the company is looking to grow include insurance.

Contract and Design

Takashimaya Space Create

The core of the group's contract and design business is Takashimaya Space Create, a wholly owned subsidiary. Only about 20% of the interior design and remodeling orders received by Takashimaya Space Create come from Takashimaya and its consolidated subsidiaries, the remaining 80% comes from outside the group, including orders from boutique shops and hotels. And, in addition to doing work for companies that are tenants in one of shopping centers owned by Takashimaya or another group company, Takashimaya Space Create also does interior design work for roadside stores that sell high-end brands.

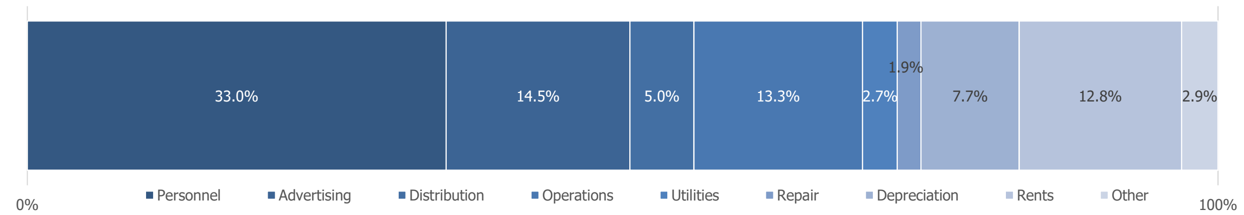
Cost structure

Costs are mainly costs of goods sold (CoGS), personnel, rent, and advertising. Its GPM is about average for the industry. The SG&A-to-sales ratio is above average for the peer group. Specifically, the company's rental costs are high and depreciation costs are low, highlighting the fact that Takashimaya tends to own less real estate compared with competitors. Its advertising and point system promotion costs are high and there is scope for cutting. In FY02/13 the company changed its award points for food purchases, and its point system promotion costs as a percentage of sales were 1.97% (2.25% FY02/12).

Personnel expenses are higher than at Daimaru or Matsuzakaya highlighting the fact that Takashimaya has refrained from restructuring through voluntary retirement programs. Through FY02/17, the number of employees reaching retirement age will increase naturally and that should help to lower the weight of personnel expenses in SG&A to a level comparable to that of its competitors. This underpins expectations for a higher OPM.

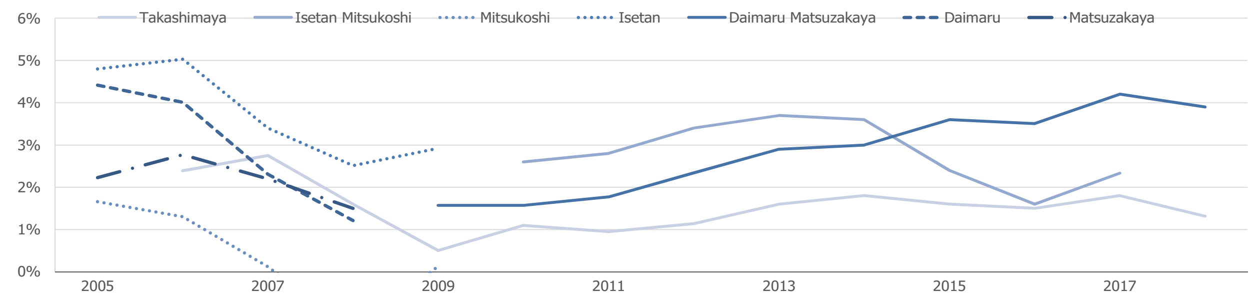
Under International Financial Reporting Standards (IFRS), when a consignment transaction occurs, the department store would not be seen as the main executor of the transaction but as an agent. This means that under those standards, the revenues (sales) would be recorded on a net, rather than a gross, basis. In other words, the currently recorded gross profit for “purchase-as-sold” consignment transaction would disappear with only outright purchasing gross profit left. Overall this would lead to a substantial drop in reported revenues and gross profit but have no bearing on operating profit. In the overseas department store business, the company began recording revenues (sales) on a net basis in FY02/19. About 70% of sales at domestic department stores are made in “purchase-as-sold” method. If net-basis accounting were applied, about 80% (the portion corresponding to cost of sales) of sales from these transactions would not be recorded as sales.

Breakdown of SG&A expenditures (as percent of parent sales, FY03/19)



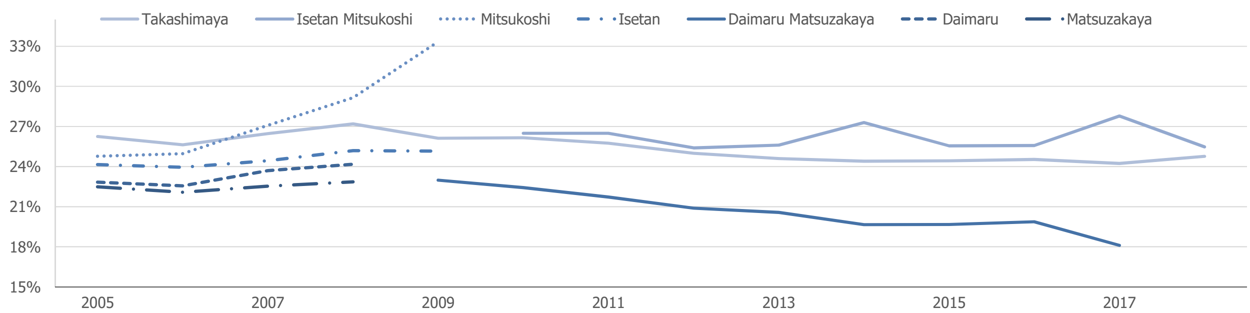
Note: Figures may differ from company materials due to differences in rounding methods.
Source: Shared Research, based on company data

Operating profit margin (parent)



Note: Takashimaya, Mitsukoshi and Isetan book other operating revenue. Due to this, their GPMs minus SG&A-to-sales ratios do not match with their OPMs.
Note: Sales figures for Daimaru Matsuzakaya were calculated using the gross amount (rather than net amount) for consignment sales starting in FY02/19.
Source: Shared Research, based on company data

SG&A ratios (parent)



Source: Shared Research based on company data

	Sales	Cost of sales	Personnel	Advertising	(Point expenses)	Depreciation	Rents	Other	Total
Isetan Mitsukoshi	100.0%	71.8%	9.2%	1.3%	1.6%	1.6%	1.8%	9.9%	25.5%
Daimaru Matsuzakaya	100.0%	77.7%	3.8%	1.2%	n/a	1.3%	2.5%	8.9%	18.2%
Takashimaya	100.0%	76.0%	8.2%	3.6%	2.1%	1.9%	3.2%	0.7%	23.8%

Note: Figures may differ from company materials due to differences in rounding methods.
Note: Sales figures for Daimaru Matsuzakaya were calculated using the gross amount (rather than net amount) for consignment sales starting in FY02/19.
Source: Shared Research, based on company data.

Strengths and weaknesses

Strengths

- **Strong support from core senior affluent customers:** Since its start as a store selling kimono fabrics, for many years the company has placed importance on history and culture. Known for its rose-motif wrapping paper, it has many faithful customers and among domestic department stores only Mitsukoshi can rival the power of its brand, to the extent that the name Takashimaya has become synonymous with gifts. It is known as the department store used by the Japanese royal family and is one of Japan's most prestigious department store operators, much as Harrods is in the UK. It is also well known for the events it holds (cultural, historical, artistic, kimono-related).
- **Strength of the store network and group's development capability:** The company's competitors tend to be heavily reliant on their main store (e.g., Isetan's reliance on Shinjuku, Mitsukoshi's on Nihombashi, and Matsuzakaya's on Nagoya). In contrast, Takashimaya's store network is more balanced and has several core stores in several regions (Nihombashi, Yokohama, Shinjuku, Osaka, and Kyoto). Moreover, the company has a number of stores that are a part of its own shopping center developments and has a track record of developing (via Toshin Development) commercial properties that are integrated with local communities.
- **Strong presence in Asia:** The image held of Japan-affiliated department stores outside of Japan is that they can only attract as customers tourists or Japanese living overseas who want to buy gifts. But the company's Singapore store was the first Japanese department store to adopt a localization strategy and to attract non-Japanese customers. In fact, in Asia many people think that Takashimaya is a Singaporean store, not a Japanese one. In the future the company is likely to use the brand power of Takashimaya Singapore in its store openings in Asia.

Weaknesses

- **Demographic change:** The number of seniors—the company's main customers, often affluent—will decline over the long term.
- **Continual capex requirement:** Department stores are generally laden with capex centered on existing store renovations. The ROI in such investments is not necessarily high, but competition forces department store operators to make such investments. Profitability would worsen without such capex.
- **Itaku hanbai (consignment sales):** This implies the goods become department store inventory (returnable to the manufacturer if unsold). The entire Japanese department store industry has traditionally avoided risks in procurement. In this way, the industry overall has mitigated inventory risks. However, risks in procurement could become valuable information. Avoiding such risks can result in a slower response to consumer needs and an over-reliance on existing suppliers.

Market and value chain

Market overview

Long-term secular decline. The Japanese retail market is mature and in a long-term secular decline driven by adverse demographic trends. Japan's population started to decline in 2007 and the twin trends of a declining birthrate and an aging population show no signs of abating. In this environment where overall consumer spending is dropping, many big retailers found that they had no choice but to adopt a low-price strategy to survive (although Wal-Mart` s experiences in Japan suggest that that low prices alone are not the solution).

Consolidating and getting bigger does not seem to provide the answer either. Japan's supply chain has traditionally been very fragmented, partly due to varying local needs (particularly in food). Many national retailers found that differentiating themselves from entrenched local competition is not easy—the situation often leads to deflationary stalemate, supported by low interest rates and easily available financing. The ability to raise money at a close-to-zero cost goes a long way in supporting barely profitable companies. SR thinks easy money is the main problem. Three interlinked factors play a role here—political pressure, the role of banks, and monetary policy.

Cutting jobs is extremely sensitive. Retailers are major employers. People who lose their jobs in restructurings are often older employees, many of whom have rigid company-specific skills, making it hard for them to seek re-employment. In Japan therefore, potentially more than elsewhere, restructurings lead to a rise in structural unemployment and personal hardship. Older people are not only more numerous but also more politically active as voters.

Ultra-low interest rates make economically suboptimal decisions tenable. Compared with the US or UK, Japanese banks have traditionally played and continue to play a disproportionally important role. In deciding whether to allow businesses to fail, no other outside stakeholders come close. In an environment where corporate governance is not centered on shareholders, the Japanese banks have incentives to support the status quo. Political pressures make other choices difficult.

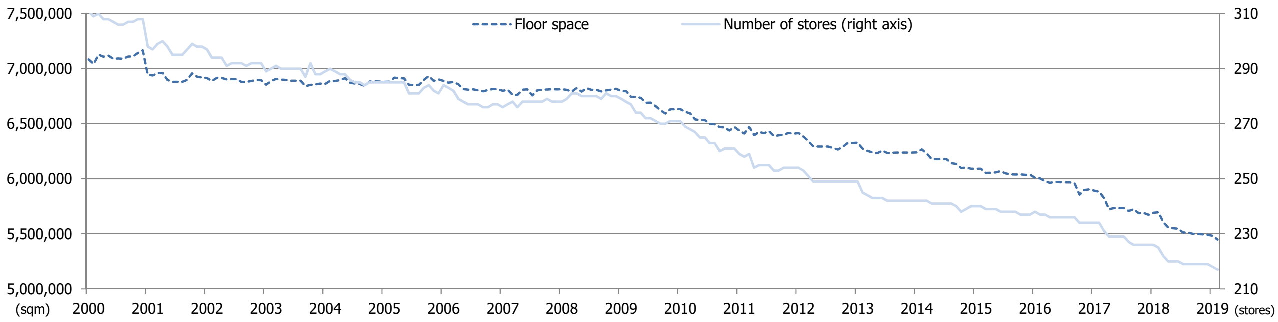
Premium pricing or deep discounting. The changes underway in the Japanese retail industry broadly reflect the trends seen across the world. Most successful companies increasingly seem to fall into one of the two opposing pricing strategies—luxury branding and premium prices, or deep discounting. Those retailers stuck in the middle of these pricing and branding extremes, and unable to go either way, generally perish.

In the US, upscale department stores with strength in merchandising have survived through integration and reorganization. Discounters such as Wal-Mart, Target, and Costco have grown rapidly. Meanwhile, a large number of retailers in the middle found it hard to compete and went extinct. Online retailers are shaking up the industry.

Sector shakeout. Japan is seeing similar trends. The department stores were caught up in a wave of integration and reorganization. Low price retail chains strengthened their push for market dominance. In September 2007, Matsuzakaya Holdings and Daimaru integrated to create J. Front Retailing (TSE1: 3086). In October 2010, Hanshin Department Store and Hankyu Department Store integrated to create H2O Retailing (TSE1: 8242). In April 2008, Mitsukoshi and Isetan integrated to create Isetan Mitsukoshi Holdings (TSE1: 3099).

Isetan Mitsukoshi Holdings, which became the leading company in the industry by size, provided support to the now bankrupt Marui Imai of Hokkaido and also, in October 2009, acquired Iwataya Department Stores, a medium-sized chain. Six unprofitable stores were closed, including Mitsukoshi Ikebukuro. Takashimaya announced a capital and business tie-up with H2O Retailing in 2008. This was widely expected to be a prelude to a full-blown merger but in March 2010 negotiations stopped and the relationship continues to be limited although the parties still own stakes in each other (around 5%).

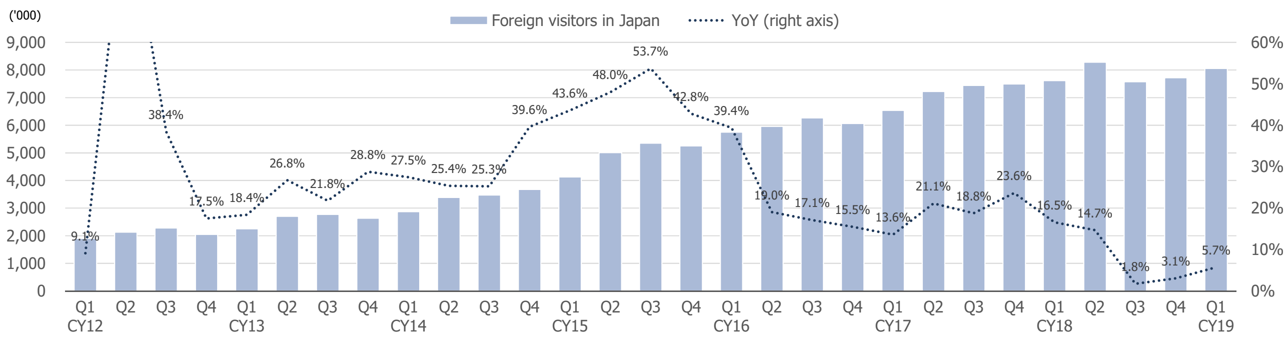
Total store space and number of stores



Source: Shared Research based on data from Japan Department Stores Association

Due to the declining population, Japan's retail market looks set to keep contracting. However, the increasing number of foreign visitors to Japan is considered to be an opportunity for growth. Tourists from China are a particularly important driver of growth for companies in the Japanese retail market, as they are unable to buy certain products without going to Japan and tend to enjoy Japanese services.

Trends in overseas tourists traveling to Japan



Source: Shared Research, based on Ministry of Tourism data

Visitors to Japan by country (region)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	CAGR
South Korea	1,586,772	2,439,816	1,658,073	2,042,775	2,456,165	2,755,313	4,002,095	5,090,302	7,140,438	7,538,952	32%
Taiwan	1,006,085	1,412,875	1,043,246	1,425,100	1,314,437	2,409,158	4,993,689	6,373,564	7,355,818	8,380,034	84%
China	1,024,292	1,268,278	993,974	1,465,753	2,210,821	2,829,821	3,677,075	4,167,512	4,564,053	4,757,258	34%
Hong Kong	449,568	508,691	364,865	481,665	745,881	925,975	1,524,292	1,839,193	2,231,568	2,207,804	40%
Thailand	177,541	214,881	144,969	260,640	453,642	657,570	796,731	901,525	987,211	1,132,160	59%
Singapore	145,224	180,960	111,354	142,201	189,280	227,962	308,783	361,807	404,132	437,280	26%
Malaysia	89,509	114,519	81,516	130,183	176,521	249,521	305,447	394,268	439,548	468,360	44%
Indonesia	63,617	80,632	61,911	101,460	136,797	158,739	205,083	271,014	352,330	396,852	60%
Philippines	71,485	77,377	63,099	85,037	108,351	184,204	268,361	347,861	424,121	503,976	61%
Vietnam	34,221	41,862	41,048	55,156	84,469	124,266	185,395	233,763	308,898	389,004	112%
India	58,918	66,819	59,354	68,914	75,095	87,967	103,084	122,939	134,371	154,029	23%

Source: Shared Research based on Japan National Tourist Organization (JNTO) data

Customers

Takashimaya's customers are 70% female and 30% male and tend to be in their 40s or older. The company is particularly popular with affluent senior customers. Gaisho sales account for about 20% of total sales, about equal to sales associated with Takashimaya Gold Card members.

The company's Nihombashi store customers tend to be older and more affluent. The Yokohama and Shinjuku stores serve a wide variety of commuters passing through those major railway hubs. While the Futako-Tamagawa store attracts affluent residents of the Jonan area, its clientele counts more families and is substantially younger compared with Nihombashi. The company notes that its Kansai stores (the area dominated by old established local players) are seen by locals as being less upscale and sophisticated compared with major rivals. This is in sharp contrast to the perception of Takashimaya in Greater Tokyo.

Barriers to entry

High barriers. When limiting the analysis to the department store sector, barriers to entry are formidable: department stores must open in city centers so as to attract customers and it is not easy to find sites in these locations with the required area more than 50,000sqm. Brand power is vital. With these formidable barriers, in the last few decades there have been no new entrants into the department store market. However, barriers to entry are considerably lower if alternative forms of retailers or specialty stores are included. In recent years these specialty stores have been competing against department stores.

Competition

In a narrow sense, competition within the department store market is easing. This is because the total number of stores is decreasing as unprofitable stores are closed and as department store operators have been merging with each other. This trend is likely to continue. However, in a broad sense, department stores' competitors are no longer just other department stores, but include a diverse number of retailers, ranging from specialty stores with a wide product range to e-commerce retailers. Specialty stores are growing in strength and diversity; they are managed by companies such as Fast Retailing Co., Ltd. (TSE1: 9983), United Arrows Ltd. (TSE1: 7606), Yamada-Denki Co., Ltd (TSE1: 9831), Nitori Holdings Co., Ltd. (TSE1: 9843), and Ryohin Keikaku Co., Ltd. (TSE1: 7453). The competition also includes shopping centers, especially urban ones managed by real estate developers such as Mitsui Fudosan (TSE1: 8811) and Mitsubishi Estate (TSE1: 8802).

The competitive environment is also affected by the development of areas surrounding department stores and changes in the movement of rail passengers. For instance, direct connection between the Tokyu Toyoko and Fukutoshin lines began in March 2013 making it easier for passengers using Toyoko line to travel in the direction of Shibuya, Shinjuku and Ikebukuro. As a result, many of the passengers who in the past would have gotten off at Shibuya and done their shopping in that area can now easily travel a few more stations up the line and do their shopping in Shinjuku. In the spring of 2016, a new bus terminal in Shinjuku was completed and the new JR Shinjuku Miraina Tower (multi-function complex) was opened. Also, in Shinjuku, Mitsubishi Estate is the lead developer on the Shinjuku Station South Exit Project, which is still in progress but is scheduled to open in the fall of 2019. In the past, access to the Shinjuku Station South Exit area, where Takashimaya's Shinjuku store is located, was said to be poor; however, with the improvements to Shinjuku Station and the development of the surrounding areas, the South Exit area is now said to be drawing more and more shoppers. Additionally, the Sotetsu and JR lines are scheduled to commence operations on shared tracks in November 2019, and the Sotetsu and Tokyu lines in fiscal 2022. This may have some effect in driving customer traffic to the Yokohama store, too.

Another trend in the competitive environment is a shift toward larger-scale stores among department stores and other type of retailers. For instance, a large-scale redevelopment project is underway in the area around Osaka Station. In May 2011 Osaka Station City was opened. The Hankyu Department Store reopened in the Hankyu Umeda building in Osaka's Kita Ward in the second half of November 2012 with a sales floor area of 80,000sqm, 1.3x larger than prior to the rebuilding. Kintetsu Department Store Abeno Harukas opened completely in March 2014 in the Tennoji Station building, and the main building of the Daimaru Shinsaibashi department store reopened in September 2019. The opening of competing stores nearby revitalizes the respective region and raises its ability to attract customers but intensifies competition between stores to acquire these customers.

Strategy

Among the company's competitors, J Front Retailing (TSE1: 3086), which manages the Daimaru and Matsuzakaya stores, is pursuing a unique strategy among the Japanese department stores. Since going public in 2012, J Front Retailing has been aiming to establish a new business model for its department stores while pursuing a "multi-service retailer" strategy. As part of this strategy, it acquired a 65% stake in Parco (TSE1: 8251), making Parco a consolidated subsidiary. It announced a tender offer aiming to convert Parco into a fully owned subsidiary in December 2019. J Front Retailing's goal is to realize a low-cost new department store model, which entails attracting specialty store tenants capable of pulling in customers and capturing a younger market.

In contrast, Takashimaya's approach is to incorporate specialty stores inside of its department stores. The company's motto is "unchanging yet new." It likes tradition and instead of implementing sweeping reforms, the company's strategy has been to attract customers by developing the areas surrounding its stores and to participate in a range of development projects that will support the growth of its department stores (strengthening its SC operations by redeveloping its Nihombashi store and adjacent land [urban redevelopment]).

Financial statements

Income statement

Income statement (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Operating revenue	869,476	858,123	870,333	904,180	912,523	929,588	923,601	949,572	912,848
Department Stores	777,478	762,827	770,089	798,079	802,956	811,648	797,253	826,561	792,045
Contract and Design	17,451	17,097	19,010	20,622	24,658	26,710	30,874	25,916	24,795
Commercial Property Development	29,434	32,259	33,863	36,804	38,102	42,389	47,923	47,476	43,681
Finance	11,689	11,514	11,655	11,911	12,385	12,865	13,414	14,187	14,944
Other	33,421	34,424	35,714	36,762	34,420	35,974	34,135	35,430	37,381
YoY	-0.9%	-1.3%	1.4%	3.9%	0.9%	1.9%	-0.6%	2.8%	-3.9%
Department Stores	-1.2%	-1.9%	1.0%	3.6%	0.6%	1.1%	-1.8%	3.7%	-4.2%
Contract and Design	10.9%	-2.0%	11.2%	8.5%	19.6%	8.3%	15.6%	-16.1%	-4.3%
Commercial Property Development	0.1%	9.6%	5.0%	8.7%	3.5%	11.3%	13.1%	-0.9%	-8.0%
Finance	7.1%	-1.5%	1.2%	2.2%	4.0%	3.9%	4.3%	5.8%	5.3%
Other	-3.7%	3.0%	3.7%	2.9%	-6.4%	4.5%	-5.1%	3.8%	5.5%
Sales	**819,062**	**805,757**	**815,387**	**845,785**	**851,374**	**865,889**	**860,761**	**886,700**	**846,894**
YoY	-1.1%	-1.6%	1.2%	3.7%	0.7%	1.7%	-0.6%	3.0%	-4.5%
Cost of sales	606,812	597,511	605,687	631,111	636,881	651,010	648,765	626,528	629,490
Gross profit	**212,249**	**208,245**	**209,700**	**214,673**	**214,492**	**214,878**	**211,996**	**218,405**	**217,403**
YoY	-2.7%	-1.9%	0.7%	2.4%	-0.1%	0.2%	-1.3%	3.0%	-0.5%
GPM	25.9%	25.8%	25.7%	25.4%	25.2%	24.8%	24.6%	24.6%	25.7%
Gross operating profit	**262,663**	**260,611**	**264,646**	**273,068**	**275,641**	**278,577**	**274,836**	**281,276**	**28,357**
SG&A expenses	244,489	239,512	239,169	243,969	243,618	245,605	240,835	245,957	256,695
SG&A ratio	29.8%	29.7%	29.3%	28.8%	28.6%	28.4%	28.0%	27.7%	30.3%
Operating profit	**18,173**	**21,099**	**25,476**	**29,099**	**32,022**	**32,972**	**34,000**	**35,318**	**26,661**
YoY	35.3%	16.1%	20.7%	14.2%	10.0%	3.0%	3.1%	3.9%	-24.5%
OPM	2.2%	2.6%	3.1%	3.4%	3.8%	3.8%	3.9%	4.0%	3.1%
Non-operating income	6,460	5,239	6,157	5,734	5,536	5,982	5,054	5,223	6,368
Non-operating expenses	2,150	1,983	1,766	1,483	1,653	1,169	1,839	1,935	1,795
Recurring profit	**22,484**	**24,355**	**29,866**	**33,350**	**35,904**	**37,785**	**37,215**	**38,606**	**31,234**
YoY	34.1%	8.3%	22.6%	11.7%	7.7%	5.2%	-1.5%	3.7%	-19.1%
RPM	2.7%	3.0%	3.7%	3.9%	4.2%	4.4%	4.3%	4.4%	3.7%
Extraordinary gains	10,500	185		286	3,049	13,734	6,410	2,630	2,813
Extraordinary losses	7,527	5,265	3,686	4,116	2,736	10,068	9,023	6,228	9,571
Tax charges	11,201	7,868	8,949	10,029	12,808	17,181	13,022	10,889	7,425
Implied tax rate	44.0%	40.8%	34.2%	34.0%	35.4%	41.4%	37.6%	31.1%	30.3%
Net income attrib. to non-controlling interests	407	511	690	774	827	441	709	460	607
Net income	**13,849**	**10,895**	**16,540**	**18,716**	**22,581**	**23,829**	**20,870**	**23,658**	**16,443**
YoY	79.6%	-21.3%	51.8%	13.2%	20.7%	5.5%	-12.4%	13.4%	-30.5%
Net margin	1.7%	1.4%	2.0%	2.2%	2.7%	2.8%	2.4%	2.7%	1.9%

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

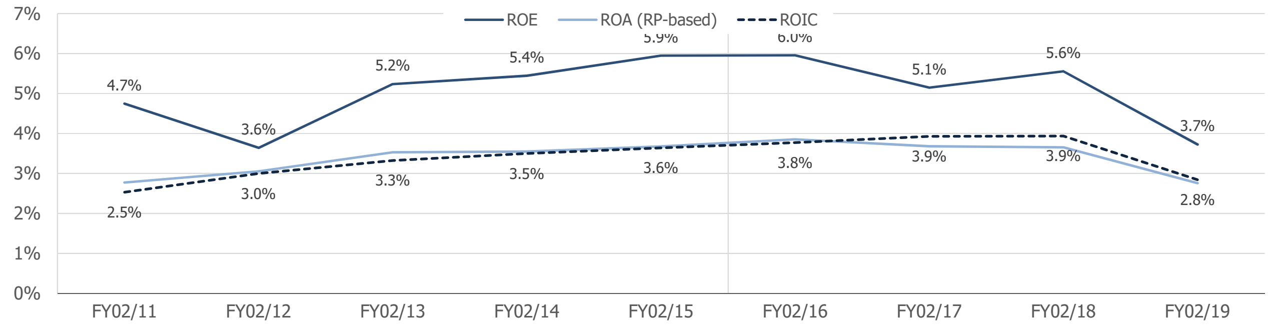
Profitability and financial ratios

Profit margins (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Gross profit	212,249	208,245	209,700	214,673	214,492	214,878	211,996	218,405	217,403
GPM	25.9%	25.8%	25.7%	25.4%	25.2%	24.8%	24.6%	24.6%	25.7%
Operating profit	18,173	21,099	25,476	29,099	32,022	32,972	34,000	35,318	26,661
OPM	2.2%	2.6%	3.1%	3.4%	3.8%	3.8%	3.9%	4.0%	3.1%
EBITDA	34,396	38,499	44,016	47,430	51,479	52,852	53,534	54,471	46,702
EBITDA margin	4.2%	4.8%	5.4%	5.6%	6.0%	6.1%	6.2%	6.1%	5.5%
Net margin	1.7%	1.4%	2.0%	2.2%	2.7%	2.8%	2.4%	2.7%	1.9%
Financial ratios (JPYmn)	**FY02/11 Act.**	**FY02/12 Act.**	**FY02/13 Act.**	**FY02/14 Act.**	**FY02/15 Act.**	**FY02/16 Act.**	**FY02/17 Act.**	**FY02/18 Act.**	**FY02/19 Act.**
ROA (RP-based)	2.8%	3.0%	3.7%	3.9%	3.8%	3.9%	3.8%	3.8%	3.0%
ROE	4.7%	3.6%	5.2%	5.4%	5.9%	6.0%	5.1%	5.6%	3.7%
Total asset turnover	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.8
Inventory turnover	14.8	15.6	15.9	16.3	15.6	14.7	14.2	14.0	13.9
Days in inventory	24.6	23.3	22.9	22.4	23.4	24.8	25.7	26.2	26.2
Working capital	72,581	71,980	49,329	50,009	61,220	61,962	66,457	82,355	54,066
Current ratio	87.4%	81.3%	80.2%	99.0%	85.6%	89.4%	101.8%	88.3%	88.1%
Quick ratio	64.6%	63.1%	59.2%	78.4%	64.8%	63.2%	75.4%	67.3%	64.2%
OCF / Current liabilities	6.8%	10.2%	14.3%	12.9%	12.2%	7.7%	13.1%	10.7%	18.9%
OCF / Total liabilities	4.0%	6.4%	9.7%	7.6%	7.2%	4.5%	7.5%	6.3%	11.0%
Cash conversion cycle (days)	22.4	25.0	19.5	13.6	15.5	17.9	19.4	20.9	20.4
Change in working capital	12,847	-601	-22,651	680	11,211	742	4,495	15,898	-28,289

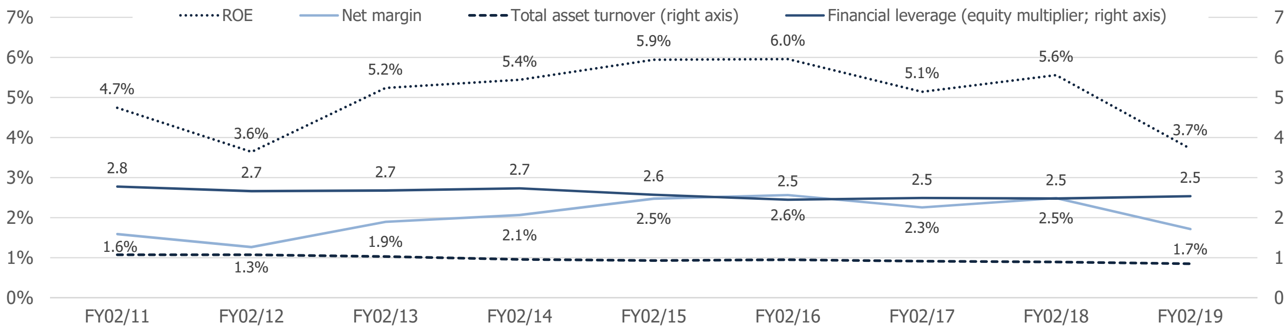
Source: Shared Research based on company data

ROE, ROA, ROIC

(JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
ROE	**4.7%**	**3.6%**	**5.2%**	**5.4%**	**5.9%**	**6.0%**	**5.1%**	**5.6%**	**3.7%**
Net margin	1.6%	1.3%	1.9%	2.1%	2.5%	2.6%	2.3%	2.5%	1.7%
Total asset turnover	1.07	1.08	1.03	0.96	0.93	0.95	0.91	0.90	0.84
Financial leverage (equity multiplier)	2.78	2.66	2.68	2.74	2.57	2.45	2.49	2.48	2.57
ROA (RP-based)	**2.8%**	**3.1%**	**3.5%**	**3.5%**	**3.7%**	**3.9%**	**3.7%**	**3.7%**	**2.8%**
ROIC	**2.5%**	**3.0%**	**3.3%**	**3.5%**	**3.6%**	**3.8%**	**3.9%**	**3.9%**	**2.8%**
NOPAT	10,779	12,514	15,110	18,038	19,850	21,221	22,758	24,422	18,497
Net assets + Interest-bearing debt	425,790	417,453	454,650	515,701	545,754	562,863	579,400	620,231	650,347
ROIC (before tax)	4.3%	5.1%	5.6%	5.6%	5.9%	5.9%	5.9%	5.7%	4.1%
OPM	2.1%	2.5%	2.9%	3.2%	3.5%	3.5%	3.7%	3.7%	2.8%
Operating revenue / Invested capital	2.04	2.06	1.91	1.75	1.67	1.65	1.59	1.53	1.47

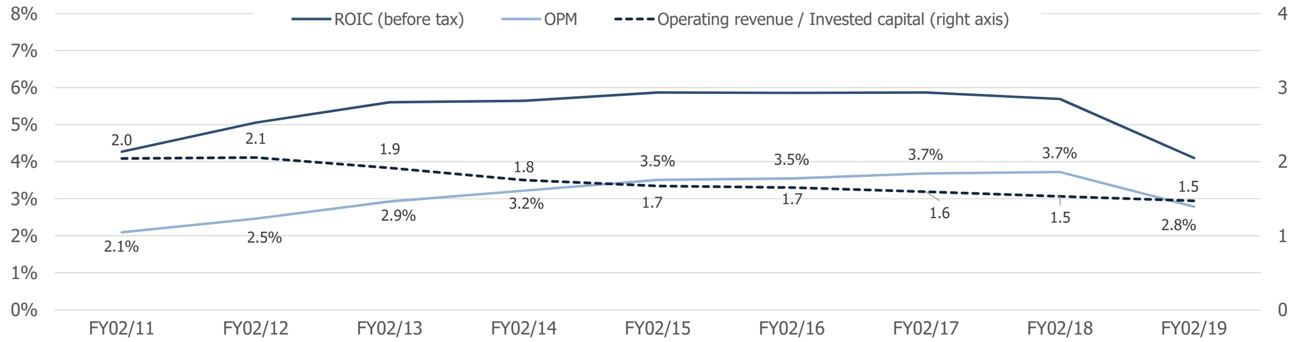


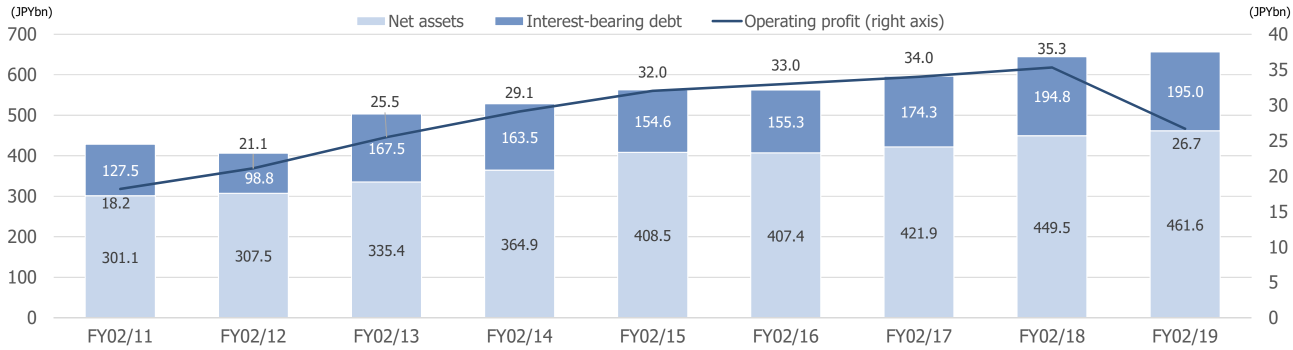
ROE



Source: Shared Research based on company data

ROIC





Source: Shared Research based on company data

Balance sheet

Balance sheet (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
ASSETS									
Cash and deposits	55,503	61,124	69,495	106,451	87,887	75,487	107,159	99,541	97,090
Marketable securities	15,000	15,000	-	43,099	2,000	2,003	2,000	-	-
Accounts receivable	121,263	121,414	98,978	106,671	120,380	119,174	122,728	140,038	117,107
Inventories	38,566	37,863	38,234	39,239	42,398	46,151	45,049	44,745	45,519
Guarantee deposits	-	-	-	-	-	-	-	-	-
Deferred tax assets	5,160	6,989	6,601	7,221	8,501	9,309	9,459	10,163	10,443
Other	30,944	20,880	23,529	29,876	27,424	38,929	39,440	33,318	37,740
Allowance for doubtful accounts	-562	-877	-577	-439	-446	-430	-336	-306	-335
Total current assets	**265,878**	**262,394**	**236,263**	**332,121**	**288,147**	**290,625**	**325,500**	**327,501**	**307,568**
Buildings	160,020	155,348	154,003	157,381	173,110	171,610	164,940	167,732	185,639
Equipment	8,814	8,357	8,160	9,667	9,337	9,438	10,466	11,014	14,428
Land	208,772	208,682	213,057	223,296	225,209	231,174	230,386	361,362	411,507
Lease assets	2,456	2,611	2,939	2,615	2,233	1,929	1,285	989	2,758
Construction in progress	1,856	750	594	1,476	2,582	3,153	6,622	9,658	6,892
Total tangible fixed assets	**381,920**	**375,748**	**378,755**	**394,436**	**412,474**	**417,307**	**413,703**	**550,757**	**621,228**
Leasehold	11,354	11,404	11,414	11,414	93,712	93,712	93,725	4,939	10,671
Goodwill	764	669	745	631	518	404	193	97	1,545
Other	14,332	17,725	16,819	16,670	15,275	14,210	13,254	12,998	16,734
Total intangible fixed assets	**26,451**	**29,799**	**28,979**	**28,716**	**109,505**	**108,327**	**107,172**	**18,035**	**28,951**
Investment securities	79,528	77,474	96,100	105,890	127,040	102,550	89,114	95,231	81,743
Deferred tax assets	16,655	13,467	7,131	4,292	6,133	9,771	8,256	4,946	6,102
Long-term loans	-	-	-	-	-	-	-	-	-
Guarantee deposits	43,613	42,082	41,288	34,420	34,045	33,151	31,892	29,227	29,485
Other	7,830	7,358	4,962	5,029	4,944	15,268	13,278	12,045	5,301
Allowance for doubtful accounts	-4,790	-4,406	-2,794	-2,768	-2,679	-2,579	-2,454	-1,938	-2,250
Investments and other assets	**142,838**	**135,975**	**146,688**	**146,864**	**169,483**	**158,161**	**140,087**	**139,511**	**120,382**
Total fixed assets	**551,209**	**541,522**	**554,423**	**570,017**	**691,464**	**683,795**	**660,963**	**708,305**	**770,562**
Total assets	**817,088**	**803,917**	**790,687**	**902,139**	**979,611**	**974,421**	**986,464**	**1,035,807**	**1,078,130**
LIABILITIES									
Accounts payable	87,248	87,297	87,883	95,901	101,558	103,363	101,320	102,428	108,560
Short-term debt	14,083	39,811	19,172	47,301	37,292	17,187	9,007	50,382	13,418
Lease obligations	500	652	856	923	796	698	509	395	713
Income taxes payable	3,035	4,177	4,045	7,822	9,784	10,045	5,597	6,236	5,052
Advance received	76,871	75,713	77,022	78,125	79,321	82,954	91,852	96,102	100,593
Gift certificate	77,174	63,070	57,174	54,498	53,184	52,299	51,702	52,663	52,503
Deposits	21,248	26,178	25,545	24,505	23,384	27,069	24,702	26,725	31,693
Provision for point card certificates	3,828	3,517	3,136	3,260	3,252	3,233	2,509	2,561	2,530
Allowance for losses on removal	341	-	-	-	-	581	2,160	2,743	3,207
Other	19,866	22,495	19,812	23,264	28,132	27,653	30,430	30,647	30,947
Total current liabilities	**304,198**	**322,910**	**294,645**	**335,599**	**336,703**	**325,082**	**319,793**	**370,888**	**349,216**
Long-term debt	117,679	87,667	79,674	120,227	126,225	137,412	146,255	123,878	181,363
Lease obligations	1,955	1,967	2,109	1,715	1,458	1,250	858	641	2,109
Reserve for retirement allowance	51,889	49,763	43,648	42,098	62,983	61,875	58,251	54,616	50,890
Deferred tax liabilities	121	103	109	360	2,235	49	44	286	1,300
Deferred tax liabilities on revaluation	9,838	8,630	8,721	8,721	7,570	7,117	6,879	6,879	6,812
Other	30,307	25,395	26,336	28,506	33,959	34,248	32,489	29,087	24,854
Total fixed liabilities	**211,789**	**173,525**	**160,597**	**201,627**	**234,430**	**241,951**	**244,780**	**215,392**	**267,328**
Total liabilities	**515,988**	**496,436**	**455,243**	**537,227**	**571,133**	**567,034**	**564,574**	**586,281**	**616,545**
NET ASSETS									
Capital stock	56,025	56,025	56,025	56,025	66,025	66,025	66,025	66,025	66,025
Capital surplus	45,085	45,085	45,085	45,085	55,085	55,085	55,085	55,025	55,026
Retained earnings	185,272	193,362	206,440	221,857	229,185	249,145	265,033	284,320	296,977
Treasury stock	-528	-531	-536	-549	-562	-6,153	-6,160	-6,170	-6,177
Valuation and translation differences	10,383	8,211	22,413	35,775	51,374	34,824	32,240	39,971	32,067
Non-controlling interests	4,861	5,328	6,015	6,718	7,370	8,458	9,665	10,353	17,665
Total net assets	**301,099**	**307,481**	**335,443**	**364,912**	**408,477**	**407,386**	**421,890**	**449,526**	**461,585**
Working capital	72,581	71,980	49,329	50,009	61,220	61,962	66,457	82,355	54,066
Total interest-bearing debt	131,762	127,478	98,846	167,528	163,517	154,599	155,262	174,260	194,781
Net debt	76,259	66,354	29,351	61,077	75,630	79,112	48,103	74,719	97,691

Source: Shared Research based on company data

Distinguishing characteristics

One characteristic of all department stores: inventory accounts for a small proportion of total assets. For Takashimaya in FY02/19 the proportion of inventory in total assets was 4.1%. Land and buildings constitute a high percentage, and in FY02/19 made up 55% of Takashimaya's total assets.

Statement of cash flows

Cash flow statement (JPYmn)	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Cash flows from operating activities (1)	20,645	31,921	44,141	40,582	41,018	25,638	42,266	36,870	67,913
Pre-tax profit	25,457	19,267	26,180	29,520	36,217	41,451	34,602	35,009	24,476
Depreciation	16,128	17,305	18,427	18,218	19,344	19,767	19,421	19,058	19,946
Impairment losses	-	-	877	-	-	-	4,587	1,598	1,295
Amortization of goodwill	95	95	113	113	113	113	113	95	95
Change in working capital	-13,636	-474	22,392	-1,807	-9,749	573	-3,322	-16,179	29,865
Income taxes	-7,992	-4,447	-6,210	-6,211	-11,889	-15,040	-16,453	-9,333	-9,823
Other	593	175	-17,638	749	6,982	-21,226	3,318	6,622	2,059
Cash flows from investing activities (2)	-13,240	-16,356	-28,470	-30,389	-116,049	-16,081	-9,124	-62,286	-85,815
Acquisition of tangible/intangible fixed assets	-26,961	-16,360	-20,425	-34,546	-124,670	-23,646	-21,792	-69,437	-93,130
Proceeds from sale of tangible/intangible fixed assets	12,520	651	-	242	5,677	-	236	20	285
Acquisition of shares in subsidiaries	-	-	-	-	-	741	-	-	-1,466
Other	1,201	-647	-8,045	3,915	2,944	6,824	12,432	7,131	8,496
FCF (1+2)	7,405	15,565	15,671	10,193	-75,031	9,557	33,142	-25,416	-17,902
Cash flows from financing activities	7,673	-8,210	-32,931	64,391	11,619	-19,239	-4,228	14,185	17,226
Net change in short-term borrowings	-	-	-	40	-	-	60	-147	-
Net change in long-term borrowings	11,207	-4,283	-28,816	3,140	16,087	-8,820	700	19,244	-20
Issuance and redemption of bonds	-	-	-	65,525	-	-	-	-	20,300
Acquisition of treasury stock	-	-	-	-	-	-5,590	-7	-9	-8
Dividends paid	-3,209	-3,299	-3,298	-3,298	-3,333	-3,869	-4,193	-4,193	-4,193
Other	-325	-628	-817	-1,016	-1,135	-6,550	-795	-719	1,139
Other	-997	-1,555	5,162	6,543	4,800	-3,278	-2,613	2,193	-2,226
Change in cash and cash equivalents	14,080	5,798	-12,097	81,127	-58,610	-12,960	26,299	-9,036	-2,902
Cash and cash equivalents (year-end)	70,279	76,077	63,980	145,108	86,497	73,536	103,765	95,120	94,692
Depreciation and amortization (A)	16,223	17,400	18,540	18,331	19,457	19,880	19,534	19,153	20,041
Capital expenditures (B)	-14,441	-15,709	-20,425	-34,304	-118,993	-23,646	-21,556	-69,417	-92,845
Change in working capital (C)	-13,636	-474	22,392	-1,807	-9,749	573	-3,322	-16,179	29,865
Simple FCF (NI+A+B-C)	40,875	21,432	1,903	15,354	-53,570	37,112	35,902	924	-78,193

Source: Shared Research based on company data

In FY02/14, the company raised JPY65.5bn from the issuance of warrant bonds. It plans to use the funds raised to acquire a portion of the land and buildings of the Shinjuku store that it does not already own.

Cash conversion cycle

Cash conversion cycle	FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Accounts receivable turnover	7.3	6.6	7.4	8.2	7.5	7.2	7.1	6.7	6.6
Days in accounts receivable	**49.8**	**55.0**	**49.3**	**44.4**	**48.7**	**50.5**	**51.3**	**54.1**	**55.4**
Inventory turnover	14.8	15.6	15.9	16.3	15.6	14.7	14.2	14.0	13.9
Days in inventory	**24.6**	**23.3**	**22.9**	**22.4**	**23.4**	**24.8**	**25.7**	**26.2**	**26.2**
Accounts payable turnover	7.0	6.8	6.9	6.9	6.5	6.4	6.3	6.2	6.0
Days in accounts payable	**52.0**	**53.3**	**52.8**	**53.1**	**56.6**	**57.4**	**57.6**	**59.3**	**61.2**
Cash conversion cycle (days)	**22.4**	**25.0**	**19.5**	**13.6**	**15.5**	**17.9**	**19.4**	**20.9**	**20.4**

Source: Shared Research based on company data
Note: Figures may differ from company materials due to differences in rounding methods.

Other information

History

Founding to the Meiji era

In 1831, the founder, Iida Shinshichi, opened a clothing and cotton cloth store in Kyoto. In 1888, the store exhibited a number of items at international exhibitions and received numerous prizes. This led to the store winning the title "Purveyor to the Imperial Household Ministry" in 1897 (the purveyor system is now abolished). In 1896, Kyoto Minami (South) store unveiled an innovative show window, which became the prototype for show windows in modern department stores. Two years later, the Osaka store was opened in Shinsaibashisuji, Minami Ward, Osaka Prefecture, and the Nihombashi store (Nishikonyamachi, Kyobashi Ward, Tokyo) in 1900.

In 1910, the company set up the Takashimaya pavilion at the London Japan-UK Expo, exhibiting products that included a velvet yuzen-print wall hanging and Are Yuudachi by the artist Takeuchi Seihou, winning four honorary prizes.

Source: Company data

Taisho to early-Showa era

In 1919, Takashimaya Gofukuten KK was established. In 1922, the company constructed and opened a new store (10,000sqm) at Nagahoribashi, Minami Ward, Osaka. Made of reinforced concrete and with seven floors above ground and one below ground, it represented the start of Takashimaya's modern method of store management. In 1930, the company started using the corporate name Takashimaya Co Ltd. Three years later, the company built and opened a new store on the high street of Nihombashi, Tokyo, with two floors below ground and eight above ground (about 27,500sqm), gaining recognition.

Post-WWII period

In 1949, the company's stock was listed on the Osaka Securities Exchange and the Tokyo Stock Exchange. In 1952, the company adopted the rose design for its paper wrapping and the rose mark became the symbol of Takashimaya. Four years later, the company held an Italian Fair at each store, the first such international fair held in post-war Japan. In 1958, a new Takashimaya store was opened on 5th Street, New York, the first Japanese department store outside of Japan. In the following year, the company signed a licensing agreement with Pierre Cardin; with this agreement, Takashimaya became the first Japanese company to enter into an agreement with a foreign designer. In the same year, the Yokohama Takashimaya store opened after the extension and renovation of the Takashimaya store in the Yokohama Station building (opened in 1956). With this, the company established large stores in prime locations of major cities, forming the foundation for its store network today.

Growth period

In 1963, the company established Toshin Development Co Ltd (now a consolidated subsidiary), and six years later Toshin Development opened Tamagawa Takashimaya SC as Japan's first large-scale suburban shopping center. In the 1970s, the company opened Tachikawa, Omiya, Kashiwa, Wakayama and Senboku stores. In 1989, Takashimaya Group sales (fiscal 1988) exceeded JPY1tn.

Recent years

In 1993, the company opened its first store in Asia in Singapore, followed by the Taipei store in 1994, accelerating overseas expansion.

In 1995, the company established Yokohama Takashimaya Co Ltd, Gifu Takashimaya Co Ltd, Senboku Takashimaya Co Ltd, Okayama Takashimaya Co Ltd, and Yonago Takashimaya Co Ltd and newly opened the Yokohama, Tamagawa (former Yokohama Takashimaya Tamagawa store), Konandai (former Yokohama Takashimaya Konandai store), Gifu, Senboku, Okayama, Tsuyama (Tsuyama City, Okayama Prefecture; closed in 1999), and Yonago stores (the Yonago store became a subsidiary in 2003 and the Okayama and Gifu stores in 2004).

In 1996, the company introduced the Takashimaya card point system, the first time such a system had been used in the department store industry. In the same year, the company opened Takashimaya Times Square in Shinjuku. In 2000, the JR Nagoya Takashimaya was opened jointly with Central Japan Railway Company.

In 2006, the Nihombashi Takashimaya store was given historic building status by the Tokyo Metropolitan government, followed by the 2009 designation as one of Japan's Important Cultural Properties.

Source: Company data

In 2008, the company agreed on a business and capital tie-up with H2O Retailing, with the aim of eventually merging two companies. However, the merger plan was abandoned with continued business tie-up.

2011: the company's 180th founding anniversary.

2012: opened Shanghai Takashimaya, its first store in China.

2016: opened Takashimaya Ho Chi Minh City in Vietnam. The one-stop shopping center Saigon Centre was opened at the same time, with Takashimaya as the core tenant.

2018: opened Siam Takashimaya in Bangkok, Thailand.

Major shareholders

As of end August 2019

Top shareholders	Shares held ('000)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust account)	16,609	9.73%
Japan Trustee Services Bank, Ltd. (Trust account)	13,617	7.98%
H2O RETAILING CORPORATION	8,887	5.21%
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,032	2.95%
Nippon Life Insurance Company	4,961	2.91%
Takashimaya Kyoeikai	3,307	1.94%
Japan Trustee Services Bank, Ltd. (Trust account 5)	3,039	1.78%
JP MORGAN CHASE BANK 385151 (Standing proxy: Mizuho Bank, Ltd. Settlement Dept.)	2,494	1.46%
Sotetsu Holdings, Inc.	2,402	1.41%
Japan Trustee Services Bank, Ltd. (Trust account 1)	2,054	1.20%
SUM	62,407	36.55%

Source: Shared Research based on company data

Top management

The company's chairman and representative director is **Koji Suzuki** (born 1945). He joined the company in 1968 and in 1995 was appointed a director and became the head of the Central Management Planning Office. After serving in a number of senior positions, he was appointed president and representative director in 2003, and then chairman and representative director in 2014.

In March 2019, **Yoshio Murata** (born 1961) was name president and representative director. He joined the company in 1985, became general manager of Takashimaya's Kashiwa store in 2011, was promoted in 2013 to executive officer, and deputy general manager of the General Affairs Headquarters, and also served as general manager of the General Affairs Division and Rental Management Office. In 2014, he was named executive officer, and served as deputy general manager of the General Affairs Headquarters, general manager of the General Affairs Division, Rental Management Office, Development Group, Asia Development Office, and deputy general manager of the Planning Office for Nihombashi Redevelopment. In March 2015, he was promoted to managing executive officer and served as deputy general manager of the Planning Headquarters and general manager of the Corporate Strategy Division. In May 2015, he became managing director and served as deputy general manager of the Planning Headquarters and general manager of the Corporate Strategy Division. In 2017, he was promoted to managing director (representative director), and served as general manager of the General Affairs Headquarters, deputy general manager of the Planning Headquarters, and general manager of the Corporate Strategy Division. In 2018, he served as managing director (representative director), and the general manager of the Planning Headquarters.

Employees

On a consolidated basis, the company had 7,761 full-time employees at end February 2019 and employed an average of 8,849 part-time workers during the course of a year. On a parent basis, the company had 4,731 full-time workers and a yearly average of 4,642 part-time workers. The average age and average length of employment for its full-time workers in FY02/19 and on a parent basis are shown below.

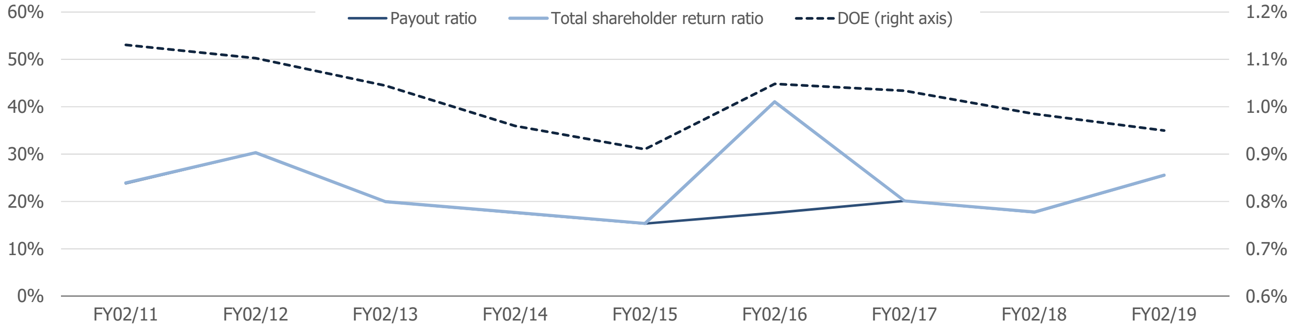
- Average age 46.7 years
- Average length of employment 23.5 years

Dividends and shareholder returns

The company seeks to make stable dividend payments to shareholders, with shareholder returns conducted based on comprehensive consideration of performance and management status. Internal reserves are used as capital for enhancing sales ability (for example by renovating stores) and for strengthening the company's financial standing. Takashimaya issues a shareholder benefit card twice a year, at the end of February and August, to all shareholders who own at least 100 shares at those times. The card provides the holder with a 10% discount on designated products at Takashimaya stores. Depending on the card held, up to three people can attend free of charge the cultural events held at any Takashimaya store.

The company has announced a share repurchase program to improve shareholder returns as part of a flexible and adaptable capital policy. The upper limit for the buyback is JPY10bn / 8mn shares (4.6% of the total number of shares issued). It will run from July 1 to February 29, 2020. This share buyback will be the first after FY02/16.

(JPYmn)		FY02/11 Act.	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.
Total dividends	a)	3,299	3,299	3,298	3,298	3,456	4,193	4,193	4,193	4,193
Total treasury stock acquired	b)	13	3	4	12	13	5,590	7	9	6
Total returns to shareholders	c) = a) + b)	3,312	3,302	3,302	3,310	3,469	9,783	4,200	4,202	4,199
Net income attributable to owners of the parent	d)	13,849	10,895	16,540	18,716	22,581	23,829	20,870	23,658	16,443
Dividend payout ratio	a) / d)	23.8%	30.3%	19.9%	17.6%	15.3%	17.6%	20.1%	17.7%	25.5%
Total shareholder return ratio	c) / d)	23.9%	30.3%	20.0%	17.7%	15.4%	41.1%	20.1%	17.8%	25.5%
Net assets available to common shareholders (year end)		296,238	302,153	329,428	358,194	401,107	398,928	412,225	439,173	443,920
Avg. of beginning and end of year	f)	291,818	299,196	315,791	343,811	379,651	400,018	405,577	425,699	441,547
Before deducting assets available to holders of Class A preferred shares		296,238	302,153	329,428	358,194	401,107	398,928	412,225	439,173	443,920
EPS	(JPY)	83.9	66.0	100.3	113.5	132.6	135.8	119.4	135.4	94.1
Dividend per share	(JPY)	20.0	20.0	20.0	20.0	20.0	24.0	24.0	24.0	24.0
DOE	a) / f)	1.1%	1.1%	1.0%	1.0%	0.9%	1.0%	1.0%	1.0%	0.9%



Source: Shared Research based on company data

Investor relations

The company holds results briefings twice a year (April and November).

By the way

Hiraba

The Japanese term for the space operated by the department store itself and selling a mix of merchandise from several manufacturers.

Shouka

The Japanese term for purchase-as-sold transaction method, generally translated as consignment sales. Confusion can arise in the relationship with itaku hanbai transaction method, also translated as consignment sales. Despite common translation, the two methods have different accounting treatments. The former (purchase-as-sold) presumes that the title is not transferred to a department store until actual sale, i.e., never booked as department store inventory; the latter consignment sales implies the goods become department store inventory (returnable to the manufacturer if unsold).

Gaisho

The Japanese term for “out-of-store sales.” A traditional sales method in Japan’s department store industry where department store sales clerks visit the homes of loyal customers or the offices of loyal companies to take their orders, like a personal shopping service.

Historical performance and news

Historical performance

1H FY02/20 results (out October 11, 2019)

- 1H FY02/20 results: Operating revenue was JPY453.1bn (+2.6% YoY), operating profit was JPY13.4bn (+0.0% YoY), and net income was JPY12.4bn (+41.2% YoY). Results fell short of initial forecasts for operating revenue of JPY458.0bn and operating profit of JPY14.5 bn. The company revised down its full-year FY02/20 forecasts to operating revenue of JPY933.0bn (+2.2% YoY), operating profit of JPY28.0bn (+5.0% YoY), net income of JPY17.0bn (+3.4% YoY), and EPS of JPY99.3. (Initial forecasts were for operating revenue of JPY942.0bn and operating profit of JPY31.0bn).
- Department Stores: Department stores operating revenue was JPY388.5bn (+1.2% YoY) and operating profit was JPY4.3bn (-3.5% YoY). Operating profit for domestic department stores came in at just JPY2.8bn versus the company forecast of JPY4.4bn, despite better than expected constraint of SG&A expenses. Sales, primarily to inbound tourists, came in under forecast and product margin fell more than expected as inclement weather during the summer hurt apparel sales. For the company's overseas department stores, while results in Thailand worsened YoY (losses widened), operating profit was generally as expected, with growth in Singapore and other regions. Note: On June 25, 2019 the company announced that it would liquidate consolidated subsidiary Shanghai Takashimaya, but on August 23, 2019, it said that the business would continue largely due to support from its store landlord.
- Real Estate: Real Estate operating revenue was JPY22.5bn (+7.4% YoY) and operating profit was JPY5.0bn (+6.1% YoY). 1H segment results were largely in line with forecasts. Profit fell at major domestic subsidiary Toshin Development due to a decline in condominium sales and increased shopping center renovation expenses. Adoption of IFRS 16 "Leases" at Toshin Development Singapore boosted accounting profit by JPY450mn.
- Finance: Finance operating revenue was JPY8.6bn (+15.0% YoY) and operating profit was JPY2.6bn (+8.5% YoY). At Takashimaya Credit, operating profit was steady YoY as the transfer of Takashimaya Insurance from the Other segment boosted segment profit. Excluding the impact of the transfer, operating profit fell 4.1% YoY.
- Contract and Design: Contract and Design operating revenue was JPY16.4bn (+34.2% YoY), and operating profit was JPY758mn (+71.9% YoY). Earnings recovered on the back of order growth. 1H operating profit was about JPY400mn above forecasts.
- Downward forecast revisions: In light of 1H progress, the company revised down its full-year FY02/20 forecasts by JPY9.0bn for operating revenue and JPY3.0bn for operating profit. The main revisions were in the domestic department store business, where the company lowered its forecast for operating revenue by JPY8.5bn and operating profit by JPY3.0bn. The company factored in declining sales, primarily to the inbound tourist market, and the downtrend in product margin, which is showing no signs of abating. In addition to short-term steps such as capping SG&A expenses more than initial forecasts, Takashimaya is closing unprofitable stores and optimizing department store floor space. On October 11, 2019 it announced the planned closure of its Konandai Store and Takashimaya Style Maison and the sale of its entire stake in Yonago Takashimaya.
- Long-term plan: Takashimaya aims to increase its margins to meet the operating profit target of JPY43bn in FY02/24, the final year of its long-term plan. Plans to boost profits in its domestic department store business include: 1) a review of its store strategy (closure of unprofitable stores and optimization of department store floor space); 2) scaling down its investment plans (reviewing marketing, facilities, and systems investments from a zero-base perspective); and 3) streamlining personnel in the organization (making store management and backend processes more efficient). The company aims to strengthen its Finance

and Overseas businesses, which it sees as growth areas. In addition to growing membership, running promotions, and developing lending products in its existing Finance operations such as payments and loans, the company plans to develop new businesses in areas such as trusts. In the Overseas business, it plans to transplant its Singapore success story to Vietnam and Thailand to grow earnings.

- Shareholder returns: Although the company revised down its earnings forecasts, it maintained its annual dividend forecast at JPY24 per share. Takashimaya is taking steps to boost corporate value over the longer term through shareholder returns. On June 25, 2019 it announced a share buyback of up to JPY10bn or 8mn shares (4.6% of total issued shares) with the buyback period to run from July 1, 2019 until February 29, 2020.

Department stores

In 1H, Department Stores operating revenue was JPY388.5bn (+1.2% YoY) and operating profit was JPY4.3bn (-3.5% YoY).

Operating revenue for domestic department stores was JPY382.1bn (+1.1% YoY) and operating profit came in at just JPY2.8bn (-35.9% YoY). Initial forecasts were operating revenue of JPY387.6bn and operating profit of JPY4.4bn, but duty-free sales to inbound tourists came in under forecast, apparel sales lagged on inclement weather during the summer, last-minute demand ahead of the consumption tax increase was limited, and product margin fell more than expected, despite better than expected constraint of SG&A expenses

Sales to inbound tourists were about JPY28.0bn (-0.8% YoY) as growth in the inbound customer count slowed and competition with peers and retailers with other business formats heated up. The company initially projected 1H sales of JPY30.0bn to inbound customers, and the shortfall meant it was unable to achieve its initial target for domestic department stores.

In the domestic department store business, the gross margin on product sales was 23.75%, down 0.41pp from 24.16% in 1H FY02/19. This was also 0.3pp below the initial plan. Apparel sales, a category for which the gross margin is relatively high, were down slightly YoY, causing its ratio to total sales to fall. Further, the gross margin for other various categories also deteriorated. The company is conducting initiatives to increase gross margin, for example by shrinking the amount of sales floor dedicated to womenswear and other apparel, for which sales growth would be difficult to expect, while expanding floor space dedicated to fashion goods and other categories.

SG&A expenses for domestic department stores were JPY93.6bn (+1.6% YoY). Personnel spending was JPY29.7bn (-2.7% YoY, primarily due to a decline in retirement benefits), but increases in depreciation and business expenses (including outsourcing fees) caused general and administrative expenses to rise. Primarily due to the decline in personnel spending, SG&A expenses were about JPY700mn below plan.

For the company's overseas department stores, despite wider losses YoY in Thailand, operating profit was largely as expected, with profit growth in Singapore and other regions making up for the loss in Thailand. Takashimaya Singapore's operating revenue was JPY8.2bn (-4.8% YoY) and operating profit was JPY2.2bn (+55.9% YoY). The adoption of IFRS 16 "Leases" lowered operating revenue by about JPY500mn, but boosted operating profit by about JPY860mn. Excluding this impact, Takashimaya Singapore's operating revenue rose slightly and operating profit fell slightly. In FY02/19, a 25th anniversary event boosted sales, so the company was concerned about a reactionary falloff in FY02/20, but performance has remained firm. Versus initial forecasts, operating revenue was JPY300mn below plan, but operating profit was JPY50mn above plan.

Shanghai Takashimaya's operating revenue was JPY1.6bn (-0.4% YoY) and operating profit was JPY56mn (operating loss of JPY426mn in 1H FY02/19). The adoption of IFRS 16 "Leases" had a minor impact on operating revenue, but boosted operating profit by about JPY360mn. Even excluding this impact, Shanghai Takashimaya secured higher profit. On June 25, 2019 the company announced that it would liquidate consolidated subsidiary Shanghai Takashimaya, but on August 23, 2019, it said that the business would continue largely due to support from its store landlord. Nevertheless, the impact on 1H results was minor.

Takashimaya Vietnam's operating revenue was JPY932mn (+15.1% YoY) and operating profit was JPY42mn (operating loss of JPY68mn in 1H FY02/19). Adoption of IFRS 16 "Leases" had only a marginal impact on operating revenue, but boosted operating profit by JPY60mn. Even without this impact, Takashimaya Vietnam secured a YoY increase in operating profit. The store appears to be steadily capturing local demand.

Siam Takashimaya (opened in November 2018) generated operating revenue of JPY773mn and operating loss of JPY436mn. Due to a delay in the opening of the BTS (high-speed rail system), the store was unable to achieve a rapid expansion in operating revenue. However, it is working to eliminate the disparity between expected demand and actual sales by making improvements to sales floors, product lineup, and services in preparation for the opening of the BTS.

Real Estate

In 1H, Real Estate operating revenue was JPY22.5bn (+7.4% YoY) and operating profit was JPY5.0bn (+6.1% YoY). 1H segment results were largely in line with forecasts. Profit fell at mainstay domestic subsidiary Toshin Development due to a decline in condominium sales and increased shopping center renovation expenses. Adoption of IFRS 16 "Leases" at Toshin Development Singapore boosted accounting profit by JPY450mn.

Toshin Development generated operating revenue of JPY22.1bn (+5.3% YoY) and operating profit of JPY3.3bn (-8.5% YoY). Despite the impact of the dropout of condominium sales, higher rents and management fees from Nihombashi Takashimaya Shopping Center and other properties helped to push operating revenue higher. At the same time, operating profit was down YoY on higher facility management expenses related to Nihombashi Takashimaya Shopping Center. Even so, operating profit was about JPY100mn above the initial plan, indicating steady progress.

Toshin Development Singapore (TDS) generated operating revenue of JPY4.4bn (-0.8% YoY) and operating profit of JPY1.6bn (+33.6% YoY). The adoption of IFRS 16 "Leases" boosted operating profit by about JPY450mn, but excluding this impact, profit was down about JPY50mn YoY. Results were essentially in line with the initial plan.

Finance

In 1H, Finance operating revenue was JPY8.6bn (+15.0% YoY) and operating profit was JPY2.6bn (+8.5% YoY). At Takashimaya Credit, operating profit was steady YoY as the transfer of Takashimaya Insurance from the Other segment boosted segment profit. Excluding the impact of the transfer, operating profit fell 4.1% YoY.

The Takashimaya card member count increased with the opening of the Nihombashi Takashimaya Shopping Center as new members signed up, and growth in the external transaction volume at specialty shops also helped to push operating revenue higher. Many new Takashimaya cardholders are in their 30s and 40s, indicating that the opening of the Nihombashi Takashimaya Shopping Center is helping the company to win customers in age groups it previously had trouble reaching.

The company considers the Finance business a growth driver in the long term. It aims to expand earnings in the Finance business by increasing membership, promoting card use, developing loan products, handling fund management products, and creating synergies with the Department Stores business.

Contract and Design

In 1H, Contract and Design operating revenue was JPY16.4bn (+34.2% YoY), and operating profit was JPY758mn (+71.9% YoY). There has been a large increase in orders for commercial facilities including luxury brand boutiques and hotels and other lodging facilities in anticipation of significant demand from inbound tourists in conjunction with the 2020 Tokyo Olympics and Paralympics. 1H operating profit was about JPY400mn above forecasts.

Q1 FY02/20 results (out June 25, 2019)

- Q1 FY02/20 results: Operating revenue was JPY223.7bn (+1.8% YoY), operating profit was JPY7.7bn (-9.4% YoY), recurring profit was JPY7.1bn (-28.6% YoY) and net income attributable to owners of the parent was JPY10.6bn (+81.3%). The company's initial forecasts for FY02/20 results were unchanged.
  - Adoption of IFRS 16 "Leases": IFRS 16 for leases is applied for overseas subsidiaries from FY02/20 onwards. This had the effect of increasing Q1 operating profit by JPY712mn, and reducing recurring profit by JPY523mn. Excluding this impact, Q1 operating profit was down 17.8% YoY, and recurring profit was down 23.3% YoY. In addition, a JPY9.7bn gain on the sale of fixed assets was recorded as an extraordinary gain in Q1, leading to a significant increase in net income.
  - Department Stores: Department store operating revenue was JPY193.3bn (+0.6% YoY), operating profit was JPY2.8bn (-28.1% YoY). The adoption of IFRS 16 increased operating profit by JPY644mn; excluding IFRS effects, operating profit declined 44.4% YoY. Parent company operating revenue increased by 0.5% YoY and operating profit decreased by 46.7% YoY. The gross profit margin deteriorated by 0.3%pp to 23.8% compared to the previous year, reflecting the impact of higher SG&A expenses such as depreciation. The overseas subsidiaries were affected by the adoption of IFRS 16, and the major subsidiaries contributed to the increase in profits: Singapore operating profit was JPY1.1bn (vs. JPY802mn in Q1 FY02/19); Shanghai was JPY28mn (vs. a loss of JPY185mn); Vietnam was JPY35mn (vs. a loss of JPY16mn)
  - Real Estate: Real Estate operating revenue was JPY11.4bn (+8.2%YoY), operating profit was JPY2.9bn (+10.5% YoY). Adoption of IFRS16 added JPY233mn to operating profit; excluding IFRS effects, operating profit increased 1.6% YoY. At Toshin Development, the major domestic subsidiary, operating revenue increased to JPY11.0bn (+5.8% YoY) reflecting contributions from Nihombashi, Tachikawa, and Nagareyama. Operating profit fell slightly to JPY2.0bn (-2.2% YoY). Toshin Development Singapore achieved revenue of JPY2.3bn (-0.2% YoY) and operating profit of JPY851mn (+33.4% YoY).
  - Finance: Finance operating profit was JPY1.4bn (+20.1% YoY). At Takashimaya Credit, the company has worked hard on the issue of its new "Takashimaya Card Premium" exclusively for gaisho customers, along with measures to bring in new cardholders for Takashimaya stores and promotions including affiliate stores. The transfer of Takashimaya Insurance from the Other segment also boosted segment profit.
  - Contract and Design: Contract and Design operating revenue was JPY6.6bn (+23.8% YoY). Operating profit was JPY175mn (vs. a loss of JPY39mn in the previous year). Ahead of the Tokyo Olympics and Paralympics, the business environment remained favorable with growth in overseas visitors to Japan contributing to sales and profits.
- Withdrawal from China: The company announced that it would liquidate its consolidated subsidiary, Shanghai Takashimaya Co., Ltd. on June 25. The store opened in 2012. Although the company have tried a variety of measures to improve sales, sales have remained sluggish as competitive pressure has intensified. Delays and changes to commercial developments in neighboring areas have also had an impact. The company has been unsuccessful in its attempt to negotiate a rent reduction and has therefore decided to close the business. The store is scheduled to close on August 25, 2019. It is possible that a JPY2-3bn loss will be incurred as a result. The impact on the company's consolidated results is still under review.
- Share buyback: The company has announced a share repurchase program to improve shareholder returns as part of a flexible and adaptable capital policy. The upper limit for the buyback is JPY10bn / 8mn shares (4.6% of the total number of shares issued). It will run from July 1 to February 29, 2020. This share buyback will be the first after FY02/16.

Department store operating revenue was JPY193.3bn (+0.6% YoY), operating profit was JPY2.8bn (-28.1% YoY). The adoption of IFRS 16 "Leases" for overseas subsidiaries increased operating profit by JPY644mn. Excluding this change in accounting policy, operating profit fell by 44.4%.

While parent company operating revenue increased by 0.5% YoY, operating profit decreased by 46.7% YoY. The gross profit margin deteriorated by 0.3%pp to 23.8% compared to Q1 FY02/19. This decline was caused by continuously falling sales in apparel, which has a high gross profit margin, and rising sales shares in products with relatively low margins, including foods and personal effects. Also impacting the drop were gradual recessions in profitability for all product categories.

The company's intake of inbound demand also appears to have been somewhat weak. Although the company recorded about JPY15.8bn in duty-free sales, a 3.5% increase YoY, this figure does not compare favorably to the 10.3% YoY increase at JAPAN DEPARTMENT STORES ASSOCIATION or the 21.2% YoY rise at J.FRONT RETAILING Co., Ltd. The company's share of inbound demand intake appears to have fallen and its future response to rectify this issue will be worthy of attention moving forward.

For FY02/20, the company projects parent-company gross profit margin to be mostly unchanged at 24.0%. However, Q1 saw a decline of 0.3pp YoY, giving the impression of a somewhat rough start.

Parent SG&A expenses were JPY42.9bn (up 3.9% YoY). General costs went up 7.7% due to rises in shipping costs and depreciation, and advertising costs increased by 4.9%. The company projects a climb of 1.3% YoY for FY02/20, so the actual pace of increase in SG&A expenses in Q1 appears to be somewhat fast. However, the company maintains that, in terms of monetary value, this increase is mostly in line with its forecasts and is due to differences in the timing at which advertising and other costs are recorded.

Department stores overseas were affected by the adoption of IFRS 16, and the major subsidiaries contributed to increases in profit: Singapore operating profit was JPY1.2bn (vs. JPY802mn in Q1 FY02/19); Shanghai was JPY28mn (vs. a loss of JPY185mn); Vietnam was JPY35mn (vs. a loss of JPY16mn).

Retail sales in Singapore were down 1.2% YoY. The slight decrease was in reaction to the 25th anniversary event held in Q1 FY02/19. In Vietnam, retail sales were strong, rising 13% YoY, based on local currency. Q1 sales in Thailand rose on a net basis, finishing at approximately JPY370mn (versus full-year forecast of JPY3.0bn).

Real Estate

Real Estate: Real Estate operating revenue was JPY11.4bn (+8.2%YoY), operating profit was JPY2.9bn (+10.5% YoY). Adoption of IFRS16 "Leases" added JPY233mn to operating profit; excluding IFRS effects, operating profit increased 1.6% YoY. At Toshin Development, the major domestic subsidiary, operating revenue increased to JPY11.0bn (+5.8% YoY) reflecting contributions from Nihombashi, Tachikawa, and Nagareyama. Operating profit fell slightly to JPY2.0bn (-2.2% YoY). Toshin Development Singapore achieved revenue of JPY2.3bn (-0.2% YoY) and operating profit of JPY851mn (+33.4% YoY), thanks to a boost from the application of IFRS 16.

Finance

Finance: Finance operating profit was JPY1.4bn (+20.1% YoY). At Takashimaya Credit, the company has worked hard on the issue of its new "Takashimaya Card Premium" exclusively for gaisho customers, along with measures to bring in new cardholders for Takashimaya stores and promotions including affiliate stores. The transfer of Takashimaya Insurance from the Other segment also boosted segment profit. Calculated while assuming that Takashimaya Hoken Co., Ltd. (insurance agent) had also been in the Finance segment during Q1 FY02/19, segment operating profit increased 3.1% YoY in Q1 FY02/20.

Contract and Design

Contract and Design operating revenue was JPY6.6bn (+23.8% YoY). Operating profit was JPY175mn (vs. a loss of JPY39mn in the previous year). Ahead of the Tokyo Olympics and Paralympics, the business environment remained favorable with growth in overseas visitors to Japan contributing to sales and profits. The company has been gradually securing projects for after the end of the Tokyo Olympics and Paralympics and has already secured projects through the end of 2020.

Full-year FY02/19 results (out April 8, 2019)

- FY02/19 results: For the full year, Takashimaya reported consolidated operating revenue of JPY912.8bn (+0.6% YoY), operating profit of JPY26.7bn (-24.5% YoY), and net income attributable to owners of the parent of JPY16.4bn (-30.5% YoY). The results were short of its October 2018 forecasts (operating revenue JPY927.0bn, operating profit JPY31.0bn, and net income JPY20.5bn).
  - Versus FY02/18: 1) The company saw higher sales at domestic department stores but, with its gross profit margin down, failed to generate enough gross profit to cover rising spending on shipping, depreciation, and assorted variable costs, 2) store openings costs were up on the opening of the Nihombashi Takashimaya Shopping Center and Siam Takashimaya, 3) gains from the sale of condominiums (booked in FY02/18) dropped out, and 4) earnings were down at major subsidiaries other than those in the finance business.
  - The shortfall versus plan was due largely to 1) weak sales at domestic department stores, 2) larger-than-expected increases in shipping and other variable costs, and 3) below-plan results at domestic subsidiaries, including Toshin Development and Takashimaya Space Create.
  - As a result of heavy investing spending in support of future growth initiatives, free cash flow was negative again in FY02/19, coming in a negative JPY17.9bn versus negative JPY25.4bn in FY02/18.
- FY02/20 forecast: For FY02/20, the company is forecasting full-year operating revenue of JPY942.0bn (+3.2% YoY), operating profit of JPY31.0bn (+16.3% YoY), net income attributable to owners of the parent of JPY20.0bn (+21.6% YoY), and EPS of JPY114.5. The company expects to pay an annual dividend of JPY24.0 per share.
  - Earnings drivers: Of the JPY4.3bn increase in operating profit projected for FY02/20, the company expects positive contributions of JPY2.8bn coming from changes in lease accounting (IFRS 16), JPY3.1bn from higher sales at domestic department stores, JPY900mn from a full-year contribution from the Nihombashi Shopping Center, and JPY300mn from airport-style duty-free shops, and sees this offsetting JPY2.0bn in cost increases at domestic department stores (for depreciation, maintenance/repair, etc.) a JPY500mn hit from the increase in the consumption tax rate, and a JPY300mn decline in earnings contributions from other subsidiaries. Under this budget, free cash flow is expected to be a positive JPY17.3bn, with positive cash flow of JPY42.5bn from operating activities easily offsetting negative cash flow of JPY25.2bn from investing activities.
- Medium-term plan: After Yoshio Murata assumed the post of president in March 2019, the Takashimaya group announced a new long-term plan, as outlined below.
  - Quantitative targets: In FY02/24, the company is targeting consolidated operating revenue of JPY990.0bn (representing a CAGR of +1.6%), operating profit of JPY43.0bn (CAGR +10.0%), ROE of 5.0%, ROA of 3.7%, and shareholders' equity ratio of 42.9%. During the period covered by the new long-term plan, the company is looking to generate a combined total of JPY210bn in cash flow from operating activities and JPY210bn in cash flow from investing activities.
  - Machi-Zukuri (urban development) strategy: As before, the heart of new long-term plan is the group's comprehensive urban development strategy. In addition to further integrating itself into local economies, the urban development strategy is expected to boost the competitiveness of the group's various businesses by generating synergies with its department store business.

- Domestic department stores: The company sees overall sales at domestic department stores declining even though it expects to increase sales to inbound tourists from JPY54.7bn in FY02/19 to JPY80.0bn by FY02/24. With the help of restructuring, the company is looking to hold down SG&A expenses and generate an operating profit of JPY10.0 at its domestic department store business in FY02/24 (up JPY1.5bn versus FY02/19).
- Domestic group companies: The company is looking to boost operating profit from domestic group companies to JPY22.5bn in FY02/24 (up JPY8.0bn versus FY02/19). Plans call for generating more synergies with its department store business, with its finance businesses (headed by Takashimaya Credit) and real estate businesses (headed by Toshin Development) serving as the main growth drivers.
- Overseas businesses: The company is looking for overseas subsidiaries to generate JPY11.0bn in operating profit in FY02/24 (up JPY4.0bn in FY02/19). Takashimaya's subsidiary in Singapore is already operating in the black and, with the help of store remodeling and other measures, the company is looking to further increase the profitability of its operations in Singapore while at the same time bringing newer operations in Shanghai, Vietnam, and Thailand (which all ran losses in FY02/19) into the black. Particularly in Vietnam, the company is looking to develop the real estate around its department stores and create new sources of earnings in this manner as well.
- ESG: The company's medium-term plan was especially notable for its comprehensive list is ESG goal and initiatives.

FY02/19 results

For the full year, Takashimaya reported consolidated operating revenue of JPY912.8bn (+0.6% YoY), operating profit of JPY26.7bn (-24.5% YoY), and net income attributable to owners of the parent of JPY16.4bn (-30.5% YoY). Operating profit finished the year down JPY8.7bn as the JPY800mn boost from higher sales at domestic department stores and the JPY700mn boost from smaller losses at its airport duty-free shops were well short of factors that weighed on profit. These factors are 1) the JPY4.3bn increase in costs at its domestic department store business (including a JPY1.2bn increase in shipping costs, a JPY700mn increase depreciation, and a JPY900mn increase in variable costs stemming from rate increases by outside contractors); 2) the dropout of the JPY2.0bn gain on the condominium sales booked in FY02/18; 3) the JPY1.7bn increase in costs related to the opening of the Nihombashi Takashimaya Shopping Center (JPY1.2bn) and the Siam Takashimaya (JPY500mn); 4) the JPY900mn decline in earnings resulting from the decline in the gross margin on merchandise sales at domestic department stores; and 5) the JPY1.3bn decline in earnings at subsidiaries. The dropout of the gains on condominium sales, store opening expenses, and drop in earnings at its Singapore subsidiary (due largely to a one-off drop in rent income) were all likely one-time events; if these are excluded, the decline in operating profit would have been only about JPY4.5bn—still down, but more reflective of the company's underlying performance during the period.

Starting in FY02/19, the company's overseas department stores began accounting for sales using the standards set out by IFRS 15. This meant a change in the accounting treatment of consignment sales (wherein the goods on store shelves or in the warehouse remain the property of the vendor, and are only considered to have been purchased by the retailer the moment the item in question is sold to the consumer). With the adoption of IFRS 15, when booking consignment sales, the amount booked to sales by Takashimaya is only the amount equal to what had previously been recognized as gross profit on those sales; the figures for FY02/18 were retroactively adjusted for the change.

In Q4 (Dec–Feb) FY02/19, the company reported operating revenue of JPY912.8bn (+0.6% YoY) and operating profit of JPY26.7bn (-24.5% YoY). The sharp drop in operating profit reflected a number of factors, including a decline in the gross profit margin and gross profit at domestic department stores (mainly at the parent company), rising SG&A expenses, the dropout of last year's gains on condominium sales at its real estate business, and lower earnings at its contract and design business, which was hit by rising costs for outside contracts and rising competition for orders, which pushed down prices and squeezed margins.

Department stores

Domestic department stores

For its domestic department store business, the company reported full-year operating revenue of JPY782.6bn (+0.5% YoY), with sales of JPY768.4bn up 0.4% (or JPY3.4bn). The top-line gains notwithstanding, the gross profit margin on merchandise sales slipped 0.12pp to 23.94% and this combined with a 3.0% increase in SG&A expenses (to JPY189.6bn) pushed operating profit down 36.7% YoY to JPY8.6bn.

Sales to foreign tourists of JPY54.7bn were up 12% (or JPY6.0bn). The gains were underpinned by the ongoing growth in the number of foreign travelers visiting Japan, which was enough to offset the impact on sales of a large typhoon (which led to the temporary closure of Kansai International Airport) and a decline in purchases by tourists intending to resell the items once they returned to China. Excluding sales to foreign tourists, sales at domestic department stores were down slightly from FY02/18. The decline in the gross profit margin was attributed to weak apparel sales during the warmer-than-usual winter.

At the individual store level, sales at the Osaka store, which benefits the most from foreign tourist traffic, were up 4.1% YoY while sales at the Shinjuku store were up 2.0% and at the Yokohama store were up 0.7%. The Nihombashi store saw a sharp jump in store visitors following the opening of the Nihombashi Takashimaya Shopping Center but this was not enough to offset the closure of its store featuring high-end brands, leaving sales at its Nihombashi store down 3.7%. Sales were weak at regional stores, especially Okayama, Gifu, and Yonago,

On the cost front, SG&A expenses at the domestic department store business rose 3.0% (JPY5.5bn) YoY to JPY189.6bn, driven by a 6.8% increase in general and administrative expenses and a 3.1% increase in promotional spending. The increase in general and administrative spending was attributable in large part to a rise in shipping rates and payments to outside contractors. Most of the increase in promotional spending was connected to the opening of the Nihombashi Takashimaya Shopping Center.

Overseas department stores

Having adopted IFRS 15, the company's four-store overseas department store business reported combined operating revenue of JPY23.4bn (+6.0% YoY) and an operating profit of JPY1.8bn (-19.4% YoY). The drop in operating profit reflected 1) the dropout of some JPY500mn in past-year rent income booked in FY02/18, 2) an operating loss of roughly JPY500mn at the newly opened Siam Takashimaya (Thailand), which was added to consolidated accounts in FY02/19.

At Takashimaya Singapore, which is the mainstay of Takashimaya's overseas department store business, operating revenue rose 4.0% YoY to JPY18.1bn while operating profit declined 11.5% YoY to JPY3.2bn. Excluding the impact of the dropout of past-year rent booked in FY02/18, both underlying revenue and profit increased on favorable contributions from a commemorative sales event related to the 25th-year anniversary of the opening of the Singapore Takashimaya Shopping Center.

At Shanghai Takashimaya, operating revenue rose a weak 0.7% YoY to JPY3.2bn as the local economy slowed, but the operating loss of JPY900mn reported for FY02/19 was still an improvement over the year-earlier loss of JPY1.1bn.

In Vietnam, a strong tailwind from the rapidly growing Vietnamese economy together with the remodeling of its food sales floor led to double-digit gains in operating revenue, which rose 19% YoY to JPY1.8bn, and shrank operating losses down to JPY100mn versus JPY300mn in FY02/18, leaving department store operations in Vietnam a step closer to turning a profit.

Siam Takashimaya was included in consolidated accounts for the first time in FY02/19, having just opened for business in Bangkok, Thailand, in November 2018. During its first fiscal year in operation, Siam Takashimaya reported roughly JPY300mn in operating revenue and an operating loss of JPY500mn.

On a gross revenue basis (i.e., not using IFRS 15), the company's department store operations in Singapore reported operating revenue of JPY54.3bn (+3.4% YoY), Shanghai JPY7.1bn (+1.7%), Vietnam JPY4.9bn (+12.9%) and Thailand JPY1.0bn.

Real Estate

For FY02/19, the real estate business reported operating revenue of JPY43.7bn (-8.0% YoY) and operating profit of JPY9.4bn (-17.4% YoY). Toshin Development reported operating revenue of JPY43.8bn (-16.2%) and operating profit of JPY7.3bn (-19.1%). The drop in operating revenue and profit reflects the winding down of condominium sales that played a major part in boosting results at Toshin Development in FY02/17 and FY02/18. Outside of condominium sales, results were otherwise solid thanks in part to the opening of the Nihombashi Takashimaya Shopping Center.

Toshin Development Singapore (TDS) reported operating revenue of JPY8.9bn (-0.7% YoY) and operating profit of JPY2.2bn (-11.7% YoY). The decline in revenue and profit was attributed to rent adjustments granted to certain tenants.

Finance

For FY02/19 the finance business reported operating revenue of JPY14.9bn (+5.3% YoY) and operating profit of JPY4.9bn (+6.9% YoY). Takashimaya Credit, which accounts for the bulk of revenue and profit at the finance business, used the opening of the Nihombashi Takashimaya Shopping Center as a platform to sign up new cardholders and promote greater use of Takashimaya credit cards, and succeeded in both increasing the number of cardholders and transaction volume.

Contract and Design

For FY02/19, the contract and design business reported operating revenue of JPY24.8bn (-4.3% YoY) and operating profit of JPY700mn (-39.8% YoY). While the business had plenty of orders related to the Olympic and Paralympic Games in Tokyo and various tourism-related projects, operating profit finished down as margins on orders were squeezed by stiff price competition and rising costs (including rising procurement costs and rate increases by outside contractors).

Q3 FY02/19 results (out December 28, 2018)

- Cumulative Q3 results: Takashimaya reported consolidated operating revenue of JPY659.6bn (+1.6% YoY); operating profit of JPY19.4bn (-10.7% YoY), and net income attributable to owners of the parent of JPY11.4bn (-21.0% YoY).
  - Full-year guidance: The company made no changes to guidance for FY02/19, which calls for operating revenue of JPY927.0bn, operating profit of JPY31.0bn, and net income attributable to owners of the parent of JPY20.5bn. Cumulative Q3 progress toward full-year guidance amounted to 71.2% for operating revenue, 62.5% for operating profit, and 55.8% for net income attributable to owners of the parent.
  - In Q3 (September to November), operating revenue remained above the prior-year level (+0.9% YoY), but operating profit fell 23.7%.
- Department store business: In cumulative Q3 FY02/19, the department store business saw operating revenue growth of 1.1% YoY, but an operating profit decline of 23.1%. In Q3 alone, operating revenue swung downward YoY, by 0.3%, and operating profit fell also, by 54.9%.
  - Domestic department store sales fell 0.8% YoY in Q3, weighed down by declines at the Nihombashi, Tachikawa, and Sakai stores. The parent gross profit margin slid 0.2pp, and as SG&A expenses increased also, operating profits fell. Earnings were solid at the department store business overseas, especially in Singapore.
  - Inbound; Duty-free sales to tourists visiting Japan fell 2.7% YoY in September, but recovered to post increases of 3.0% YoY in October and 8.5% YoY in November.
- Monthly sales: In January, department store sales were down 2.6% YoY and duty-free sales fell 15.1% YoY, creating a risk of operating revenue falling short of guidance for FY02/19.

Overview

For cumulative Q3 FY02/19, Takashimaya reported consolidated operating revenue of JPY659.6bn (+1.6% YoY); operating profit of JPY19.4bn (-10.7% YoY), and net income attributable to owners of the parent of JPY11.4bn (-21.0% YoY). The company made no changes to guidance for FY02/19, which calls for operating revenue of JPY927.0bn, operating profit of JPY31.0bn, and net income attributable to owners of the parent of JPY20.5bn. Cumulative Q3 progress toward full-year guidance amounted to only 71.2% for operating revenue, 62.5% for operating profit, and 55.8% for net income attributable to owners of the parent. To meet its full-year target, Takashimaya therefore must achieve operating revenue growth of 3.4% YoY in Q4. According to monthly sales reports, sales (parent + domestic department store subsidiaries) edged up 0.5% YoY in December but fell 2.6% in January. The risk remains, therefore, of operating revenue falling short of guidance in FY02/19.

Department stores

For Q3 FY02/19 (September to November), the department store business (86.5% of operating revenue and 38.2% of operating profit in FY02/18) posted operating revenue of JPY189.8bn (-0.3% YoY) and operating profit of JPY1.8bn (-54.9% YoY). These declines were attributable in part to YoY declines of 0.6% for parent operating revenue, and 51.3% for parent operating profit. At the parent, the gross profit margin narrowed by 0.2pp YoY, from 24.4% in Q3 FY02/18 to 24.2%. In addition, the SG&A expenses ratio worsened by 1.0pp, from 23.8% in Q3 FY02/18 to 24.8%. With the opening of the Nihombashi Takashimaya Shopping Center's east wing and new wing, the number of shoppers visiting the store rose sharply YoY, by 40.1% in September, 84.4% in October, and 58.0% in November. However, the departure of a core tenant meant that higher store numbers did not necessarily translate to increased sales, as Nihombashi Shopping Center sales fell 7.5% YoY in September, rising 1.7% in October, but again falling by 3.8% in November.

After falling 2.7% YoY in September due to effects from natural disasters, duty-free sales rose by just 3.0% in October and 8.5% in November, yet failing to regain the strength evident in 1H FY02/19.

Recently, department store (parent + domestic department store subsidiary) sales edged up 0.5% YoY in December before falling 2.6% YoY in January, creating a risk of operating revenue falling short of guidance in FY02/19. Also, duty-free sales swung downward YoY in January, by 15.1%. Changes to China's cross-border e-commerce rules apparently have depressed activity by individual resellers who engage in substitute purchase in Japan.

At the department store business overseas, the core Takashimaya Singapore store posted an operating revenue increase, reflecting the success of its 25th anniversary sales campaign and other factors. Shanghai Takashimaya posted a 7.2% YoY fall in operating revenue in Q3, likely in reflection of cooling consumer sentiment in China. In Vietnam, Takashimaya Ho Chi Minh City (opened July 30, 2016) achieved steady growth in sales. As for Siam Takashimaya, which opened in Thailand in November, due to a difference in accounting period the store's post-opening results are not included in Q3 FY02/19. All in all, while the outlook for China is slightly murky, earnings at the department store business overseas appear to be tracking roughly in line with plan.

Real Estate

The real estate business (5.2% of total operating revenue and 32.3% of total operating profit in FY02/18) continues to grow operating revenue, driven mostly by core subsidiary Toshin Development. Toshin Development continues to advance a Machi-Zukuri strategy reflecting the attributes of each neighborhood. The new wing of the Nihombashi Takashimaya Shopping Center, which opened in September 2018, is a dedicated space for 115 specialty stores, with plans to cater to the needs of visitors to Nihombashi with early openings and experiential offerings. In November, Toshin Development opened a commercial facility, Kokage Terrace, in Nagareyama Otakanomori Station. The developer also opened a food court, Food Street, in Kashiwa Takashimaya Station Mall, as well as opening Minamikado in Yanagi Koji, a backstreet area west of Tamagawa Takashimaya Shopping Center that is designated for renewal. Thanks in part to the March 2018 opening of the Nihombashi Takashimaya Shopping Center's east wing, Toshin Development reported increases in rental and management revenue, such that Real Estate business operating revenue rose 7.0% YoY to JPY10.6bn in Q3. Operating profit, however, fell 7.7% YoY to JPY2.3bn, on account of higher costs stemming from expansion. While Real Estate business profits see some impact from sales fluctuations at tenants, much of the business' profits come from fixed rent contracts, so it can be regarded as a stable source of income. Performance looks to be tracking largely in line with plan in FY02/19.

Finance

For Q3 FY02/19, the Finance business (1.6% of total operating revenue and 12.9% of total operating profit in FY02/18) posted operating revenue of JPY3.7bn (+8.1% YoY) and operating profit of JPY1.3bn (+23.7% YoY). At Takashimaya Credit in particular, there was a rise in commission revenue reflecting higher transaction volume at affiliated stores as well as efforts to encourage the use of revolving payments.

Contract and Design

For Q3 FY02/19, the Contract and Design business (2.9% of total operating revenue and 3.4% of total operating profit in FY02/18) posted operating revenue of JPY5.4bn (+10.9% YoY) and operating profit of JPY0.1bn (versus a JPY0.2bn operating loss the previous year). In this business, the company experienced a squeeze on profit margins due to a reactionary downturn from large hotel orders booked through Mar–May, coupled with higher procurement costs. Earnings appear to be stabilizing, though.

Others

For Q3 FY02/19, the Others business (which includes the Cross Media Division) posted operating revenue of JPY8.7bn (+12.3% YoY) and operating profit of JPY0.7bn (+6.8% YoY). Earnings improvement in the Cross Media Division appears to have been the main source of growth.

News and topics

August 2019

On **August 23, 2019,** the company announced that it had cancelled liquidation of overseas consolidated subsidiary.

On June 25, 2019, the company announced its decision to liquidate its China-based consolidated subsidiary Shanghai Takashimaya Co., Ltd. on projections of worsening profitability due to intensifying competition and delays and changes in the development of neighboring areas. However, since the announcement was made, there had been support from the landlord and cooperation of Changning District, Shanghai, which had increased the subsidiary's prospects for substantial profitability growth, and hence, the company resolved to cancel its plan to liquidate the business. Accordingly, Shanghai Takashimaya will continue to operate even after the initially planned closing date of August 25. The company had expected to incur losses of JPY2.0–3.0bn, but due to cancelling the closure and liquidation of the Shanghai operations, it forecasts the loss will have only a marginal impact on the FY02/20 full-year consolidated earnings.

Company profile

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IR phone	**IR Web**
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CERES INC.
Chiyoda Co., Ltd.
Chugoku Marine Paints, Ltd.
cocokara fine Inc.
COMSYS Holdings Corporation
COTA CO.,LTD.
CRE, Inc.
CREEK & RIVER Co., Ltd.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.
Daiseki Co., Ltd.
Demae-Can CO., LTD
DIC Corporation
Digital Arts Inc.
Digital Garage Inc.
Dream Incubator Inc.
Earth Corporation
Elecom Co., Ltd.
en-Japan Inc.
euglena Co., Ltd.
FaithNetwork Co., Ltd.
Ferrotec Holdings Corporation
FIELDS CORPORATION
Financial Products Group Co., Ltd.
FreeBit Co., Ltd.
FRONTEO, Inc.
Fujita Kanko Inc.
Gamecard-Joyco Holdings, Inc.
GameWith, Inc.
GCA Corporation
Good Com Asset Co., Ltd.
Grandy House Corporation
Hakuto Co., Ltd.
Hamee Corp.
Happinet Corporation
Harmonic Drive Systems Inc.
HOUSEDO Co., Ltd.
IDOM Inc.
IGNIS LTD.
i-mobile Co.,Ltd.
Inabata & Co., Ltd.
Infocom Corporation
Infomart Corporation
Intelligent Wave, Inc.
ipet Insurance CO., Ltd.
istyle Inc.
Itochu Enex Co., Ltd.
JSB Co., Ltd.
JTEC Corporation
J Trust Co., Ltd
Japan Best Rescue System Co., Ltd.
JINS HOLDINGS Inc.
JP-HOLDINGS, INC.
KAMEDA SEIKA CO., LTD.
Kanamic Network Co.,LTD
Kawanishi Holdings, Inc.
KFC Holdings Japan, Ltd.
KI-Star Real Estate Co., Ltd.
Kondotec Inc.
Kumiai Chemical Industry Co., Ltd.
Lasertec Corporation
LUCKLAND CO., LTD.
MATSUI SECURITIES CO., LTD.
Medical System Network Co., Ltd.
MEDINET Co., Ltd.
MedPeer,Inc.
Mercuria Investment Co., Ltd.
Micronics Japan Co., Ltd.
MIRAIT Holdings Corporation
Monex Goup Inc.
MORINAGA MILK INDUSTRY CO., LTD.
NAGASE & CO., LTD
NAIGAI TRANS LINE LTD.
NanoCarrier Co., Ltd.
Net Marketing Co., Ltd.
Net One Systems Co.,Ltd.
Nichi-Iko Pharmaceutical Co., Ltd.
Nihon Denkei Co., Ltd.
Nippon Koei Co., Ltd.
NIPPON PARKING DEVELOPMENT Co., Ltd.
NIPRO CORPORATION
Nisshinbo Holdings Inc.
NS TOOL CO., LTD.
OHIZUMI MFG. CO., LTD.
Oisix ra daichi Inc.
Oki Electric Industry Co., Ltd
ONO SOKKI Co., Ltd.
ONWARD HOLDINGS CO.,LTD.
Pan Pacific International Holdings Corporation
PARIS MIKI HOLDINGS Inc.
PIGEON CORPORATION
QB Net Holdings Co., Ltd.
RACCOON HOLDINGS, Inc.
Raysum Co., Ltd.
RESORTTRUST, INC.
ROUND ONE Corporation
RVH Inc.
RYOHIN KEIKAKU CO., LTD.
SanBio Company Limited
SANIX INCORPORATED
Sanrio Company, Ltd.
SATO HOLDINGS CORPORATION
SBS Holdings, Inc.
Seikagaku Corporation
Seria Co.,Ltd.
SHIFT Inc.
Shikigaku Co., Ltd
SHIP HEALTHCARE HOLDINGS, INC.
SIGMAXYZ Inc.
SMS Co., Ltd.
Snow Peak, Inc.
Solasia Pharma K.K.
SOURCENEXT Corporation
Star Mica Holdings Co., Ltd.
Strike Co., Ltd.
SymBio Pharmaceuticals Limited
Synchro Food Co., Ltd.
TAIYO HOLDINGS CO., LTD.
Takashimaya Company, Limited
Take and Give Needs Co., Ltd.
Takihyo Co., Ltd.
TEAR Corporation
Tenpo Innovation Inc.
3-D Matrix, Ltd.
TKC Corporation
TKP Corporation
TOCALO Co., Ltd.
TOKAI Holdings Corporation
TOYOBO CO., LTD.
Toyo Ink SC Holdings Co., Ltd
Toyo Tanso Co., Ltd.
Tri-Stage Inc.
VISION INC.
VISIONARY HOLDINGS CO., LTD.
WirelessGate, Inc.
YELLOW HAT LTD.
YOSHINOYA HOLDINGS CO., LTD.
YUMESHIN HOLDINGS CO., LTD.
Yushiro Chemical Industry Co., Ltd.
ZAPPALLAS, INC.

Attention: If you would like to see companies you invest in on this list, ask them to become our client, or sponsor a report yourself.

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