Takashimaya / 8233

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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 ---- **3**
Key financial data ---- **5**
Recent updates ---- **6**
Highlights ---- 6
Trends and outlook ---- **7**
Monthly trends ---- 7
Quarterly trends and results ---- 9
Forecasts for FY02/21 ---- 19
Growth strategy and long-term business plan ---- 29
Business ---- **32**
Business description ---- 32
Strengths and weaknesses ---- 44
Market and value chain ---- 45
Strategy ---- 48
Financial statements ---- **49**
Income statement ---- 49
Balance sheet ---- 51
Statement of cash flows ---- 52
Other information ---- **53**
History ---- 53
Major shareholders ---- 55
Top management ---- 55
Employees ---- 55
Dividends and shareholder returns ---- 55
Investor relations ---- 56
By the way ---- 56
Historical performance and news ---- **58**
Historical performance ---- 58
News and topics ---- 70
Company profile ---- 72

Executive summary

- Takashimaya is the operator of one of the largest department store chains in Japan. It has 15 domestic stores comprising 12 stores run by the parent—including the Osaka, Tokyo (Nihombashi), Yokohama, and Shinjuku stores—and three 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 FY02/20 operating revenue of JPY25.6bn, Department Stores accounted for JPY6.9bn (27.1% of total), Commercial Property Development JPY9.9bn (38.8%), Finance JPY4.9bn (19.1%), and Contract and Design JPY1.8bn (7.0%). 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. Sales to inbound tourists visiting Japan came to account for just less than 20% of sales at its stores in Osaka and Shinjuku, which typically generate large amounts of tax-free sales to foreign tourists. However, the company has lost its growth driver as the COVID-19 pandemic has caused a rapid decline in the number of foreign visitors to Japan. Issues facing the company include declining gross profit margin on product sales and delays to initiatives related to online sales and other new sales methods. 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. Takashimaya plans to work on initiatives aimed at cutting costs while enhancing the appeal of its department stores, merchandises, and services. In terms of online sales, the company will need to implement its own unique form of marketing that takes full advantage of its ability to discover products and the strong power of its brands.
- 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

- For FY02/20, Takashimaya reported full-year consolidated operating revenue of JPY919.1bn (+0.7% YoY), operating profit of JPY25.6bn (-4.0% YoY), and net income of JPY16.0bn (-2.5% YoY). The decline in operating profit reflected weak results at domestic department stores, which were hurt by a combination of a warmer-than-usual winter, the spread of COVID-19, and rising expenses, with this only partially offset by the JPY2.7bn boost stemming from the adoption of IFRS 16 for lease accounting at overseas subsidiaries. As of October 2019, the company was projecting full-year operating profit of JPY28.0bn; the shortfall versus this estimate was attributed mainly to lower sales to inbound tourists (which reduced operating profit by roughly JPY900mn versus plan) and the decline in domestic consumer spending in the wake of the COVID-19 pandemic (which reduced operating profit by about JPY1.8bn versus plan).
- At this time, Takashimaya is not offering any forecast for FY02/21 earnings, saying that it is unable to fully ascertain the impact of the COVID-19 pandemic. The company plans to provide detailed forecast as soon as it becomes possible to do so. It plans to hold its annual dividend steady at JPY24.0 per share.
- Management direction for the medium term: Takashimaya ordinarily formulates long-term plans that cover five years, announced yearly on a rolling basis. However, due to concern about the declining earnings capacity of its domestic department stores, the company is proceeding with cost structure reform based on an emergency business plan covering the

three years starting with FY02/21. It has set a cost reduction target of JPY12.0bn over the three years (reducing personnel expenses by JPY6.0bn, general expenses by JPY2.0bn, and depreciation by JPY4.0bn).

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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY02/21 Est.
Operating revenue	**858,123**	**870,333**	**904,180**	**912,523**	**929,588**	**923,601**	**949,572**	**912,848**	**919,094**	**-**
YoY	-1.3%	1.4%	3.9%	0.9%	1.9%	-0.6%	2.8%	-3.9%	0.7%	-
Sales	**805,757**	**815,387**	**845,785**	**851,374**	**865,889**	**860,761**	**886,700**	**846,894**	**848,494**	**-**
YoY	-1.6%	1.2%	3.7%	0.7%	1.7%	-0.6%	3.0%	-4.5%	0.2%	-
Gross profit	208,245	209,700	214,673	214,492	214,878	211,996	218,405	217,403	215,125	-
YoY	-1.9%	0.7%	2.4%	-0.1%	0.2%	-1.3%	3.0%	-0.5%	-1.0%	-
GPM	25.8%	25.7%	25.4%	25.2%	24.8%	24.6%	24.6%	25.7%	25.4%	-
Operating profit	21,099	25,476	29,099	32,022	32,972	34,000	35,318	26,661	25,582	-
YoY	16.1%	20.7%	14.2%	10.0%	3.0%	3.1%	3.9%	-24.5%	-4.0%	-
OPM	2.6%	3.1%	3.4%	3.8%	3.8%	3.9%	4.0%	3.1%	3.0%	-
Recurring profit	24,355	29,866	33,350	35,904	37,785	37,215	38,606	31,234	23,200	-
YoY	8.3%	22.6%	11.7%	7.7%	5.2%	-1.5%	3.7%	-19.1%	-25.7%	-
RPM	3.0%	3.7%	3.9%	4.2%	4.4%	4.3%	4.4%	3.7%	2.7%	-
Net income	**10,895**	**16,540**	**18,716**	**22,581**	**23,829**	**20,870**	**23,658**	**16,443**	**16,028**	**-**
YoY	-21.3%	51.8%	13.2%	20.7%	5.5%	-12.4%	13.4%	-30.5%	-2.5%	-
Net margin	1.4%	2.0%	2.2%	2.7%	2.8%	2.4%	2.7%	1.9%	1.9%	-
Per share data (JPY)										
Shares issued (year-end; '000)	330,827	330,827	330,827	355,519	355,519	355,519	355,519	177,759	177,759	-
Shares issued (adjusted, year-end; '000)	165,414	165,414	165,414	177,759	177,759	177,759	177,759	177,759	177,759	-
EPS	66.0	100.3	113.5	132.6	135.8	119.4	135.4	94.1	93.3	-
EPS (fully diluted)	61.4	93.3	102.4	112.1	119.6	105.1	119.2	81.4	76.6	-
Dividend per share	20.0	20.0	20.0	20.0	24.0	24.0	24.0	24.0	24.0	24.0
Book value per share	1,832	1,997	2,172	2,263	2,283	2,359	2,359	2,541	2,607	-
Balance sheet (JPYmn)										
Cash and cash equivalents	76,124	69,495	106,451	87,887	75,487	107,159	99,541	97,090	89,820	
Total current assets	**262,394**	**236,263**	**332,121**	**288,147**	**290,625**	**325,500**	**327,501**	**307,568**	**287,764**	
Tangible fixed assets	375,748	378,755	394,436	412,474	417,307	413,703	550,757	621,228	715,804	
Intangible fixed assets	29,799	28,979	28,716	109,505	108,327	107,172	18,035	28,951	37,939	
Investments and other assets	135,975	146,688	146,864	169,483	158,161	140,087	139,511	120,382	126,995	
Total assets	**803,917**	**790,687**	**902,139**	**979,611**	**974,421**	**986,464**	**1,035,807**	**1,078,130**	**1,168,503**	
Accounts payable	87,297	87,883	95,901	101,558	103,363	101,320	102,428	108,560	102,626	
Short-term debt	39,811	19,172	47,301	37,292	17,187	9,007	50,382	13,418	67,303	
Total current liabilities	**322,910**	**294,645**	**335,599**	**336,703**	**325,082**	**319,793**	**370,888**	**349,216**	**397,915**	
Long-term debt	87,667	79,674	120,227	126,225	137,412	146,255	123,878	181,363	125,738	
Total fixed liabilities	**173,525**	**160,597**	**201,627**	**234,430**	**241,951**	**244,780**	**215,392**	**267,328**	**314,717**	
Total liabilities	**496,436**	**455,243**	**537,227**	**571,133**	**567,034**	**564,574**	**586,281**	**616,545**	**712,632**	
Net assets	**307,481**	**335,443**	**364,912**	**408,477**	**407,386**	**421,890**	**449,526**	**461,585**	**455,871**	
Cash flow statement (JPYmn)										
Cash flows from operating activities	31,921	44,141	40,582	41,018	25,638	42,266	36,870	67,913	40,608	
Cash flows from investing activities	-16,356	-28,470	-30,389	-116,049	-16,081	-9,124	-62,286	-85,815	-23,434	
Cash flows from financing activities	-8,210	-32,931	64,391	11,619	-19,239	-4,228	14,185	17,226	-23,483	
Financial ratios										
Total interest-bearing debt	127,478	98,846	167,528	163,517	154,599	155,262	174,262	194,783	193,043	
ROA (RP-based)	3.0%	3.7%	3.9%	3.8%	3.9%	3.8%	3.8%	3.0%	2.1%	
ROE	3.6%	5.2%	5.4%	5.9%	6.0%	5.1%	5.6%	3.7%	3.6%	
Equity ratio	37.6%	41.7%	39.7%	40.9%	40.9%	41.8%	42.2%	41.2%	37.2%	

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, IFRS 16 "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 **September 1, 2020**, Takashimaya Co., Ltd. released monthly store sales data for August 2020; see the monthly trends section for details.

On **August 3, 2020**, the company released monthly store sales data for July 2020.

On **July 17, 2020**, Shared Research updated the report following interviews with the company.

On **July 6, 2020**, the company announced earnings results for Q1 FY02/21; see the results section for details.

On **July 1, 2020**, the company released monthly store sales data for June 2020.

On **June 26, 2020**, the company announced the acquisition of shares in consolidated subsidiary Okayama Takashimaya, making it a wholly owned subsidiary.

The company resolved to acquire the shares in consolidated subsidiary Okayama Takashimaya Co., Ltd. held by Ryobi Holdings Co., Ltd. (33.4% of shares), making it a wholly owned subsidiary. The share transfer date is scheduled for July 1, 2020, and the acquisition price is not disclosed. The impact on consolidated earnings for FY02/21 will be minimal.

In FY02/20, Okayama Takashimaya recorded sales of JPY18.6mn and an operating loss of JPY94mn. In 2010, the company established this joint venture with Ryobi Holdings, which operates bus, logistics, and taxi businesses in Okayama, with the objective of contributing to the development of the regional economy, and Okayama Takashimaya has come to play a role in this regard as a locally-based store. The company decided to acquire all shares held by Ryobi Holdings in order to promote operational and management strategies with a sense of urgency and pursue new levels of group synergy to lead to further growth. The company states that it will continue to cooperate with Ryobi Holdings for in-store facility operations, service businesses, and securing store sales, as well as outsource backend processes such as logistics and cooperate in store management and operational systems. In doing so, the company intends to contribute to the development of the regional economy.

On **the same day**, the company announced the dissolution and liquidation of consolidated subsidiary Tapp Co., Ltd.

The company resolved to dissolve Tapp Co., Ltd., which operates sewing and processing for department stores, and special events businesses. Dissolution is scheduled for November 30, 2020, with liquidation to be completed on February 28, 2021.

Sales have been declining due to changing fashion trends and sluggish performance of clothing goods, and performance remained poor despite the implementation of business reforms such as the review of personnel. As a result of reevaluating the market size and profitability of Tapp's businesses, the company determined that business performance recovery in the future would be difficult. In FY02/20, Tapp recorded sales of JPY1.4bn and an operating loss of JPY29mn. The company maintains that although the dissolution and liquidation of the subsidiary may result in an extraordinary loss, its impact on consolidated earnings for FY02/21 would be marginal.

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
FY02/17													
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%
Tax-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%
	Tax-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%
Tax-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%
	Tax-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%
Tax-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%
	Tax-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%	-5.2%	-3.7%	-12.9%
	Takashimaya and regional stores	0.0%	0.5%	0.2%	1.4%	0.0%	4.7%	31.6%	-18.9%	-4.8%	-5.2%	-3.6%	-12.3%
Department Store	Takashimaya (parent)	1.3%	-1.1%	-0.1%	0.7%	-1.4%	3.8%	33.4%	-19.7%	-4.3%	-4.9%	-2.8%	-12.8%
	Takashimaya and regional stores	1.2%	-1.1%	-0.1%	0.7%	-1.3%	3.8%	32.8%	-19.7%	-4.2%	-4.9%	-2.7%	-12.2%
Corporate		-18.2%	28.7%	5.7%	17.9%	31.2%	26.9%	4.4%	-14.6%	-18.5%	-19.9%	-25.4%	-17.4%
Cross-media		-0.5%	12.9%	4.0%	0.8%	8.1%	6.2%	41.2%	3.2%	-3.9%	1.5%	4.2%	-2.9%
Tax-free sales		7.3%	2.7%	0.4%	-8.2%	-0.4%	-9.2%	-1.1%	-16.9%	-13.0%	-13.8%	11.1%	-69.9%
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%	-3.5%	-9.9%	-32.9%
	Tax-free sales	13.8%	-1.7%	-4.8%	-4.2%	-5.2%	-1.8%	-12.0%	-18.1%	-23.1%	9.0%	-60.4%	-91.2%
FY02/21													
Total	Takashimaya (parent)	-34.6%	-69.8%	-58.7%	-16.3%	-18.9%							
	Takashimaya and regional stores	-34.0%	-69.2%	-58.1%	-16.0%	-18.6%							
	Comparable stores	-33.7%	-69.1%	-57.8%	-15.5%	-18.2%							
Department Store	Takashimaya (parent)	-36.1%	-75.7%	-64.1%	-17.2%	-20.4%	-19.2%						
	Takashimaya and regional stores	-35.5%	-74.7%	-63.0%	-16.8%	-20.0%	-18.8%						
	Comparable stores	-35.0%	-74.6%	-62.8%	-16.3%	-19.5%	-18.2%						
Corporate		-28.2%	-3.4%	-12.7%	-22.2%	-13.5%							
Cross-media		19.6%	4.8%	44.6%	37.5%	21.6%							
Tax-free sales		-92.5%	-99.1%	-98.7%	-94.2%	-92.2%	-88.4%						
Store sales (following month; up to mid-month release)		-62.8%	-81.7%	-21.4%	-18.5%	-18.7%							
	Tax-free sales	-98.4%	-99.9%	-93.5%	-93.2%	-90.4%							

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 August 2020 were down 18.8% YoY across Takashimaya (parent) stores and 15 domestic subsidiary department stores. In addition to a sharp decline in tax-free sales (-88.4% YoY), the continuing trend of consumers' self-restraint in going out and extreme heat pushed down sales YoY. Excluding tax-free sales, sales were down 13.2% YoY. By store, Takasaki Takashimaya and the Konandai store, which held a store closing sale, posted higher sales YoY. The Konandai store closed on August 16. By product, sales were up YoY for select apparel and art work.

Monthly store sales YoY	2019						2020									FY02/20 (JPYmn)	
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Act.	% of total
Total (Takashimaya)	1.5%	0.0%	4.8%	33.4%	-18.8%	-5.0%	-5.2%	-3.7%	-12.9%	-34.6%	-69.8%	-58.7%	-16.3%	-18.9%		707,618	93.1%
Takashimaya and domestic dept. store subsidiaries	1.4%	0.0%	4.7%	32.8%	-18.9%	-4.8%	-5.2%	-3.6%	-12.3%	-34.0%	-69.2%	-58.1%	-16.0%	-18.6%		760,284	100.0%
Comparable stores										-33.7%	-69.1%	-57.8%	-15.5%	-18.2%			
Monthly sales by store																	
Osaka	5.0%	4.5%	4.0%	50.8%	-15.5%	-7.0%	-2.9%	0.1%	-25.6%	-47.2%	-84.8%	-69.5%	-21.5%	-28.5%	-29.2%	149,561	19.7%
Sakai	-9.1%	-12.6%	-6.4%	12.4%	-19.8%	-8.0%	-3.6%	-0.7%	-3.0%	-19.0%	-60.4%	-44.7%	-0.6%	-6.2%	-7.7%	11,665	1.5%
Kyoto, Rakusai	1.3%	1.6%	4.2%	36.3%	-18.9%	-4.4%	-7.5%	-1.1%	-15.8%	-33.1%	-68.7%	-64.3%	-20.2%	-18.9%	-21.3%	89,565	11.8%
Senboku	3.2%	-13.8%	-1.8%	15.5%	-12.8%	-3.2%	-10.9%	-5.5%	-2.4%	-15.6%	-57.6%	-38.2%	3.7%	-2.9%	-5.0%	16,491	2.2%
Nihombashi	1.8%	1.8%	13.8%	52.4%	-26.7%	-2.7%	-3.5%	1.2%	-1.6%	-33.8%	-67.5%	-61.5%	-18.1%	-18.0%	-13.6%	130,790	17.2%
Yokohama, Foodmaison	-0.4%	-3.6%	0.6%	26.7%	-20.1%	-2.6%	-4.5%	-5.0%	-12.0%	-37.2%	-80.8%	-68.4%	-15.9%	-18.8%	-16.9%	129,502	17.0%
Konandai	0.1%	-5.4%	-2.3%	3.0%	-14.5%	-4.9%	-7.2%	-9.5%	0.4%	-18.4%	-50.1%	-45.7%	-7.5%	22.3%	2.2%	7,649	1.0%
Shinjuku	-1.8%	-3.4%	3.0%	14.0%	-23.7%	-5.8%	-6.3%	-5.1%	-16.6%	-41.0%	-82.2%	-70.6%	-29.5%	-35.0%	-27.9%	71,724	9.4%
Tamagawa	0.8%	-6.3%	4.7%	26.6%	-18.8%	-3.4%	-6.4%	-5.6%	-0.7%	-22.9%	-75.1%	-56.9%	-7.8%	-11.8%	-7.5%	42,925	5.6%
Tachikawa	-10.8%	-10.1%	-5.6%	31.8%	-18.5%	-6.7%	-4.8%	-3.8%	-5.1%	-23.6%	-70.4%	-44.6%	-1.8%	-0.3%	-5.7%	9,059	1.2%
Omiya	-5.1%	-6.6%	4.7%	32.7%	-25.6%	-8.9%	-7.5%	-14.0%	-6.6%	-23.9%	-63.6%	-55.2%	-9.5%	-23.0%	-28.7%	9,442	1.2%
Kashiwa, Foodmaison Otakanomori	-2.0%	-4.2%	-0.4%	15.9%	-16.1%	-1.6%	-2.8%	-4.9%	-5.7%	-29.4%	-69.8%	-57.1%	-9.1%	-14.7%	-10.7%	39,239	5.2%
Takashimaya (parent; 13 stores)	**0.7%**	**-1.4%**	**3.5%**	**33.4%**	**-19.7%**	**-4.3%**	**-4.9%**	**-2.8%**	**-12.8%**	**-36.1%**	**-75.7%**	**-64.1%**	**-17.2%**	**-20.4%**	**-19.2%**		
Okayama Takashimaya	4.2%	5.5%	7.1%	22.5%	-20.6%	-2.2%	-4.5%	-0.4%	-1.9%	-20.2%	-49.0%	-37.9%	-4.9%	-12.5%	-12.2%	18,527	2.4%
Gifu Takashimaya	-0.5%	-4.1%	1.9%	17.7%	-14.7%	1.2%	-6.9%	-4.9%	-7.6%	-17.4%	-71.7%	-54.6%	-2.0%	-3.0%	-7.6%	13,631	1.8%
Yonago Takashimaya	-5.9%	-5.1%	-3.9%	30.0%	-23.8%	-12.8%	-7.6%	-9.7%	-15.8%	-	-	-	-	-	-	4,503	0.6%
Takasaki Takashimaya	-0.9%	-1.6%	3.8%	33.4%	-21.5%	-2.8%	-4.8%	0.9%	0.5%	-21.2%	-58.4%	-45.6%	-0.4%	-4.6%	6.5%	16,002	2.1%
Takashimaya and domestic dept. store subsidiaries	**0.7%**	**-1.3%**	**3.5%**	**32.8%**	**-19.7%**	**-4.2%**	**-4.9%**	**-2.7%**	**-12.2%**	**-35.3%**	**-74.7%**	**-63.0%**	**-16.8%**	**-20.0%**	**-18.8%**	**707,946**	**93.1%**
Comparable stores										**-35.0%**	**-74.6%**	**-62.8%**	**-16.3%**	**-19.5%**	**-18.2%**		
Corporate	17.9%	31.2%	26.9%	4.4%	-14.6%	-18.5%	-19.9%	-25.4%	-17.4%	-28.2%	-3.4%	-12.7%	-22.2%	-13.5%		33,916	4.5%
Cross-media	0.8%	8.1%	6.2%	41.2%	3.2%	-3.9%	1.5%	4.2%	-2.9%	19.6%	4.8%	44.6%	37.5%	21.6%		18,421	2.4%
Customer count by store																	
Osaka	16.4%	12.5%	16.1%	30.9%	-4.2%	-1.0%	-3.0%	-0.8%	-16.0%	-46.9%	-84.6%	-73.7%	-39.5%	-38.9%			
Sakai	0.4%	1.7%	1.2%	12.4%	3.8%	4.8%	6.7%	4.7%	5.2%	-7.5%	-48.2%	-43.3%	-20.7%	-12.6%			
Kyoto, Rakusai	2.6%	1.8%	-0.6%	10.5%	-7.2%	-1.1%	-3.5%	-3.0%	-11.0%	-26.6%	-65.4%	-58.1%	-30.0%	-28.9%			
Senboku	0.7%	-4.0%	-0.9%	6.7%	-5.6%	-1.2%	-2.0%	-0.9%	-0.3%	-12.2%	-58.4%	-41.8%	-6.1%	-7.5%			
Nihombashi	28.6%	25.7%	35.2%	1.6%	-30.3%	-12.8%	-5.7%	-2.9%	-10.5%	-40.0%	-73.8%	-60.0%	-32.0%	-34.0%			
Yokohama, Foodmaison	-1.7%	-0.7%	-1.4%	5.7%	-3.3%	4.8%	2.1%	1.8%	-7.9%	-38.8%	-78.8%	-68.7%	-27.8%	-31.3%			
Konandai	0.7%	-6.4%	-2.9%	-4.9%	-12.3%	-7.2%	-7.9%	-9.2%	-2.1%	-19.8%	-58.3%	-51.6%	-27.2%	-16.4%			
Shinjuku	-4.4%	-5.9%	0.7%	-3.3%	-13.1%	-2.9%	-1.5%	-1.9%	-9.6%	-40.6%	-87.1%	-72.9%	-42.9%	-49.7%			
Tamagawa	0.6%	-7.4%	2.8%	1.5%	-6.9%	-0.3%	-5.2%	-3.9%	-3.3%	-24.4%	-73.8%	-52.9%	-14.6%	-16.6%			
Tachikawa	9.0%	12.1%	16.5%	19.6%	-7.1%	4.9%	4.1%	7.9%	12.0%	-11.3%	-66.6%	-43.1%	-2.9%	-9.5%			
Omiya	-2.5%	-5.8%	0.1%	10.1%	-14.2%	-1.9%	-2.5%	-6.5%	-2.6%	-21.2%	-68.8%	-59.0%	-21.0%	-29.1%			
Kashiwa, Foodmaison Otakanomori	0.5%	-2.0%	-1.4%	3.9%	-5.9%	-1.2%	-1.4%	-0.7%	-4.1%	-25.4%	-71.1%	-50.8%	-18.1%	-19.6%			
Takashimaya (parent; 13 stores)	**4.2%**	**2.0%**	**5.0%**	**8.5%**	**-8.5%**	**-0.8%**	**-1.7%**	**-1.0%**	**-7.7%**	**-33.2%**	**-74.8%**	**-61.9%**	**-27.9%**	**-29.5%**			
Okayama Takashimaya	-0.5%	0.7%	-3.3%	0.2%	-3.0%	-1.1%	-0.9%	1.2%	-4.0%	-24.5%	-55.2%	-48.4%	-23.9%	-26.9%			
Gifu Takashimaya	-7.7%	-6.6%	-4.6%	1.7%	-9.6%	3.5%	-3.7%	-2.6%	-3.2%	-20.0%	-69.9%	-47.8%	-11.1%	-10.3%			
Yonago Takashimaya	-3.6%	-8.6%	-12.2%	0.0%	-19.7%	-4.4%	1.3%	-1.8%	0.2%	-	-	-	-	-			
Takasaki Takashimaya	-5.2%	-4.8%	1.7%	4.8%	-9.1%	2.9%	-0.7%	2.1%	5.5%	-16.8%	-65.0%	-49.8%	-6.0%	-11.5%			
Takashimaya and domestic dept. store subsidiaries	**3.6%**	**1.7%**	**4.3%**	**7.9%**	**-8.3%**	**-0.8%**	**-1.6%**	**-0.8%**	**-7.3%**	**-32.6%**	**-73.7%**	**-61.0%**	**-27.6%**	**-29.2%**			
Comparable stores										**-32.3%**	**-73.6%**	**-60.8%**	**-27.3%**	**-28.9%**			
By product (Takashimaya, domestic dept. store subsidiaries)																	
Apparel	0.8%	-4.0%	6.9%	22.3%	-19.6%	-6.7%	-6.2%	-6.2%	-14.2%	-47.7%	-81.7%	-68.7%	-18.6%	-23.6%		208,508	27.4%
Menswear and goods	-0.1%	-8.5%	-2.4%	11.9%	-23.9%	-7.2%	-10.4%	-8.3%	-11.0%	-40.3%	-80.8%	-70.0%	-23.9%	-25.8%		40,073	5.3%
Womenswear and goods	0.9%	-3.2%	8.9%	20.6%	-18.1%	-5.2%	-3.3%	-3.8%	-15.1%	-53.2%	-86.8%	-71.3%	-17.7%	-21.3%		135,493	17.8%
Children's wear and goods	-1.8%	-5.0%	-1.6%	2.1%	-14.7%	-1.8%	-9.5%	-7.7%	-16.6%	-30.3%	-64.5%	-51.8%	-13.2%	-27.4%		17,516	2.3%
Other apparel	4.9%	0.5%	20.9%	83.5%	-25.2%	-22.2%	-14.0%	-19.9%	-10.3%	-33.5%	-58.2%	-62.4%	-16.3%	-32.4%		15,424	2.0%
Personal items	6.1%	1.0%	7.3%	48.0%	-24.0%	-8.2%	-7.1%	-1.2%	-14.7%	-21.6%	-85.3%	-74.3%	-21.0%	-18.3%		121,539	16.0%
Household goods	-1.8%	6.5%	8.6%	28.7%	-21.9%	-3.2%	-8.8%	-7.5%	-13.1%	-21.6%	-37.6%	-37.0%	-14.6%	-12.0%		45,811	6.0%
Furniture	-6.0%	25.3%	0.4%	58.5%	-22.9%	5.5%	2.8%	3.2%	-13.5%	-16.8%	-19.0%	-44.7%	-15.7%	-34.2%		10,291	1.4%
Home appliances	126.9%	235.0%	61.7%	277.4%	96.7%	126.0%	52.2%	147.8%	-13.6%	-1.7%	27.6%	2.2%	-45.8%	24.5%		4,350	0.6%
Other household goods	-12.0%	-6.7%	1.4%	11.9%	-27.3%	-13.1%	-13.6%	-13.6%	-12.9%	-25.1%	-49.7%	-41.4%	-7.1%	-6.4%		31,169	4.1%
Food	-0.2%	-1.3%	-0.8%	4.2%	-6.1%	1.7%	-1.0%	1.2%	-2.9%	-19.5%	-42.6%	-26.7%	-3.5%	-7.6%		217,020	28.5%
Fresh produce	-1.0%	-4.1%	-1.2%	-0.5%	-6.4%	-0.3%	-3.9%	-2.2%	-1.1%	-6.8%	-18.2%	-7.2%	-2.8%	-6.0%		38,776	5.1%
Confectionery	3.3%	5.7%	3.8%	5.0%	-5.9%	2.8%	-1.1%	2.3%	-6.8%	-23.1%	-57.1%	-38.3%	-8.1%	-12.2%		61,316	8.1%
Deli foods	3.5%	2.0%	2.5%	8.5%	-5.1%	3.3%	4.5%	4.4%	0.2%	-22.6%	-42.8%	-26.0%	-6.7%	-7.7%		59,161	7.8%
Other foods	-4.8%	-7.9%	-9.8%	2.4%	-6.8%	0.8%	-5.6%	-0.9%	0.0%	-19.4%	-44.1%	-29.6%	2.0%	-4.0%		57,765	7.6%
Restaurants and cafes	-12.6%	-16.5%	-8.1%	11.7%	-7.2%	1.1%	0.2%	0.5%	-10.3%	-46.7%	-92.5%	-86.1%	-42.3%	-42.4%		11,855	1.6%
Accessories	2.3%	6.1%	6.4%	68.1%	-33.1%	-14.7%	-12.7%	-7.6%	-24.6%	-40.3%	-79.1%	-73.0%	-30.6%	-32.3%		136,564	18.0%
Cosmetics	2.5%	5.8%	5.0%	31.2%	-27.7%	-14.2%	-12.2%	-6.6%	-29.9%	-49.9%	-82.6%	-74.9%	-39.2%	-42.2%		76,109	10.0%
Art work and jewelry	6.0%	7.3%	16.2%	151.4%	-43.9%	-14.4%	-7.8%	-2.2%	-11.5%	-26.3%	-79.7%	-78.2%	-18.9%	-17.6%		46,146	6.1%
Other accessories	-10.0%	4.1%	-9.8%	20.5%	-28.8%	-18.0%	-25.7%	-20.6%	-29.3%	-25.3%	-57.5%	-41.4%	-16.3%	-31.0%		14,308	1.9%
Services	2.8%	-0.1%	11.0%	30.4%	-13.9%	-5.6%	-9.7%	-3.6%	-3.6%	-33.4%	-71.4%	-61.8%	-26.3%	-31.3%		18,985	2.5%
Other	17.5%	12.8%	25.6%	34.5%	8.7%	15.6%	12.4%	13.5%	21.8%	-2.8%	-46.3%	-40.4%	0.2%	-9.3%			
Total	**1.4%**	**0.0%**	**4.7%**	**31.6%**	**-18.9%**	**-4.8%**	**-5.2%**	**-3.6%**	**-12.3%**	**-34.0%**	**-69.2%**	**-58.1%**	**-16.0%**	**-18.6%**		**760,284**	**100.0%**

Source: Shared Research based on company data
Note: The company sold all its shares in Yonago Takashimaya in March 2020. The Konandai store closed on August 16, 2020.

Quarterly trends and results

Cumulative (JPYmn)	FY02/19 Q1	FY02/19 Q2	FY02/19 Q3	FY02/19 Q4	FY02/20 Q1	FY02/20 Q2	FY02/20 Q3	FY02/20 Q4	FY02/21 Q1	FY02/21 FY Est.
Operating revenue	219,825	441,524	659,595	912,848	223,682	453,144	676,639	919,094	116,204	-
YoY	1.9%	1.9%	1.6%	0.6%	1.8%	2.6%	2.6%	0.7%	-48.0%	-
Sales	203,747	409,356	611,424	846,894	205,744	417,630	623,531	848,494	102,159	-
YoY	1.8%	1.9%	1.4%	0.2%	1.0%	2.0%	2.0%	0.2%	-50.3%	-
Gross profit	53,249	105,797	158,188	217,403	52,963	106,453	159,332	215,125	24,221	-
YoY	2.7%	1.8%	1.4%	-0.5%	-0.5%	0.6%	0.7%	-1.0%	-54.3%	-
GPM	26.1%	25.8%	25.9%	25.7%	25.7%	25.5%	25.6%	25.4%	23.7%	-
SG&A expenses	60,775	124,544	186,976	256,695	63,154	128,543	192,178	260,142	45,635	-
YoY	2.5%	2.6%	3.4%	4.4%	3.9%	3.2%	2.8%	1.3%	-27.7%	-
SG&A ratio	29.8%	30.4%	30.6%	30.3%	30.7%	30.8%	30.8%	30.7%	44.7%	-
Operating profit	8,552	13,420	19,383	26,661	7,746	13,424	20,261	25,582	-7,368	-
YoY	5.7%	-3.4%	-10.7%	-24.5%	-9.4%	0.0%	4.5%	-4.0%	-	-
OPM	4.2%	3.3%	3.2%	3.1%	3.8%	3.2%	3.2%	3.0%	-7.2%	-
Recurring profit	9,968	16,125	22,877	31,234	7,117	12,659	19,403	23,200	-8,684	-
YoY	14.7%	3.1%	-6.1%	-19.1%	-28.6%	-21.5%	-15.2%	-25.7%	-	-
RPM	4.9%	3.9%	3.7%	3.7%	3.5%	3.0%	3.1%	2.7%	-8.5%	-
Net income	5,845	8,782	11,438	16,443	10,597	12,404	16,447	16,028	-20,530	-
YoY	13.4%	-2.6%	-21.0%	-30.5%	81.3%	41.2%	43.8%	-2.5%	-	-
Net margin	2.9%	2.1%	1.9%	1.9%	5.2%	3.0%	2.6%	1.9%	-20.1%	-

Quarterly (JPYmn)	FY02/19 Q1	FY02/19 Q2	FY02/19 Q3	FY02/19 Q4	FY02/20 Q1	FY02/20 Q2	FY02/20 Q3	FY02/20 Q4	FY02/21 Q1
Operating revenue	219,825	221,699	218,071	253,253	223,682	229,462	223,495	242,455	116,204
YoY	1.9%	1.9%	0.9%	-2.0%	1.8%	3.5%	2.5%	-4.3%	-48.0%
Sales	203,747	205,609	202,068	235,470	205,744	211,886	205,901	224,963	102,159
YoY	1.8%	1.9%	0.5%	-2.7%	1.0%	3.1%	1.9%	-4.5%	-50.3%
Gross profit	53,249	52,548	52,391	59,215	52,963	53,490	52,879	55,793	24,221
YoY	2.7%	0.9%	0.5%	-5.0%	-0.5%	1.8%	0.9%	-5.8%	-54.3%
GPM	26.1%	25.6%	25.9%	25.1%	25.7%	25.2%	25.7%	24.8%	23.7%
SG&A expenses	60,775	63,769	62,432	69,719	63,154	65,389	63,635	67,964	45,635
YoY	2.5%	2.7%	5.0%	7.1%	3.9%	2.5%	1.9%	-2.5%	-27.7%
SG&A ratio	29.8%	31.0%	30.9%	29.6%	30.7%	30.9%	30.9%	30.2%	44.7%
Operating profit	8,552	4,868	5,963	7,278	7,746	5,678	6,837	5,321	-7,368
YoY	5.7%	-16.1%	-23.7%	-46.5%	-9.4%	16.6%	14.7%	-26.9%	-
OPM	4.2%	2.4%	3.0%	3.1%	3.8%	2.7%	3.3%	2.4%	-7.2%
Recurring profit	9,968	6,157	6,752	8,357	7,117	5,542	6,744	3,797	-8,684
YoY	14.7%	-11.3%	-22.7%	-41.3%	-28.6%	-10.0%	-0.1%	-54.6%	-
RPM	4.9%	3.0%	3.3%	3.5%	3.5%	2.6%	3.3%	1.7%	-8.5%
Net income	5,845	2,937	2,656	5,005	10,597	1,807	4,043	-419	-20,530
YoY	13.4%	-23.9%	-51.4%	-45.5%	81.3%	-38.5%	52.2%	-	-
Net margin	2.9%	1.4%	1.3%	2.1%	5.2%	0.9%	2.0%	-0.2%	-20.1%

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. Includes some figures based on SR estimates.
Note: From FY02/20, IFRS 16 "Leases" is adopted for overseas subsidiaries.

Impact of the adoption of IFRS 16 for lease accounting: The group's overseas subsidiaries adopted IFRS 16 for lease accounting starting FY02/20. The impact of this switch added a total of JPY2.7bn to operating profit during FY02/20 while reducing both recurring profit and pre-tax profit by JPY2.0bn versus FY02/19. At the individual segment level, the adoption of IFRS 16 added JPY2.4bn to operating profit at the Department Store segment and JPY882mn to operating profit at the Commercial Property Development segment, with this reduced in part by a JPY632mn adjustment charge at the consolidated level.

By segment Quarterly (JPYmn)	FY02/19 Q1	FY02/19 Q2	FY02/19 Q3	FY02/19 Q4	FY02/20 Q1	FY02/20 Q2	FY02/20 Q3	FY02/20 Q4	FY02/21 Q1	FY02/21 FY Est.
Operating revenue	219,825	221,699	218,071	253,253	223,682	229,462	223,495	242,455	116,204	-
YoY	1.9%	1.9%	0.9%	-2.0%	1.8%	3.5%	2.5%	-4.3%	-48.0%	-
Department Store	192,111	191,624	189,768	218,542	193,316	195,134	191,949	204,376	88,616	-
YoY	2.4%	1.1%	-0.3%	0.4%	0.6%	1.8%	1.1%	-6.5%	-54.2%	-
Commercial Property Development	10,504	10,475	10,571	12,131	11,365	11,162	11,261	11,743	8,397	-
YoY	5.5%	5.1%	7.0%	-31.4%	8.2%	6.6%	6.5%	-3.2%	-26.1%	-
Finance	4,111	3,883	3,869	4,031	4,363	4,256	4,383	4,455	4,035	-
YoY	14.0%	8.2%	14.6%	11.5%	6.1%	9.6%	13.3%	10.5%	-7.5%	-
Contract and Design	5,354	6,842	5,407	7,192	6,628	9,741	6,357	10,464	7,258	-
YoY	-22.7%	6.2%	10.9%	-6.3%	23.8%	42.4%	17.6%	45.5%	9.5%	-
Other	7,743	8,874	9,180	10,634	8,008	9,168	9,544	11,418	7,896	
YoY	1.4%	8.9%	18.8%	-10.8%	3.4%	3.3%	4.0%	7.4%	-1.4%	
Operating profit	8,552	4,868	5,963	7,278	7,746	5,678	6,837	5,321	-7,368	-
YoY	5.7%	-16.1%	-23.7%	-46.5%	-9.4%	16.6%	14.7%	-26.9%	-	-
OPM	3.9%	2.2%	2.7%	2.9%	3.5%	2.5%	3.1%	2.2%	-6.3%	-
Department Store	3,963	464	1,779	2,485	2,849	1,425	2,289	375	-8,608	-
YoY	34.4%	-60.7%	-54.9%	-54.3%	-28.1%	207.1%	28.7%	-84.9%	-	-
OPM	2.1%	0.2%	0.9%	1.1%	1.5%	0.7%	1.2%	0.2%	-9.7%	-
Commercial Property Development	2,638	2,094	2,256	2,422	2,914	2,108	2,505	2,395	2,112	-
YoY	-5.2%	-9.6%	-7.7%	-37.1%	10.5%	0.7%	11.0%	-1.1%	-27.5%	-
OPM	25.1%	20.0%	21.3%	20.0%	25.6%	18.9%	22.2%	20.4%	25.2%	-
Finance	1,359	1,358	1,398	1,331	1,401	1,205	1,271	1,001	1,058	-
YoY	14.2%	29.0%	36.4%	2.8%	3.1%	-11.3%	-9.1%	-24.8%	-24.5%	-
OPM	33.1%	35.0%	36.1%	33.0%	32.1%	28.3%	29.0%	22.5%	26.2%	-
Contract and Design	-39	480	114	172	175	583	528	493	115	-
YoY	-	1.3%	-	-73.1%	-	21.5%	363.2%	186.6%	-34.3%	-
OPM	-	7.0%	2.1%	2.4%	2.6%	6.0%	8.3%	4.7%	1.6%	-
Other	262	601	606	902	347	629	684	902	20	
YoY	-52.4%	-25.2%	-12.0%	-30.0%	32.4%	4.7%	12.9%	0.0%	-94.2%	
OPM	3.4%	6.8%	6.6%	8.5%	4.3%	6.9%	7.2%	7.9%	0.3%	
Adjustments	366	-128	-191	-34	59	-274	-438	154	-2,067	

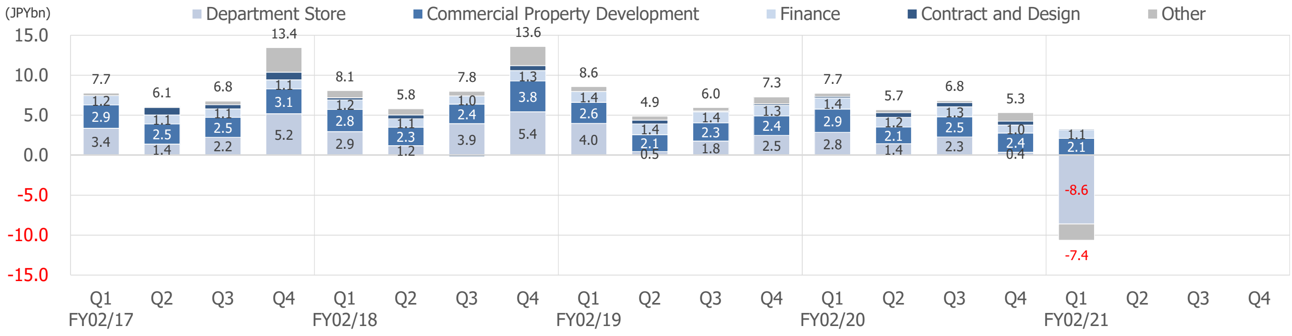
Source: Shared Research based on company data
Note: From FY02/20, Takashimaya insurance was transferred from Other to Finance segment (data in table above retrospectively adjusted).
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

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.

Q1 FY02/21 results (out July 6, 2020)

- For Q1 FY02/21, the company reported consolidated operating revenue of JPY116.2bn (-48.0% YoY), an operating loss of JPY7.4bn (versus operating profit of JPY7.7bn in Q1 FY02/20), a pre-tax loss of JPY18.4bn (versus pre-tax profit of JPY15.7bn in Q1 FY02/20), and a net loss of JPY20.5bn (versus net income of JPY10.6bn in Q1 FY02/20). The sharp drop in operating revenue stemmed from the company's move to shorten operating hours and temporarily close domestic and overseas stores to help stop the spread of COVID-19. Despite cuts in fixed costs, the company still posted significant losses at the operating profit and net income levels. The losses came from the Department Store segment, as peripheral businesses, including the group's Commercial Property Development, Finance, and Contract and Design businesses, all reported lower profits but remained in the black at the operating profit level, thereby mitigating the large losses at department store operations to some extent.
- Q1 gross profit was JPY24.2bn (-54.3% YoY), and the gross profit margin fell to 23.7% from 25.7% in Q1 FY02/20. The decline in the gross profit margin reflected the rising proportion of sales accounted for by food products, which carry lower margins but continued being sold throughout the quarter as the food floors of its department stores remained open even when all other floors were temporarily closed. Q1 SG&A expenses were JPY45.6bn (-27.7%, or JPY17.5bn, YoY). JPY8.6bn of the decline in SG&A expenses was attributable to the recording of fixed costs related to temporary store closings made in response to the COVID-19 pandemic as extraordinary loss (about JPY8.1bn was associated with domestic department stores, JPY1.4bn with Toshin Development, JPY200mn with Takashimaya Financial Partners, JPY100mn with Takashimaya Space Create, JPY800mn with other entities, and JPY2.0bn with consolidation adjustments and eliminations). A decrease of approximately JPY3.3bn in proportional cost also contributed to the contraction of SG&A expenses. Furthermore, aggressive cost-cutting, including outsourcing cost reduction achieved by internalizing previously outsourced operations, also helped shrink SG&A expenses. At the extraordinary loss level, in addition to the above-mentioned charges made in connection with the pandemic, the company booked JPY460mn in losses on the disposal of fixed assets and miscellaneous losses of JPY718mn (but did not book any impairments charges).
- With respect to its outlook for the full year, the company again refrained from providing any forecast, saying the timing of end of the pandemic was still uncertain and this made it impossible to project the extent of the impact of the pandemic on its earnings. The company maintained its initial dividend forecast for an annual dividend of JPY24.0 per share.
- In June 2020, sales at domestic department stores were down 16.9% YoY. Takashimaya began its phased reopening process in mid-May and had all of its domestic department stores reopened by May 27. The decline in June was significantly less pronounced than in March (-35.5% YoY), April (-74.7% YoY), and May (-63.0% YoY). Apparently, sales from domestic department stores in June nearly recovered to the breakeven point. Reflecting the decline in foreign travelers to Japan, tax-free sales in June were down 94.2% YoY and are not expected to recover anytime soon. On the other hand, domestic demand, which does not include tax-free sales, recovered, dropping only 11.3% YoY in June. Recovery was most noticeable at department stores in regional cities and suburban districts outside of major cities, which have benefited from an influx of shoppers that had previously done most of their department store shopping at stores in large cities.

Operating profit 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 Real Estate segment.
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

Department Store

Department Store	FY02/19				FY02/20				FY02/21	FY02/21
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY Est.
Operating revenue	192,111	191,624	189,768	218,542	193,316	195,134	191,949	204,376	88,616	-
YoY	2.4%	1.1%	-0.3%	0.4%	0.6%	1.8%	1.1%	-6.5%	-54.2%	-
Parent	175,856	176,432	174,565	202,345	176,677	179,838	176,473	189,248	83,593	-
YoY	1.5%	0.7%	-0.6%	0.9%	0.5%	1.9%	1.1%	-6.5%	-52.7%	-
Takashimaya Singapore	4,262	4,351	4,122	5,410	4,085	4,112	3,792	4,996	3,177	-
YoY	5.3%	2.1%	0.3%	7.7%	-4.2%	-5.5%	-8.0%	-7.7%	-22.2%	-
Shanghai Takashimaya	854	792	749	791	849	791	956	544	509	-
YoY	6.4%	6.5%	-7.2%	-2.3%	-0.6%	-0.1%	27.6%	-31.2%	-40.0%	-
Takashimaya Vietnam	391	419	440	528	469	463	472	594	382	-
YoY	11.4%	23.6%	17.9%	22.6%	19.9%	10.5%	7.3%	12.5%	-18.6%	-
Other, adjustments	10,748	9,630	9,892	9,468	11,236	9,930	10,256	8,994	955	-
Operating profit	3,963	464	1,779	2,485	2,849	1,425	2,289	375	-8,608	-
YoY	34.4%	-60.7%	-54.9%	-54.3%	-28.1%	207.1%	28.7%	-84.9%	-	-
OPM	2.1%	0.2%	0.9%	1.1%	1.5%	0.7%	1.2%	0.2%	-9.7%	-
Parent	3,639	811	1,668	2,423	1,938	945	1,543	-498	-7,986	-
YoY	24.8%	-47.2%	-51.3%	-51.9%	-46.7%	16.5%	-7.5%	-	-	-
OPM	2.1%	0.5%	1.0%	1.2%	1.1%	0.5%	0.9%	-0.3%	-9.6%	-
Takashimaya Singapore	802	636	640	1,182	1,179	1,063	1,038	1,490	562	-
YoY	22.8%	-10.0%	3.2%	-28.0%	47.0%	67.1%	62.2%	26.1%	-52.3%	-
OPM	18.8%	14.6%	15.5%	21.8%	28.9%	25.9%	27.4%	29.8%	17.7%	-
Shanghai Takashimaya	-185	-241	-216	-224	28	28	111	-93	-87	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-21.7%	-30.4%	-28.8%	-28.3%	3.3%	3.5%	11.6%	-17.1%	-17.1%	-
Takashimaya Vietnam	-16	-52	-21	-28	35	7	33	47	5	-
YoY	-	-	-	-	-	-	-	-	-85.7%	-
OPM	-4.1%	-12.4%	-4.8%	-5.3%	7.5%	1.5%	7.0%	7.9%	1.3%	-
Other, adjustments	-277	-690	-292	-868	-331	-618	-436	-571	-1,102	-

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.

In the Department Store business, operating revenue was JPY88.6bn (-54.2% YoY), and operating loss was JPY8.6bn (versus operating profit of JPY2.8bn in Q1 FY02/20). The parent company generated operating revenue of JPY83.6bn (-52.7% YoY) and an operating loss of JPY8.0bn (versus operating profit of JPY1.9bn in Q1 FY02/20). Operating revenue from domestic department stores, including those of subsidiaries, was approximately JPY90.6bn (-52.2% YoY) and operating loss was about JPY8.3bn. To fight the COVID-19 pandemic, the company cancelled events aimed at attracting customers from end-February, and temporarily closed all of its stores (floors selling food products were left open) in response to state of emergency declarations implemented on April 7 (sequential reopenings began on May 11). As a result of these actions, store visitor count fell rapidly, and operating revenue declined substantially.

The gross profit margin on product sales at domestic department stores was 21.48% (-2.25pp YoY). Store floors selling food products continued operating during temporary closures. As a result, food products sales only declined 32.8% YoY, a relatively small decrease. Food products accounted for 38% of sales in Q1, up from 24% in Q1 FY02/20. These products have low gross profit margins, and growth in their sales share was a major factor contributing to the decline in gross profit margin on product sales at domestic department stores. Gross profit in the Department Store business was about JPY18.8bn, and other operating revenue was approximately JPY3.3bn.

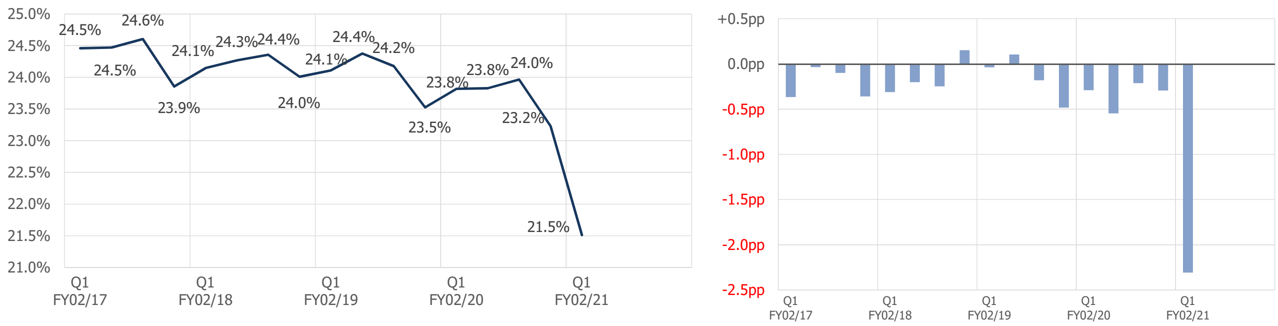
SG&A expenses at domestic department stores were approximately JPY30.3bn, down about JPY15.5bn YoY. The company recorded about JPY8.1bn in fixed costs related to temporary store closures as extraordinary loss, so the effective decrease in SG&A expenses was approximately JPY7.4bn. Accounting for this effective decrease were declines of about JPY900mn in personnel expenses, JPY3.5bn in advertising expenses, JPY2.7bn in expenses related to general affairs, and JPY300mn in accounting expenses. A decrease in employee utilization, including decreases in overtime and part-time staff, brought personnel expenses down by about JPY500mn while apparently permanent staff cutbacks reduced them by approximately JPY400mn. The downturn in advertising expenses was due to a JPY2.0bn decrease in expenses related to points awarded to buyers and a JPY1.5bn decline in spending for fliers and other forms of advertising. Expenses related to points awarded to buyers can be viewed as variable expenses that rise along with recovery in sales. The decrease in spending for fliers and other forms of advertising was largely due to the company's cancellation of events aimed at attracting customers. Expenses of this nature will likely continue to be restrained until events are resumed in full. Shared Research will monitor future trends to verify whether these moves will lead to higher advertising efficiency or other forms of permanent cost reduction.

Expenses related to general affairs fell due to a decline of approximately JPY1.3bn in spending on wrapping paper and other spending that can be viewed as proportional cost and a decrease of about JPY1.4bn in other general affairs-related spending. Approximately JPY1.0bn of the decrease in other general affairs-related spending is attributable to a reduction of outsourcing expenses. Ostensibly, about half of this drop in outsourcing expenses was due to store closures while the other half was primarily due to the internalization of previously outsourced operations. Accounting expenses fell primarily due to a decline in rent paid.

To strengthen the earnings capacities of its domestic department stores, Takashimaya is implementing its three-year emergency business plan, which calls for a JPY12.0bn reduction in expenses (decreases of JPY6.0bn in personnel expenses, JPY2.0bn in general expenses, and JPY4.0 in depreciation expenses) over three years (FY02/21–FY02/23). Analysis is difficult due in part to a decline in expenses associated with a rapid decrease in sales, but the company is apparently on pace to meet these initial targets earlier than expected.

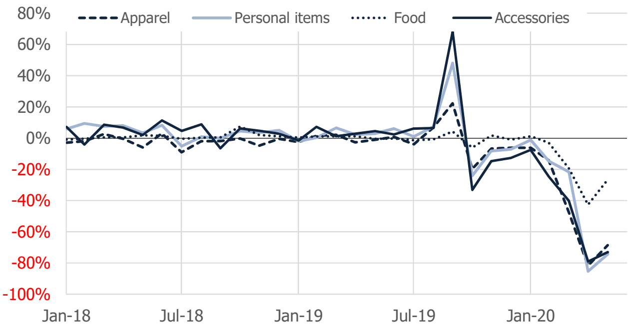
E-commerce sales (including those from other segments) in Q1 were about JPY5.0bn (+89.5% YoY), exhibiting substantial growth. The trend toward enjoying high-quality food at home spread as consumers continued to stay indoors in response to the COVID-19 pandemic. Additionally, the company held regional product exhibitions (displaying products from Hokkaido, Tohoku, and other regions), which it had originally planned to hold within its stores, online for the first time. Sales were substantially lower than those from previous exhibitions held in actual stores, but the company maintains that it was able to capture a measurable amount of demand. These results demonstrate high recognition of the Takashimaya brand and strong customer loyalty to the company's brands. Prior company initiatives related to e-commerce have not been adequate. Shared Research will continue to monitor the company's initiatives to determine whether it is capable of using the COVID-19 pandemic as an opportunity to develop new sales channels.

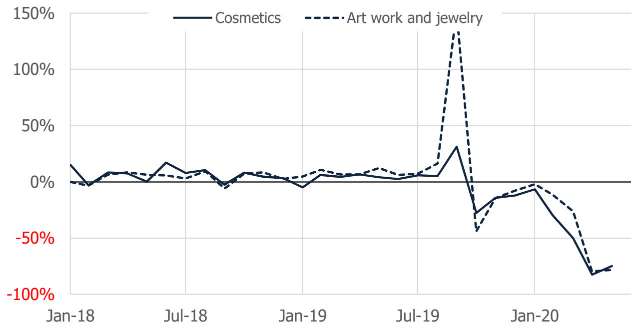
Parent gross profit margin (right shows YoY change)



Source: Shared Research based on company data

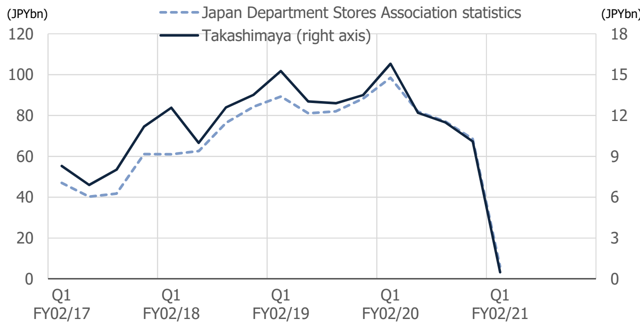
Sales by main product

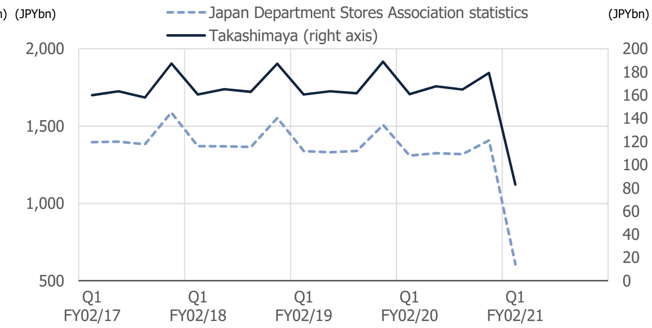




Source: Shared Research based on company data

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





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

Overseas department stores also suffered impact from the COVID-19 pandemic in Q1 (January–March in the case of overseas department stores) but deterioration in their results was small when compared to domestic department stores. Operating revenue generated by Takashimaya Singapore was JPY3.2bn (-22.2% YoY), and operating profit was JPY562mn (-52.3%, or JPY617mn, YoY). In Singapore, YoY growth in sales continued until the Lunar New Year, but starting in February, foreign tourism decreased due to the COVID-19 pandemic while shortened business hours implemented starting on February 20 also took their toll. In Q2 (April–June), the company conducted temporary store closures that lasted 73 days spanning from April 7 to June 18. As a result, Q2 sales declined more than in Q1, causing a deterioration in business results. However, the company has received subsidies in accordance with government policy, which seem to have provided a measure of support.

Operating revenue generated by Shanghai Takashimaya in Q1 was JPY509mn (-40.0% YoY) while operating loss was JPY87mn (versus operating profit of JPY28mn in Q1 FY02/20). The decline in results was due in part to restrictions on going outdoors in Shanghai and reduced business hours that lasted from January 26 until March 31. However, deterioration in business results was held within a narrow margin primarily thanks to a decline in rent paid. Shanghai Takashimaya resumed normal business hours starting in April, and visitor count is gradually returning to normal. Accordingly, the rate of decline in operating revenue in Q2 (April–June) was lower than in Q1.

In Q1, Takashimaya Vietnam generated operating revenue of JPY382mn (-18.6% YoY) and operating profit of JPY5mn (-85.7%, or JPY30mn, YoY). In Vietnam, the company implemented reduced business hours on March 25 and conducted temporary store closures that lasted from March 28 until April 23. As a result of the closures, the rate of revenue decline in Q2 was larger than in Q1. However, the number of individuals infected with COVID-19 was comparatively small in Vietnam, and the rate of revenue decline shrank substantially after stores were reopened.

Operational status by facility (Japan)

Store	Temporary store closure			Store	Temporary store closure		
	Start	Reopened	Days closed		Start	Reopened	Days closed
Osaka	April 08	May 18	42	Tamagawa	April 08	May 14	38
Sakai	April 08	May 18	40	Tachikawa	April 08	May 14	36
Senboku	April 08	May 18	40	Omiya	April 08	May 18	40
Kyoto	April 15	May 21	36	Kashiwa	April 08	May 14	38
Rakusai	April 15	May 21	36	Okayama	April 22	May 11	19
Nihombashi	April 08	May 18	44	Gifu	April 11	May 16	36
Yokohama	April 08	May 18	44	Takasaki	April 18	May 11	23
Konandai	April 08	May 18	40	Nagareyama	April 08	May 07	31
Shinjuku	April 08	May 18	44	Hakata	April 08	May 07	29

Source: Shared Research based on company data
Note: Closure lengths also include periods of closure implemented before state of emergency declarations were made. Business hour reductions were also conducted separately from these closures.

Operational status by facility (overseas)

Store	Reduced hours since	Temporary closure		Days closed	
		Closed	Reopened	Q1	Q2
Singapore Takashimaya	February 20	April 07	June 19	-	73
Singapore Shopping Center	February 17	April 07	June 19	-	73
Shanghai Takashimaya	January 26	-	April 01	-	-
Takashimaya Vietnam	March 25	March 28	April 24	4	23
Saigon Center	March 20	March 28	April 25	4	23
Siam Takashimaya	-	March 22	May 17	10	46

Source: Shared Research based on company data
Note: Shanghai Takashimaya did not close and resumed normal business hours starting on April 1.

Parent company performance

Parent company	FY02/19				FY02/20				FY02/21	FY02/21
Cumulative (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY Est.
Operating revenue	175,856	352,288	526,853	729,198	176,677	356,515	532,988	722,236	83,593	-
YoY	1.5%	1.1%	0.6%	0.6%	0.5%	1.2%	1.2%	-1.0%	-52.7%	-
Sales	172,536	345,613	516,639	715,333	173,097	349,272	522,150	707,618	80,330	-
YoY	1.6%	1.1%	0.5%	0.6%	0.3%	1.1%	1.1%	-1.1%	-53.6%	-
Gross profit	41,598	83,784	125,133	171,878	41,229	83,207	124,637	167,726	17,279	-
YoY	1.4%	1.3%	0.3%	-0.1%	-0.9%	-0.7%	-0.4%	-2.4%	-58.1%	-
GPM	24.1%	24.2%	24.2%	24.0%	23.8%	23.8%	23.9%	23.7%	21.5%	-
SG&A expenses	41,279	86,009	129,229	177,202	42,871	87,566	131,051	178,415	28,528	-
YoY	-0.3%	1.3%	2.0%	2.8%	3.9%	1.8%	1.4%	0.7%	-33.5%	-
SG&A ratio	23.9%	24.9%	25.0%	24.8%	24.8%	25.1%	25.1%	25.2%	35.5%	-
Operating profit	3,639	4,450	6,118	8,541	1,938	2,883	4,426	3,928	-7,986	-
YoY	24.8%	0.0%	-22.4%	-33.9%	-46.7%	-35.2%	-27.7%	-54.0%	-	-
OPM	2.1%	1.3%	1.2%	1.2%	1.1%	0.8%	0.8%	0.6%	-9.9%	-

Parent company	FY02/19				FY02/20				FY02/21
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Operating revenue	175,856	176,432	174,565	202,345	176,677	179,838	176,473	189,248	83,593
YoY	1.5%	0.7%	-0.6%	0.9%	0.5%	1.9%	1.1%	-6.5%	-52.7%
Sales	172,536	173,077	171,026	198,694	173,097	176,175	172,878	185,468	80,330
YoY	1.6%	0.7%	-0.7%	0.7%	0.3%	1.8%	1.1%	-6.7%	-53.6%
Gross profit	41,598	42,186	41,349	46,745	41,229	41,978	41,430	43,089	17,279
YoY	1.4%	1.1%	-1.5%	-1.3%	-0.9%	-0.5%	0.2%	-7.8%	-58.1%
GPM	24.1%	24.4%	24.2%	23.5%	23.8%	23.8%	24.0%	23.2%	21.5%
SG&A expenses	41,279	44,730	43,220	47,973	42,871	44,695	43,485	47,364	28,528
YoY	-0.3%	2.8%	3.4%	5.0%	3.9%	-0.1%	0.6%	-1.3%	-33.5%
SG&A ratio	23.9%	25.8%	25.3%	24.1%	24.8%	25.4%	25.2%	25.5%	35.5%
Operating profit	3,639	811	1,668	2,423	1,938	945	1,543	-498	-7,986
YoY	24.8%	-47.2%	-51.3%	-51.9%	-46.7%	16.5%	-7.5%	-	-
OPM	2.1%	0.5%	1.0%	1.2%	1.1%	0.5%	0.9%	-0.3%	-9.9%

Source: Shared Research based on company data

Commercial Property Development

Quarterly results

Commercial Property Development	FY02/19				FY02/20				FY02/21	FY02/21
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY Est.
Operating revenue	10,504	10,475	10,571	12,131	11,365	11,162	11,261	11,743	8,397	-
YoY	5.5%	5.1%	7.0%	-31.4%	8.2%	6.6%	6.5%	-3.2%	-26.1%	-
Toshin Development	10,433	10,552	11,080	11,765	11,043	11,044	11,137	11,372	8,272	-
YoY	4.2%	3.7%	12.2%	-47.1%	5.8%	4.7%	0.5%	-3.3%	-25.1%	-
Toshin Development Singapore	2,272	2,200	2,191	2,226	2,267	2,167	2,114	2,189	2,087	-
YoY	2.2%	-0.7%	-1.3%	-2.9%	-0.2%	-1.5%	-3.5%	-1.7%	-7.9%	-
Operating profit	2,638	2,094	2,256	2,422	2,914	2,108	2,505	2,395	2,112	-
YoY	-5.2%	-9.6%	-7.7%	-37.1%	10.5%	0.7%	11.0%	-1.1%	-27.5%	-
OPM	25.1%	20.0%	21.3%	20.0%	25.6%	18.9%	22.2%	20.4%	25.2%	-
Toshin Development	2,026	1,586	1,730	1,977	1,981	1,324	1,787	1,589	1,194	-
YoY	-7.1%	-12.0%	-0.3%	-40.5%	-2.2%	-16.5%	3.3%	-19.6%	-39.7%	-
OPM	19.4%	15.0%	15.6%	16.8%	17.9%	12.0%	16.0%	14.0%	14.4%	-
Toshin Development Singapore	638	539	535	482	851	721	780	745	757	-
YoY	3.4%	-5.8%	-6.0%	-33.6%	33.4%	33.8%	45.8%	54.6%	-11.0%	-
OPM	28.1%	24.5%	24.4%	21.7%	37.5%	33.3%	36.9%	34.0%	36.3%	-

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.

Operating revenue generated by the Commercial Property Development business in Q1 was JPY8.4bn (-26.1% YoY), and operating profit was JPY2.1bn (-27.5% YoY). At Toshin Development, operating revenue was JPY8.3bn (-25.1% YoY), and operating profit was JPY1.2bn (-39.7% YoY). Accounting for these declines were rent reductions and exemptions associated with shopping center closures, a drop in percentage rent received due to declining tenant sales, and a decrease in other management revenue. Furthermore, the company recorded approximately JPY1.4bn in fixed costs at Toshin Development that were related to temporary business closures as extraordinary loss.

Finance

Quarterly results

Finance	FY02/19				FY02/20				FY02/21	FY02/21
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY Est.
Operating revenue	4,111	3,883	3,869	4,031	4,363	4,256	4,383	4,455	4,035	-
YoY	14.0%	8.2%	14.6%	11.5%	6.1%	9.6%	13.3%	10.5%	-7.5%	-
Takashimaya Credit	4,833	4,674	4,774	4,884	5,031	5,110	5,242	5,313	4,551	-
YoY	4.6%	3.6%	3.6%	3.9%	4.1%	9.3%	9.8%	8.8%	-9.5%	-
Operating profit	1,359	1,358	1,398	1,331	1,401	1,205	1,271	1,001	1,058	-
YoY	14.2%	29.0%	36.4%	2.8%	3.1%	-11.3%	-9.1%	-24.8%	-24.5%	-
OPM	33.1%	35.0%	36.1%	33.0%	32.1%	28.3%	29.0%	22.5%	26.2%	-
Takashimaya Credit	1,167	1,239	1,270	1,216	1,212	1,179	1,163	945	1,063	-
YoY	-1.4%	18.3%	24.8%	-6.1%	3.9%	-4.8%	-8.4%	-22.3%	-12.3%	-
OPM	24.1%	26.5%	26.6%	24.9%	24.1%	23.1%	22.2%	17.8%	23.4%	-

Source: Shared Research based on company data
Note: From FY02/20, Takashimaya insurance was transferred from Other to Finance segment (data in table above retrospectively adjusted).
Note: In Q1 FY02/21, Takashimaya Insurance merged with Takashimaya Credit via an absorption-type merger with Takashimaya Credit as the surviving entity. It subsequently changed its name to Takashimaya Financial Partners Co., Ltd. The figures above have not been retroactively adjusted to reflect this merger.

In the Finance business, Q1 operating revenue was JPY4.0bn (-7.5% YoY), and operating profit was JPY1.1bn (-24.5% YoY). The declines were due mainly to a decrease in transaction volumes for credit cards associated with lower department store sales and affiliate store closures. The company recorded about JPY200mn in fixed costs related to temporary closures as extraordinary loss. In March, Takashimaya Credit and Takashimaya Insurance merged together, launching operations under the name Takashimaya Financial Partners Co., Ltd. The company has officially registered the financial instruments intermediary services business of Takashimaya Financial Partners in keeping with collaborative agreements with SBI Securities. Additionally, it has also officially registered Takashimaya Financial Partners' fiduciary contract agency business in accordance with collaborative agreements concluded with Hogaraka Trust. The company has made a strategic move aimed at making Takashimaya Financial Partners a driver of medium-term growth.

Contract and Design

Quarterly results

Contract and Design Quarterly (JPYmn)	FY02/19 Q1	Q2	Q3	Q4	FY02/20 Q1	Q2	Q3	Q4	FY02/21 Q1	FY02/21 FY Est.
Operating revenue	5,354	6,842	5,407	7,192	6,628	9,741	6,357	10,464	7,258	-
YoY	-22.7%	6.2%	10.9%	-6.3%	23.8%	42.4%	17.6%	45.5%	9.5%	-
Takashimaya Space Create	6,198	9,226	7,847	8,359	7,285	10,852	8,238	9,991	7,358	-
YoY	-18.8%	32.9%	17.6%	3.5%	17.5%	17.6%	5.0%	19.5%	1.0%	-
Operating profit	-39	480	114	172	175	583	528	493	115	-
YoY	-	1.3%	-	-73.1%	-	21.5%	363.2%	186.6%	-34.3%	-
OPM	-0.7%	7.0%	2.1%	2.4%	2.6%	6.0%	8.3%	4.7%	1.6%	-
Takashimaya Space Create	-33	461	129	198	173	581	530	471	115	-
YoY	-	-3.2%	-	-69.2%	-	26.0%	310.9%	137.9%	-33.5%	-
OPM	-0.5%	5.0%	1.6%	2.4%	2.4%	5.4%	6.4%	4.7%	1.6%	-

Source: Shared Research based on company data
Note: In Q1 FY02/21, Takashimaya Space Create merged with Takashimaya Space Create Tohoku via an absorption-type merger with Takashimaya Space Create as the surviving entity. The figures above have not been retroactively adjusted to reflect this merger.

Q1 operating revenue in the Contract and Design business was JPY7.3bn (+9.5% YoY), and operating profit was JPY115mn (-34.3% YoY). Sales were higher YoY due to a greater volume of orders from external customers such as overseas luxury brand boutiques. Despite the higher sales, profit fell as a result of intensified competition. The company recorded roughly JPY100mn in fixed costs related to temporary closures as extraordinary loss.

Other

Quarterly results

Other Quarterly (JPYmn)	FY02/19 Q1	Q2	Q3	Q4	FY02/20 Q1	Q2	Q3	Q4	FY02/21 Q1
Operating revenue	7,743	8,874	9,180	10,634	8,008	9,168	9,544	11,418	7,896
YoY	1.4%	8.9%	18.8%	-10.8%	3.4%	3.3%	4.0%	7.4%	-1.4%
Operating profit	262	601	606	902	347	629	684	902	20
YoY	-52.4%	-25.2%	-12.0%	-30.0%	32.4%	4.7%	12.9%	0.0%	-94.2%
OPM	3.4%	6.8%	6.6%	8.5%	4.3%	6.9%	7.2%	7.9%	0.3%

Source: Shared Research based on company data

For reference: Domestic department store performance by store

Domestic department store sales

Sales by store	FY02/19				FY02/20				FY02/21	FY02/21
Quarterly (JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	FY Est.
Total sales	185,262	185,647	183,894	213,645	185,797	188,884	185,770	199,833	87,287	-
YoY	1.4%	0.5%	-0.8%	0.7%	0.3%	1.7%	1.0%	-6.5%	-53.0%	-
Takashimaya (parent)	172,536	173,077	171,026	198,694	173,097	176,175	172,878	185,468	80,330	-
YoY	1.6%	0.7%	-0.7%	0.7%	0.3%	1.8%	1.1%	-6.7%	-53.6%	-
Osaka	36,066	34,803	35,541	40,861	38,471	37,560	36,829	36,701	13,848	-
YoY	6.1%	4.0%	2.8%	3.7%	6.7%	7.9%	3.6%	-10.2%	-64.0%	-
% of total sales	20.9%	20.1%	20.8%	20.6%	22.2%	21.3%	21.3%	19.8%	17.2%	-
Sakai	3,078	3,328	2,788	3,431	2,736	2,997	2,607	3,325	1,647	-
YoY	1.0%	1.1%	-8.3%	-8.3%	-11.1%	-9.9%	-6.5%	-3.1%	-39.8%	-
% of total sales	1.8%	1.9%	1.6%	1.7%	1.6%	1.7%	1.5%	1.8%	2.1%	-
Kyoto	21,785	21,465	21,625	25,468	21,984	21,938	22,081	23,562	10,089	-
YoY	5.3%	2.1%	0.5%	2.3%	0.9%	2.2%	2.1%	-7.5%	-54.1%	-
% of total sales	12.6%	12.4%	12.6%	12.8%	12.7%	12.5%	12.8%	12.7%	12.6%	-
Senboku	3,831	4,429	3,828	5,031	3,830	4,207	3,780	4,674	2,467	-
YoY	0.1%	3.6%	0.4%	1.4%	0.0%	-5.0%	-1.3%	-7.1%	-35.6%	-
% of total sales	2.2%	2.6%	2.2%	2.5%	2.2%	2.4%	2.2%	2.5%	3.1%	-
Nhombashi	31,518	30,429	31,270	36,091	30,856	32,188	32,696	35,050	20,115	-
YoY	-3.2%	-5.2%	-6.8%	0.2%	-2.1%	5.8%	4.6%	-2.9%	-34.8%	-
% of total sales	18.3%	17.6%	18.3%	18.2%	17.8%	18.3%	18.9%	18.9%	25.0%	-
Yokohama	31,902	32,476	32,037	36,113	31,559	32,018	32,173	33,752	12,613	-
YoY	1.2%	1.6%	0.1%	-0.1%	-1.1%	-1.4%	0.4%	-6.5%	-60.0%	-
% of total sales	18.5%	18.8%	18.7%	18.2%	18.2%	18.2%	18.6%	18.2%	15.7%	-
Konandai	1,817	2,039	1,861	2,262	1,779	1,986	1,753	2,131	1,106	-
YoY	-4.4%	-3.8%	-1.3%	-3.0%	-2.1%	-2.6%	-5.8%	-5.8%	-37.8%	-
% of total sales	1.1%	1.2%	1.1%	1.1%	1.0%	1.1%	1.0%	1.1%	1.4%	-
Shinjuku	18,397	18,070	17,932	20,425	18,235	17,879	16,928	18,682	6,675	-
YoY	4.8%	4.7%	1.6%	-2.2%	-0.9%	-1.1%	-5.6%	-8.5%	-63.4%	-
% of total sales	10.7%	10.4%	10.5%	10.3%	10.5%	10.1%	9.8%	10.1%	8.3%	-
Tamagawa	10,044	11,110	10,117	12,484	9,839	10,993	10,204	11,889	4,831	-
YoY	0.4%	2.4%	-1.7%	-0.3%	-2.0%	-1.1%	0.9%	-4.8%	-50.9%	-
% of total sales	5.8%	6.4%	5.9%	6.3%	5.7%	6.2%	5.9%	6.4%	6.0%	-
Tachikawa	2,268	2,490	2,189	2,681	2,035	2,269	2,204	2,551	1,099	-
YoY	-31.5%	-30.6%	-11.6%	-9.3%	-10.3%	-8.9%	0.7%	-4.8%	-46.0%	-
% of total sales	1.3%	1.4%	1.3%	1.3%	1.2%	1.3%	1.3%	1.4%	1.4%	-
Omiya	2,301	2,588	2,364	2,722	2,182	2,515	2,265	2,480	1,158	-
YoY	-0.5%	-3.9%	-1.2%	-1.4%	-5.2%	-2.8%	-4.2%	-8.9%	-46.9%	-
% of total sales	1.3%	1.5%	1.4%	1.4%	1.3%	1.4%	1.3%	1.3%	1.4%	-
Kashiwa	9,522	9,851	9,476	11,123	9,590	9,620	9,358	10,671	4,677	-
YoY	4.4%	6.3%	4.4%	4.1%	0.7%	-2.3%	-1.2%	-4.1%	-51.2%	-
% of total sales	5.5%	5.7%	5.5%	5.6%	5.5%	5.5%	5.4%	5.8%	5.8%	-
Domestic subsidiaries										
Okayama Takashimaya	4,475	4,221	4,614	5,066	4,514	4,453	4,624	4,936	2,924	-
YoY	-3.3%	-4.7%	0.5%	0.8%	0.9%	5.5%	0.2%	-2.6%	-35.2%	-
Gifu Takashimaya	3,370	3,345	3,306	4,034	3,230	3,305	3,319	3,777	1,726	-
YoY	-3.0%	-4.9%	-5.9%	-3.0%	-4.2%	-1.2%	0.4%	-6.4%	-46.6%	-
Yonago Takashimaya	1,097	1,198	1,130	1,363	1,055	1,139	1,081	1,228	-	-
YoY	-7.7%	-0.5%	-3.1%	0.7%	-3.8%	-4.9%	-4.3%	-9.9%	-	-
Takasaki Takashimaya	3,782	3,805	3,819	4,488	3,899	3,811	3,870	4,422	2,306	-
YoY	6.9%	2.9%	0.8%	1.5%	3.1%	0.2%	1.3%	-1.5%	-40.9%	-

Source: Shared Research based on company data
Note: The company completed the sale of its entire stake in its Yonago Takashimaya in March 2020.

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

Forecasts for FY02/21

Consolidated	FY02/19			FY02/20			FY02/21 Est.		
(JPYmn)	1H	2H	FY	1H	2H	FY	1H	2H	FY
Operating revenue	441,524	471,324	912,848	453,144	465,950	919,094		-	-
YoY	1.9%	-0.7%	0.6%	2.6%	-1.1%	0.7%	-	-	-
Sales	409,356	437,538	846,894	417,630	430,864	848,494		-	-
YoY	1.9%	-1.2%	0.2%	2.0%	-1.5%	0.2%	-	-	-
Gross profit	105,797	111,606	217,403	106,453	108,672	215,125		-	-
YoY	1.8%	-2.5%	-0.5%	0.6%	-2.6%	-1.0%	-	-	-
GPM	25.8%	25.5%	25.7%	25.5%	25.2%	25.4%	-	-	-
SG&A expenses	124,544	132,151	256,695	128,543	131,599	260,142		-	-
YoY	2.6%	6.1%	4.4%	3.2%	-0.4%	1.3%	-	-	-
SG&A ratio	30.4%	30.2%	30.3%	30.8%	30.5%	30.7%	-	-	-
Operating profit	13,420	13,241	26,661	13,424	12,158	25,582		-	-
YoY	-3.4%	-38.2%	-24.5%	0.0%	-8.2%	-4.0%	-	-	-
OPM	3.3%	3.0%	3.1%	3.2%	2.8%	3.0%	-	-	-
Recurring profit	16,125	15,109	31,234	12,659	10,541	23,200		-	-
YoY	3.1%	-34.2%	-19.1%	-21.5%	-30.2%	-25.7%	-	-	-
RPM	3.9%	3.5%	3.7%	3.0%	2.4%	2.7%	-	-	-
Net income	8,782	7,661	16,443	12,404	3,624	16,028		-	-
YoY	-2.6%	-47.7%	-30.5%	41.2%	-52.7%	-2.5%	-	-	-
Net margin	2.1%	1.8%	1.9%	3.0%	0.8%	1.9%	-	-	-

Source: Shared Research based on company data

The company's FY02/21 earnings forecast is undetermined. It currently maintains that it cannot fully ascertain the impact of the COVID-19 pandemic because the timing of its conclusion remains unclear. It plans to release a forecast as soon as practicable.

Nevertheless, the company still plans to pay a dividend of JPY24.0 per share in FY02/21, as it did in FY02/20. It has faced crises before, but compared with those times its financial standing is more solid now (as of end-FY02/20, it held JPY89.8bn in cash and deposits and had a shareholders' equity ratio of 37.2%, and some leeway in terms of issuing commercial papers and obtaining bank overdrafts and credit). The fact the company has announced its expected dividend payment for FY02/21 even without releasing a full forecast is a sign that the company is confident in its cash management ability.

FY02/21 management plan

Despite the uncertain business climate, Takashimaya still aims to achieve growth in its various businesses by further developing and expanding its comprehensive Machi-Zukuri (urban development) strategy and by resolutely proceeding with reform of the group's cost structure.

Department Store business

Operating cost structure reform: Takashimaya will revise its organizational and management structures to improve efficiency and productivity. Ordinarily, it formulates five-year business plans on a rolling basis, but has suspended this practice for now, instead putting in place a three-year emergency business plan (FY02/21–FY02/23) calling for cost reductions of JPY12.0bn over three years (JPY6.0bn in personnel expenses, JPY2.0bn in general expenses, and JPY4.0bn in depreciation).

Enhancements to food business: Takashimaya will work to improve its private brands, including Fauchon, and discover and develop new brands and products for its Aji Hyakusen gourmet food fair (featuring the best foods from around the country as selected by Takashimaya). It also aims to adjust its sales methods to improve the sense of entertainment, with more goods made fresh right in front of customers, in order to attract more customers to its department stores and shopping centers.

Revitalization of fashion and apparel: Takashimaya aims to differentiate itself from specialty apparel stores by leveraging its strengths, such as its sales floors and distinct shops with stock procured and sold at its own discretion, and by being extremely sensitive to trends so that it can procure items that exceed customers' expectations. In addition, the company will collaborate with major partners to develop sales displays that transcend product categories.

Overseas department stores: At Shanghai Takashimaya, for which the rent was lowered in FY02/20, the company will promote low-cost management by restructuring its operational framework in order to improve earnings. At Siam Takashimaya, where local infrastructure (including construction of an elevated railway) has been delayed, it will improve its merchandising, for example by correcting a product mix that is too weighted toward luxury items.

Commercial Property Development

Domestic: Toshin Development will coordinate with the department store to renovate Tamagawa Takashimaya SC as a lifestyle center where people gather and spend time. In addition, it will promote neighborhood development around Nagareyama Otakanomori SC with the aim of creating a community environment in which people can spend time in a manner that enriches their lives. Three facilities are currently being developed near Nagareyama Otakanomori SC, which opened in March 2007. One facility is scheduled to open in spring 2021 (Block A3, 11,300sqm in total floor space, with plans to attract 30 stores), followed by another in fall 2021 (Block B45, 10,200sqm in total floor space) and one more in summer 2022 (Block B43, 20,500sqm in total floor space).

Overseas: Takashimaya plans to concentrate its management resources on Vietnam, where it anticipates market expansion. The company is participating in the Starlake urban redevelopment project in Hanoi, as part of which a bilingual school is scheduled to open in early 2021, followed by a mainly commercial building complex in 2022 or later.

Finance

Starting with its credit card services, Takashimaya plans to expand its financial services to the handling of insurance, investment trusts, and other trusts, and will enhance its systems in order to work closely with customers on asset formation and preservation. In April 2020, Takashimaya announced that it had concluded a business alliance agreement with SBI Holdings, Inc. (TSE1: 8473) subsidiary SBI Securities Co., Ltd., and a capital and business alliance agreement with Hogaraka Trust Co., Ltd. (unlisted), whose parent is a legal professional corporation. Through the agreement with SBI Securities, Takashimaya can provide its customers with investment trusts, while through the agreement with Hogaraka Trust, it can provide them with trust and asset succession services. The fact that the company owns department stores with an established reputation for hospitality and a solid base of affluent customers can be considered a key strength of its Finance business. Takashimaya aims to strengthen the foundation of its Finance business as it targets operating profit of about JPY10.0bn.

Contract and Design

To counter an anticipated decline in orders after the Tokyo Olympics and Paralympics, Takashimaya Space Create plans to enhance its planning and design functions and improve its competitiveness and earnings capacity through proposal-based sales.

E-commerce

Takashimaya considers its e-commerce site as the third “machi” (community). It is concerned that customers will not return to department stores at previous levels even after the COVID-19 pandemic has ended. In light of this, the company will be working to make collection and shipping operations more efficient, enhance its product mix with a focus on products for personal use and gifts to mark life events, improve the functions and services of its e-commerce site, and develop synergies between its online and physical stores.

By segment	FY02/19			FY02/20			FY02/21 Est.		
(JPYmn)	1H	2H	FY	1H	2H	FY	1H	2H	FY
Operating revenue	441,524	471,324	912,848	453,144	465,950	919,094	-	-	-
YoY	1.9%	-0.7%	0.6%	2.6%	-1.1%	0.7%	-	-	-
Department Store	383,735	408,310	792,045	388,450	396,325	784,775	-	-	-
YoY	1.8%	0.1%	0.9%	1.2%	-2.9%	-0.9%	-	-	-
Commercial Property Development	20,979	22,702	43,681	22,527	23,004	45,531	-	-	-
YoY	5.3%	-17.6%	-8.0%	7.4%	1.3%	4.2%	-	-	-
Finance	7,994	7,900	15,894	8,619	8,838	17,457	-	-	-
YoY	11.1%	13.0%	12.0%	7.8%	11.9%	9.8%	-	-	-
Contract and Design	12,196	12,599	24,795	16,369	16,821	33,190	-	-	-
YoY	-8.8%	0.4%	-4.3%	34.2%	33.5%	33.9%	-	-	-
Other	16,617	19,814	36,431	17,176	20,962	38,138	-	-	-
YoY	5.3%	0.9%	2.8%	3.4%	5.8%	4.7%	-	-	-
Operating profit	13,420	13,241	26,661	13,424	12,158	25,582	-	-	-
YoY	-3.4%	-38.2%	-24.5%	0.0%	-8.2%	-4.0%	-	-	-
OPM	3.0%	2.8%	2.9%	3.0%	2.6%	2.8%	-	-	-
Department Store	4,427	4,264	8,691	4,274	2,664	6,938	-	-	-
YoY	7.2%	-54.5%	-35.7%	-3.5%	-37.5%	-20.2%	-	-	-
OPM	1.2%	1.0%	1.1%	1.1%	0.7%	0.9%	-	-	-
Commercial Property Development	4,732	4,678	9,410	5,022	4,900	9,922	-	-	-
YoY	-7.2%	-25.7%	-17.4%	6.1%	4.7%	5.4%	-	-	-
OPM	22.6%	20.6%	21.5%	22.3%	21.3%	21.8%	-	-	-
Finance	2,717	2,729	5,446	2,606	2,272	4,878	-	-	-
YoY	21.1%	17.6%	19.4%	-4.1%	-16.7%	-10.4%	-	-	-
OPM	34.0%	34.5%	34.3%	30.2%	25.7%	27.9%	-	-	-
Contract and Design	441	286	727	758	1,021	1,779	-	-	-
YoY	-40.2%	-39.0%	-39.8%	71.9%	257.0%	144.7%	-	-	-
OPM	3.6%	2.3%	2.9%	4.6%	6.1%	5.4%	-	-	-
Other	863	1,508	2,371	976	1,586	2,562	-	-	-
Adjustments	238	-225	13	-215	-284	-499	-	-	-

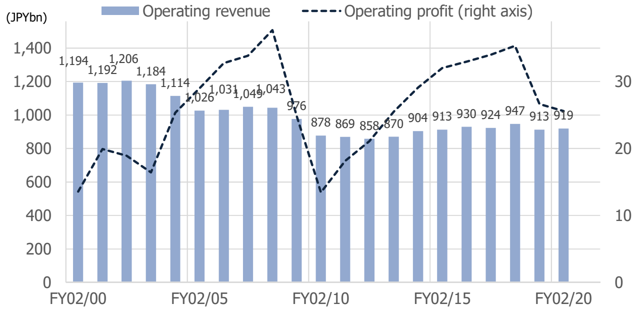
Source: Shared Research based on company data
Note: From FY02/20, Takashimaya insurance was transferred from Other to Finance segment (data in table above retrospectively adjusted).
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

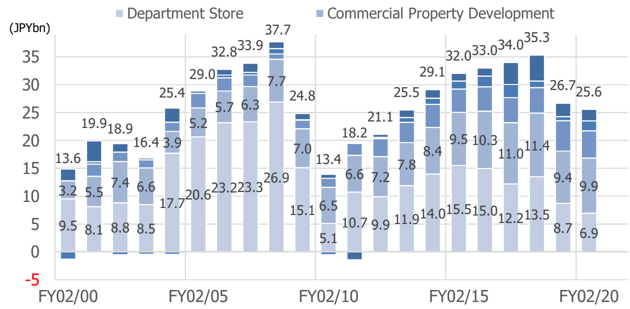
Earnings outlook by segment

By segment	FY02/12	FY02/13	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21
(JPYmn)	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Est.
Operating revenue	858,123	870,333	904,180	912,523	929,588	923,601	907,805	912,848	919,094	-
YoY	-1.3%	1.4%	3.9%	0.9%	1.9%	-0.6%	-1.7%	0.6%	0.7%	-
Department Store	762,827	770,089	798,079	802,956	811,648	797,253	785,000	792,045	784,775	-
YoY	-1.9%	1.0%	3.6%	0.6%	1.1%	-1.8%	-1.5%	0.9%	-0.9%	-
Commercial Property Development	32,259	33,863	36,804	38,102	42,389	47,923	47,476	43,681	45,531	-
YoY	9.6%	5.0%	8.7%	3.5%	11.3%	13.1%	-0.9%	-8.0%	4.2%	-
Finance	11,514	11,655	11,911	12,385	12,865	13,414	14,187	15,894	17,457	-
YoY	-1.5%	1.2%	2.2%	4.0%	3.9%	4.3%	5.8%	12.0%	9.8%	-
Contract and Design	17,097	19,010	20,622	24,658	26,710	30,874	25,916	24,795	33,190	-
YoY	-2.0%	11.2%	8.5%	19.6%	8.3%	15.6%	-16.1%	-4.3%	33.9%	-
Other	34,424	35,714	36,762	34,420	35,974	34,135	35,430	36,431	38,138	-
YoY	3.0%	3.7%	2.9%	-6.4%	4.5%	-5.1%	3.8%	2.8%	4.7%	-
Operating profit	21,099	25,476	29,099	32,022	32,972	34,000	35,318	26,661	25,582	-
YoY	16.1%	20.7%	14.2%	10.0%	3.0%	3.1%	3.9%	-24.5%	-4.0%	-
OPM	2.5%	2.9%	3.2%	3.5%	3.5%	3.7%	3.9%	2.9%	2.8%	-
Department Store	9,909	11,880	13,962	15,519	14,975	12,182	13,509	8,691	6,938	-
YoY	-7.6%	19.9%	17.5%	11.2%	-3.5%	-18.7%	10.9%	-35.7%	-20.2%	-
OPM	1.3%	1.5%	1.7%	1.9%	1.8%	1.5%	1.7%	1.1%	0.9%	-
Commercial Property Development	7,184	7,757	8,380	9,528	10,297	11,028	11,393	9,410	9,922	-
YoY	8.6%	8.0%	8.0%	13.7%	8.1%	7.1%	3.3%	-17.4%	5.4%	-
OPM	22.3%	22.9%	22.8%	25.0%	24.3%	23.0%	24.0%	21.5%	21.8%	-
Finance	3,228	3,625	4,144	4,176	4,376	4,495	4,563	5,446	4,878	-
YoY	51.2%	12.3%	14.3%	0.8%	4.8%	2.7%	1.5%	19.4%	-10.4%	-
OPM	28.0%	31.1%	34.8%	33.7%	34.0%	33.5%	32.2%	34.3%	27.9%	-
Contract and Design	217	868	1,110	1,439	1,898	2,342	1,207	727	1,779	-
YoY	79.3%	300.0%	27.9%	29.6%	31.9%	23.4%	-48.5%	-39.8%	144.7%	-
OPM	1.3%	4.6%	5.4%	5.8%	7.1%	7.6%	4.7%	2.9%	5.4%	-
Other	248	1,261	1,650	1,590	1,496	2,333	3,331	2,371	2,562	-
Adjustments	310	83	-150	-231	-69	1,616	1,314	13	-499	-

Source: Shared Research based on company data
Note: From FY02/20, Takashimaya insurance was transferred from Other to Finance segment (data in table above retrospectively adjusted).
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

Operating revenue (left), operating profit (right)





Source: Shared Research based on company data
Note: In FY02/19, the company changed display of operating revenue for overseas department stores to a net amount based on IFRS 15. In FY02/20, it changed expense recognition for rents based on IFRS 16 (which boosted operating profit by JPY2.7bn).
Note: Effective Q3 FY02/20, the name of the Real Estate segment was changed to the Commercial Property Development segment.

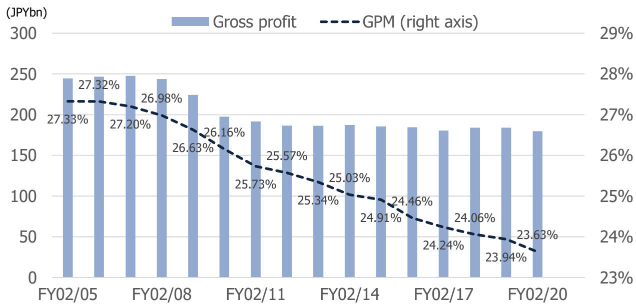
Department Store

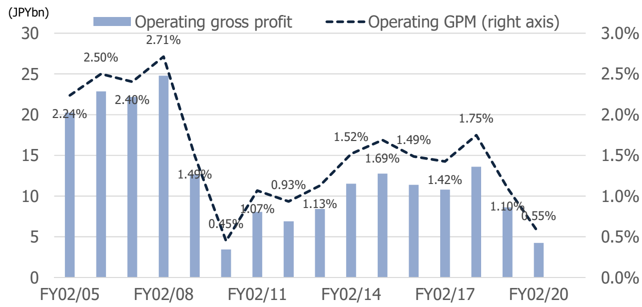
Domestic department stores

Domestic department stores	FY02/19			FY02/20			FY02/21 Est.		
(JPYmn)	1H	2H	FY	1H	2H	FY	1H	2H	FY
Operating revenue	377,738	404,870	782,608	382,071	393,125	775,196		-	-
YoY	0.9%	0.1%	0.5%	1.1%	-2.9%	-0.9%	-	-	-
Sales	370,909	397,539	768,448	374,681	385,603	760,284		-	-
YoY	0.9%	0.0%	0.4%	1.0%	-3.0%	-1.1%	-	-	-
Gross profit	89,606	94,391	183,997	88,987	91,581	180,567		-	-
YoY	1.1%	-1.1%	0.0%	-0.7%	-3.0%	-1.9%	-	-	-
GPM	24.2%	23.7%	23.9%	23.8%	23.8%	23.8%	-	-	-
Gross operating profit	96,435	101,722	198,157	96,380	98,149	194,529		-	-
YoY	1.0%	-0.4%	0.3%	-0.1%	-3.5%	-1.8%	-	-	-
Gross OPM	26.0%	25.6%	25.8%	25.7%	25.5%	25.6%	-	-	-
SG&A expenses	92,064	97,488	189,552	93,576	96,705	190,281		-	-
YoY	1.3%	4.7%	3.0%	1.6%	-0.8%	0.4%	-	-	-
SG&A ratio	24.8%	24.5%	24.7%	25.0%	25.1%	25.0%	-	-	-
Operating profit	4,371	4,234	8,605	2,804	1,444	4,248		-	-
YoY	-4.1%	-53.2%	-36.7%	-35.8%	-65.9%	-50.6%	-	-	-
OPM	1.2%	1.1%	1.1%	0.7%	0.4%	0.6%	-	-	-
Recurring profit	7,227	13,951	21,178	4,714	4,160	8,874		-	-
YoY	-3.8%	65.6%	32.9%	-34.8%	-70.2%	-58.1%	-	-	-
RPM	1.9%	3.5%	2.8%	1.3%	1.1%	1.2%	-	-	-
Net income	3,654	6,556	10,210	5,985	136	6,121		-	-
YoY	-18.9%	44.2%	12.8%	63.8%	-97.9%	-40.0%	-	-	-
Net margin	1.0%	1.6%	1.3%	1.6%	0.0%	0.8%	-	-	-

Source: Shared Research based on company data

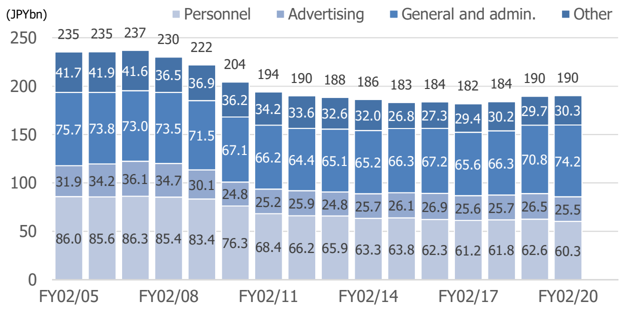
Domestic department store gross profit (GPM on product sales) and operating profit (OPM)

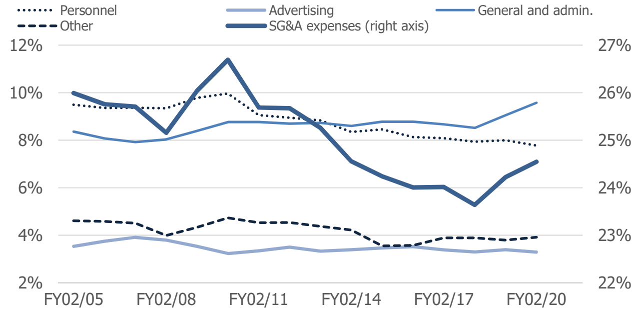




Source: Shared Research based on company data

Domestic department store SG&A expenses





Source: Shared Research based on company data

Domestic department store (JPYmn)	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 Act.	FY02/21 Est.
Operating revenue	740,047	745,757	758,338	755,239	765,466	757,171	778,624	782,608	775,196	
YoY	-2.0%	0.8%	1.7%	-0.4%	1.4%	-1.1%	2.8%	0.5%	-0.9%	
Takashimaya (parent)	684,215	690,334	701,773	699,656	710,161	703,056	724,604	729,198	722,236	
YoY	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.0%	3.1%	0.6%	-1.0%	
Okayama Takashimaya	18,358	18,153	18,895	18,680	18,644	18,443	18,797	18,495	18,648	
YoY	-3.3%	-1.1%	4.1%	-1.1%	-0.2%	-1.1%	1.9%	-1.6%	0.8%	
Gifu Takashimaya	16,138	15,801	16,088	15,476	15,396	15,015	14,686	14,051	13,619	
YoY	-2.4%	-2.1%	1.8%	-3.8%	-0.5%	-2.5%	-2.2%	-4.3%	-3.1%	
Yonago Takashimaya	6,423	6,368	6,386	6,182	6,023	5,393	5,004	4,896	4,616	
YoY	-2.8%	-0.9%	0.3%	-3.2%	-2.6%	-10.5%	-7.2%	-2.2%	-5.7%	
Takasaki Takashimaya	14,915	15,099	15,194	15,244	15,240	15,261	15,530	15,966	16,075	
YoY	2.8%	1.2%	0.6%	0.3%	0.0%	0.1%	1.8%	2.8%	0.7%	
Sales	729,746	735,332	747,812	745,039	755,041	745,146	765,037	768,448	760,284	
YoY	-2.1%	0.8%	1.7%	-0.4%	1.3%	-1.3%	2.7%	0.4%	-1.1%	
Takashimaya (parent)	674,262	680,255	691,580	689,779	700,045	691,353	711,341	715,333	707,618	
YoY	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.2%	2.9%	0.6%	-1.1%	
Four subsidiaries	55,484	55,077	56,232	55,260	54,996	53,793	53,696	53,115	52,666	
YoY	-3.0%	-0.7%	2.1%	-1.7%	-0.5%	-2.2%	-0.2%	-1.1%	-0.8%	
Gross profit	186,597	186,358	187,194	185,601	184,687	180,591	184,059	183,997	179,655	
YoY	-2.7%	-0.1%	0.4%	-0.9%	-0.5%	-2.2%	1.9%	0.0%	-2.4%	
GPM	25.6%	25.3%	25.0%	24.9%	24.5%	24.2%	24.1%	23.9%	23.6%	
Takashimaya (parent)	172,863	172,825	173,562	172,364	171,848	168,179	171,705	171,878	167,726	
YoY	-2.6%	0.0%	0.4%	-0.7%	-0.3%	-2.1%	2.1%	0.1%	-2.4%	
GPM	25.6%	25.4%	25.1%	25.0%	24.5%	24.3%	24.1%	24.0%	23.7%	
Four subsidiaries	13,734	13,533	13,632	13,237	12,839	12,412	12,354	12,119	11,929	
YoY	-3.2%	-1.5%	0.7%	-2.9%	-3.0%	-3.3%	-0.5%	-1.9%	-1.6%	
GPM	24.8%	24.6%	24.2%	24.0%	23.3%	23.1%	23.0%	22.8%	22.7%	
SG&A expenses	189,988	188,368	186,196	183,057	183,737	181,835	184,045	189,552	190,281	
YoY	-2.1%	-0.9%	-1.2%	-1.7%	0.4%	-1.0%	1.2%	3.0%	0.4%	
% of operating revenue	25.7%	25.3%	24.6%	24.2%	24.0%	24.0%	23.6%	24.2%	24.5%	
Takashimaya (parent)	176,394	175,167	172,977	169,991	171,023	169,591	172,408	177,202	178,415	
YoY	-1.8%	-0.7%	-1.3%	-1.7%	0.6%	-0.8%	1.7%	2.8%	0.7%	
% of operating revenue	25.8%	25.4%	24.6%	24.3%	24.1%	24.1%	23.8%	24.3%	24.7%	
Four subsidiaries	13,594	13,201	13,219	13,066	12,714	12,244	11,637	12,350	11,866	
YoY	-5.1%	-2.9%	0.1%	-1.2%	-2.7%	-3.7%	-5.0%	6.1%	-3.9%	
% of operating revenue	24.3%	23.8%	23.4%	23.5%	23.0%	22.6%	21.5%	23.1%	22.4%	
Personnel	66,185	65,866	63,288	63,845	62,255	61,244	61,825	62,556	60,266	
YoY	-3.2%	-0.5%	-3.9%	0.9%	-2.5%	-1.6%	0.9%	1.2%	-3.7%	
% of operating revenue	8.9%	8.8%	8.3%	8.5%	8.1%	8.1%	7.9%	8.0%	7.8%	
Advertising	25,894	24,808	25,662	26,123	26,923	25,608	25,695	26,481	25,486	
YoY	2.6%	-4.2%	3.4%	1.8%	3.1%	-4.9%	0.3%	3.1%	-3.8%	
% of operating revenue	3.5%	3.3%	3.4%	3.5%	3.5%	3.4%	3.3%	3.4%	3.3%	
General and administrative	64,351	65,077	65,221	66,271	67,212	65,592	66,311	70,793	74,191	
YoY	-2.8%	1.1%	0.2%	1.6%	1.4%	-2.4%	1.1%	6.8%	4.8%	
% of operating revenue	8.7%	8.7%	8.6%	8.8%	8.8%	8.7%	8.5%	9.0%	9.6%	
Other	33,557	32,615	32,024	26,817	27,346	29,389	30,212	29,721	30,337	
YoY	-1.9%	-2.8%	-1.8%	-16.3%	2.0%	7.5%	2.8%	-1.6%	2.1%	
% of operating revenue	4.5%	4.4%	4.2%	3.6%	3.6%	3.9%	3.9%	3.8%	3.9%	
Operating profit	6,910	8,415	11,524	12,744	11,375	10,781	13,601	8,605	4,248	
YoY	-14.2%	21.8%	36.9%	10.6%	-10.7%	-5.2%	26.2%	-36.7%	-50.6%	
OPM	0.9%	1.1%	1.5%	1.7%	1.5%	1.4%	1.7%	1.1%	0.5%	
Takashimaya (parent)	6,421	7,738	10,777	12,250	10,940	10,292	12,920	8,541	3,928	
YoY	-18.1%	20.5%	39.3%	13.7%	-10.7%	-5.9%	25.5%	-33.9%	-54.0%	
OPM	0.9%	1.1%	1.5%	1.8%	1.5%	1.5%	1.8%	1.2%	0.5%	
Okayama Takashimaya	10	74	39	-75	-92	118	114	-124	-94	
YoY	-	640.0%	-47.3%	-	-	-	-3.4%	-	-	
OPM	0.1%	0.4%	0.2%	-0.4%	-0.5%	0.6%	0.6%	-0.7%	-0.5%	
Gifu Takashimaya	220	241	239	83	11	-91	61	-190	25	
YoY	25.7%	9.5%	-0.8%	-65.3%	-86.7%	-	-	-	-	
OPM	1.4%	1.5%	1.5%	0.5%	0.1%	-0.6%	0.4%	-1.4%	0.2%	
Yonago Takashimaya	-32	-66	19	-23	-68	-136	32	2	-23	
YoY	-	-	-	-	-	-	-	-93.8%	-	
OPM	-0.5%	-1.0%	0.3%	-0.4%	-1.1%	-2.5%	0.6%	0.0%	-0.5%	
Takasaki Takashimaya	291	427	449	509	585	599	473	376	412	
YoY	11.1%	46.7%	5.2%	13.4%	14.9%	2.4%	-21.0%	-20.5%	9.6%	
OPM	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 store (domestic dept.) (JPYmn)	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 Act.	FY02/21 Est.
Sales	**729,746**	**735,332**	**747,812**	**745,039**	**755,041**	**745,146**	**765,037**	**768,448**	**760,284**	
YoY	**-2.1%**	**0.8%**	**1.7%**	**-0.4%**	**1.3%**	**-1.3%**	**2.7%**	**0.4%**	**-1.1%**	
Takashimaya (parent)	674,262	680,255	691,580	689,779	700,045	691,353	711,341	715,333	707,618	
YoY	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.2%	2.9%	0.6%	-1.1%	
Osaka	117,890	119,997	120,685	122,526	127,630	129,952	141,450	147,271	149,561	
YoY	2.6%	1.8%	0.6%	1.5%	4.2%	1.8%	8.8%	4.1%	1.6%	
Sakai	15,618	15,386	15,171	14,243	13,860	12,988	13,122	12,625	11,665	
YoY	-1.7%	-1.5%	-1.4%	-6.1%	-2.7%	-6.3%	1.0%	-3.8%	-7.6%	
Kyoto	83,878	83,866	85,191	84,384	85,945	84,815	88,126	90,343	89,565	
YoY	-1.7%	0.0%	1.6%	-0.9%	1.8%	-1.3%	3.9%	2.5%	-0.9%	
Senboku	20,681	20,419	20,178	19,525	18,614	17,999	16,878	17,119	16,491	
YoY	-1.2%	-1.3%	-1.2%	-3.2%	-4.7%	-3.3%	-6.2%	1.4%	-3.7%	
Tokyo (Nihombashi)	124,242	126,124	129,901	129,843	136,631	132,908	134,241	129,308	130,790	
YoY	-2.2%	1.5%	3.0%	0.0%	5.2%	-2.7%	1.0%	-3.7%	1.1%	
Yokohama	131,794	131,776	135,370	134,848	132,035	129,431	131,649	132,528	129,502	
YoY	-1.7%	0.0%	2.7%	-0.4%	-2.1%	-2.0%	1.7%	0.7%	-2.3%	
Konandai	10,816	10,614	10,634	10,379	9,968	8,895	8,237	7,979	7,649	
YoY	-1.8%	-1.9%	0.2%	-2.4%	-4.0%	-10.8%	-7.4%	-3.1%	-4.1%	
Shinjuku	61,678	63,701	66,081	67,902	70,441	70,843	73,331	74,824	71,724	
YoY	-6.7%	3.3%	3.7%	2.8%	3.7%	0.6%	3.5%	2.0%	-4.1%	
Tamagawa	40,515	40,936	42,468	42,434	42,908	43,087	43,665	43,755	42,925	
YoY	-3.0%	1.0%	3.7%	-0.1%	1.1%	0.4%	1.3%	0.2%	-1.9%	
Tachikawa	17,347	18,117	17,778	16,988	15,753	14,589	12,332	9,628	9,059	
YoY	-12.6%	4.4%	-1.9%	-4.4%	-7.3%	-7.4%	-15.5%	-21.9%	-5.9%	
Omiya	13,128	12,666	11,722	10,907	10,528	10,129	10,158	9,975	9,442	
YoY	-4.7%	-3.5%	-7.5%	-7.0%	-3.5%	-3.8%	0.3%	-1.8%	-5.3%	
Kashiwa	36,670	36,646	36,394	35,793	35,726	35,711	38,147	39,972	39,239	
YoY	-1.2%	-0.1%	-0.7%	-1.7%	-0.2%	0.0%	6.8%	4.8%	-1.8%	
Okayama Takashimaya	18,223	18,014	18,760	18,549	18,517	18,315	18,674	18,376	18,527	
YoY	-3.3%	-1.1%	4.1%	-1.1%	-0.2%	-1.1%	2.0%	-1.6%	0.8%	
Gifu Takashimaya	16,041	15,715	16,002	15,397	15,330	14,960	14,663	14,055	13,631	
YoY	-2.4%	-2.0%	1.8%	-3.8%	-0.4%	-2.4%	-2.0%	-4.1%	-3.0%	
Yonago Takashimaya	6,396	6,341	6,363	6,158	5,993	5,333	4,912	4,788	4,503	
YoY	-2.8%	-0.9%	0.3%	-3.2%	-2.7%	-11.0%	-7.9%	-2.5%	-6.0%	
Takasaki Takashimaya	14,823	15,005	15,105	15,154	15,155	15,184	15,446	15,894	16,002	
YoY	-3.2%	1.2%	0.7%	0.3%	0.0%	0.2%	1.7%	2.9%	0.7%	

Source: Shared Research based on company data

Parent earnings (JPYmn)	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 Act.	FY02/21 Est.
Operating revenue	684,215	690,334	701,773	699,656	710,161	703,056	724,604	729,198	722,236	-
YoY	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.0%	3.1%	0.6%	-1.0%	-
Sales	674,262	680,255	691,580	689,779	700,045	691,353	711,341	715,333	707,618	-
YoY	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.2%	2.9%	0.6%	-1.1%	-
Difference	9,953	10,079	10,193	9,877	10,116	11,703	13,263	13,865	14,618	-
YoY	-0.6%	1.3%	1.1%	-3.1%	2.4%	15.7%	13.3%	4.5%	5.4%	-
Gross profit	172,863	172,825	173,562	172,364	171,848	168,179	171,705	171,878	167,726	-
YoY	-2.6%	0.0%	0.4%	-0.7%	-0.3%	-2.1%	2.1%	0.1%	-2.4%	-
GPM	25.6%	25.0%	24.7%	24.6%	24.2%	23.9%	23.7%	23.6%	23.2%	-
SG&A expenses	176,394	175,167	172,977	169,991	171,023	169,591	172,408	177,202	178,415	-
YoY	-1.8%	-0.7%	-1.3%	-1.7%	0.6%	-0.8%	1.7%	2.8%	0.7%	-
% of operating revenue	25.8%	25.4%	24.6%	24.3%	24.1%	24.1%	23.8%	24.3%	24.7%	-
Personnel	61,450	61,303	58,754	59,394	58,024	57,157	57,822	58,467	56,282	-
YoY	-2.8%	-0.2%	-4.2%	1.1%	-2.3%	-1.5%	1.2%	1.1%	-3.7%	-
% of operating revenue	9.0%	8.9%	8.4%	8.5%	8.2%	8.1%	8.0%	8.0%	7.8%	-
Advertising	25,279	24,151	24,968	25,355	26,182	24,803	24,855	25,648	24,789	-
YoY	2.4%	-4.5%	3.4%	1.5%	3.3%	-5.3%	0.2%	3.2%	-3.3%	-
% of operating revenue	3.7%	3.5%	3.6%	3.6%	3.7%	3.5%	3.4%	3.5%	3.4%	-
General and administrative	58,569	59,460	59,555	60,698	61,640	60,241	61,012	65,353	68,742	-
YoY	-2.9%	1.5%	0.2%	1.9%	1.6%	-2.3%	1.3%	7.1%	5.2%	-
% of operating revenue	8.6%	8.6%	8.5%	8.7%	8.7%	8.6%	8.4%	9.0%	9.5%	-
Other expenses	31,095	30,252	29,700	24,543	25,176	27,388	28,359	27,733	28,601	-
YoY	-1.2%	-2.7%	-1.8%	-17.4%	2.6%	8.8%	3.5%	-2.2%	3.1%	-
% of operating revenue	4.5%	4.4%	4.2%	3.5%	3.5%	3.9%	3.9%	3.8%	4.0%	-
Operating profit	6,421	7,738	10,777	12,250	10,940	10,292	12,920	8,541	3,928	-
YoY	-18.1%	20.5%	39.3%	13.7%	-10.7%	-5.9%	25.5%	-33.9%	-54.0%	-
OPM	0.9%	1.1%	1.5%	1.8%	1.5%	1.5%	1.8%	1.2%	0.5%	-

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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.	FY02/21 Est.
Operating revenue (simple aggregate)	37,480	39,912	55,190	61,308	65,124	58,897	22,097	23,427	23,751	-
YoY	6.3%	6.5%	38.3%	11.1%	6.2%	-9.6%	-62.5%	6.0%	1.4%	-
Takashimaya Singapore	37,480	39,710	49,980	55,015	57,818	50,745	17,440	18,145	16,985	-
YoY	6.3%	5.9%	25.9%	10.1%	5.1%	-12.2%	-65.6%	4.0%	-6.4%	-
Shanghai Takashimaya	-	202	5,210	6,293	7,306	6,333	3,164	3,186	3,140	-
YoY	-	-	2479.2%	20.8%	16.1%	-13.3%	-50.0%	0.7%	-1.4%	-
Takashimaya Vietnam	-	-	-	-	-	1,819	1,494	1,778	1,998	-
YoY	-	-	-	-	-	-	-17.9%	19.0%	12.4%	-
Siam Takashimaya	-	-	-	-	-	-	-	318	1,628	-
YoY	-	-	-	-	-	-	-	-	411.9%	-
Operating profit (simple aggregate)	3,454	3,380	2,387	2,347	2,834	1,665	2,201	1,773	3,982	-
YoY	22.8%	-2.1%	-29.4%	-1.7%	20.7%	-41.2%	32.2%	-19.4%	124.6%	-
OPM	9.2%	8.5%	4.3%	3.8%	4.4%	2.8%	10.0%	7.6%	16.8%	-
Takashimaya Singapore	3,454	3,599	3,915	4,302	4,076	3,153	3,622	3,260	4,770	-
YoY	19.2%	4.2%	8.8%	9.9%	-5.3%	-22.6%	14.9%	-10.0%	46.3%	-
OPM	9.2%	9.1%	7.8%	7.8%	7.0%	6.2%	20.8%	18.0%	28.1%	-
Shanghai Takashimaya	-	-219	-1,528	-1,955	-1,242	-980	-1,140	-866	74	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-108.4%	-29.3%	-31.1%	-17.0%	-15.5%	-36.0%	-27.2%	2.4%	-
Takashimaya Vietnam	-	-	-	-	-	-508	-281	-117	122	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-27.9%	-18.8%	-6.6%	6.1%	-
Siam Takashimaya	-	-	-	-	-	-	-	-504	-984	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-158.5%	-60.4%	-

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.

Department Stores (JPYmn)	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 Act.	FY02/21 Est.
Operating revenue	762,827	770,089	798,079	802,956	811,648	797,253	785,000	792,045	784,775	-
YoY	-1.9%	1.0%	3.6%	0.6%	1.1%	-1.8%	-	0.9%	-0.9%	-
Domestic department stores	740,047	745,757	758,338	755,239	765,466	757,171	778,624	782,608	775,196	-
YoY	-2.0%	0.8%	1.7%	-0.4%	1.4%	-1.1%	2.8%	0.5%	-0.9%	-
Takashimaya (parent)	684,215	690,334	701,773	699,656	710,161	703,056	724,604	729,198	722,236	-
YoY	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.0%	3.1%	0.6%	-1.0%	-
Takashimaya Singapore	37,480	39,710	49,980	55,015	57,818	50,745	17,440	18,145	16,985	-
YoY	6.3%	5.9%	25.9%	10.1%	5.1%	-12.2%	-	4.0%	-6.4%	-
Shanghai Takashimaya	-	202	5,210	6,293	7,306	6,333	3,164	3,186	3,140	-
YoY	-	-	2479.2%	20.8%	16.1%	-13.3%	-	0.7%	-1.4%	-
Takashimaya Vietnam	-	-	-	-	-	1,819	1,494	1,778	1,998	-
YoY	-	-	-	-	-	-	-	19.0%	12.4%	-
Siam Takashimaya	-	-	-	-	-	-	-	318	1,628	-
YoY	-	-	-	-	-	-	-	-	411.9%	-
Takashimaya Tomonokai	4,454	4,413	4,411	4,402	4,348	4,416	4,737	4,792	4,796	-
YoY	-3.1%	-0.9%	0.0%	-0.2%	-1.2%	1.6%	7.3%	1.2%	0.1%	-
R.T. Corporation	9,225	9,304	9,643	9,672	9,748	10,558	10,926	11,441	11,889	-
YoY	-3.5%	0.9%	3.6%	0.3%	0.8%	8.3%	3.5%	4.7%	3.9%	-
Food and Partners	-	-	-	-	-	59	232	362	476	-
YoY	-	-	-	-	-	-	293.2%	56.0%	31.5%	-
Dear Mayuko	-	-	-	-	-	18	53	98	135	-
YoY	-	-	-	-	-	-	194.4%	84.9%	37.8%	-
A&S Takashimaya Duty Free	-	-	-	-	-	-	3,307	7,089	6,354	-
YoY	-	-	-	-	-	-	-	114.4%	-10.4%	-
Operating profit	9,909	11,880	13,962	15,519	14,975	12,182	13,509	8,691	6,938	-
YoY	-7.6%	19.9%	17.5%	11.2%	-3.5%	-18.7%	10.9%	-35.7%	-20.2%	-
OPM	1.3%	1.5%	1.7%	1.9%	1.8%	1.5%	1.7%	1.1%	0.9%	-
Domestic department stores	6,910	8,415	11,524	12,744	11,375	10,781	13,601	8,605	4,248	-
YoY	-14.2%	21.8%	36.9%	10.6%	-10.7%	-5.2%	26.2%	-36.7%	-50.6%	-
OPM	0.9%	1.1%	1.5%	1.7%	1.5%	1.4%	1.7%	1.1%	0.5%	-
Takashimaya (parent)	6,421	7,738	10,777	12,250	10,940	10,292	12,920	8,541	3,928	-
YoY	-18.1%	20.5%	39.3%	13.7%	-10.7%	-5.9%	25.5%	-33.9%	-54.0%	-
OPM	0.9%	1.1%	1.5%	1.8%	1.5%	1.5%	1.8%	1.2%	0.5%	-
Takashimaya Singapore	3,454	3,599	3,915	4,302	4,076	3,153	3,622	3,260	4,770	-
YoY	19.2%	4.2%	8.8%	9.9%	-5.3%	-22.6%	14.9%	-10.0%	46.3%	-
OPM	9.2%	9.1%	7.8%	7.8%	7.0%	6.2%	20.8%	18.0%	28.1%	-
Shanghai Takashimaya	-	-219	-1,528	-1,955	-1,242	-980	-1,140	-866	74	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-108.4%	-29.3%	-31.1%	-17.0%	-15.5%	-36.0%	-27.2%	2.4%	-
Takashimaya Vietnam	-	-	-	-	-	-508	-281	-117	122	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-27.9%	-18.8%	-6.6%	6.1%	-
Siam Takashimaya	-	-	-	-	-	-	-	-504	-984	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-158.5%	-60.4%	-
Takashimaya Tomonokai	-1,001	-974	-935	-1,024	-1,007	-996	-963	-952	-950	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-22.5%	-22.1%	-21.2%	-23.3%	-23.2%	-22.6%	-20.3%	-19.9%	-19.8%	-
R.T. Corporation	423	509	555	546	708	742	597	563	641	-
YoY	-10.9%	20.3%	9.0%	-1.6%	29.7%	4.8%	-19.5%	-5.7%	13.9%	-
OPM	4.6%	5.5%	5.8%	5.6%	7.3%	7.0%	5.5%	4.9%	5.4%	-
Food and Partners	-	-	-	-	-	-186	-178	-163	-130	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-315.3%	-76.7%	-45.0%	-27.3%	-
Dear Mayuko	-	-	-	-	-	-262	-286	-389	-332	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-1455.6%	-539.6%	-396.9%	-245.9%	-
A&S Takashimaya Duty Free	-	-	-	-	-	-	-1,309	-620	-650	-
YoY	-	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-39.6%	-8.7%	-10.2%	-

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.

Commercial Property Development

Commercial Property Development (JPYmn)	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 Act.	FY02/21 Est.
Operating revenue	32,259	33,863	36,804	38,102	42,389	47,923	47,476	43,681	45,531	-
YoY	9.6%	5.0%	8.7%	3.5%	11.3%	13.1%	-0.9%	-8.0%	4.2%	-
Toshin Development	31,424	32,111	33,549	33,956	35,008	44,581	52,312	43,830	44,596	-
YoY	5.5%	2.2%	4.5%	1.2%	3.1%	27.3%	17.3%	-16.2%	1.7%	-
TDS	5,782	6,115	7,618	8,528	9,490	8,785	8,952	8,889	8,737	-
YoY	20.7%	5.8%	24.6%	11.9%	11.3%	-7.4%	1.9%	-0.7%	-1.7%	-
Operating profit	7,184	7,757	8,380	9,528	10,297	11,028	11,393	9,410	9,922	-
YoY	8.6%	8.0%	8.0%	13.7%	8.1%	7.1%	3.3%	-17.4%	5.4%	-
OPM	22.3%	22.9%	22.8%	25.0%	24.3%	23.0%	24.0%	21.5%	21.8%	-
Toshin Development	6,005	6,588	6,886	7,754	8,006	8,840	9,044	7,319	6,681	-
YoY	6.4%	9.7%	4.5%	12.6%	3.2%	10.4%	2.3%	-19.1%	-8.7%	-
OPM	19.1%	20.5%	20.5%	22.8%	22.9%	19.8%	17.3%	16.7%	15.0%	-
TDS	1,368	1,356	1,681	1,961	2,476	2,340	2,484	2,194	3,097	-
YoY	34.4%	-0.9%	24.0%	16.7%	26.3%	-5.5%	6.2%	-11.7%	41.2%	-
OPM	23.7%	22.2%	22.1%	23.0%	26.1%	26.6%	27.7%	24.7%	35.4%	-

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.

Finance

Finance (JPYmn)	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 Act.	FY02/21 Est.
Operating revenue	11,514	11,655	11,911	12,385	12,865	13,414	14,187	15,894	17,457	-
YoY	-1.5%	1.2%	2.2%	4.0%	3.9%	4.3%	5.8%	12.0%	9.8%	-
Takashimaya Credit	15,542	15,759	16,205	16,789	17,257	17,662	18,444	19,165	20,696	-
YoY	-2.2%	1.4%	2.8%	3.6%	2.8%	2.3%	4.4%	3.9%	8.0%	-
Operating profit	3,228	3,625	4,144	4,176	4,376	4,495	4,563	5,446	4,878	-
YoY	51.2%	12.3%	14.3%	0.8%	4.8%	2.7%	1.5%	19.4%	-10.4%	-
OPM	28.0%	31.1%	34.8%	33.7%	34.0%	33.5%	32.2%	34.3%	27.9%	-
Takashimaya Credit	3,229	3,625	4,101	4,137	4,341	4,468	4,543	4,892	4,499	-
YoY	51.2%	12.3%	13.1%	0.9%	4.9%	2.9%	1.7%	7.7%	-8.0%	-
OPM	20.8%	23.0%	25.3%	24.6%	25.2%	25.3%	24.6%	25.5%	21.7%	-

Source: Shared Research based on company data

Contract and Design

Contract and Design (JPYmn)	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 Act.	FY02/21 Est.
Operating revenue	17,097	19,010	20,622	24,658	26,710	30,874	25,916	24,795	33,190	-
YoY	-2.0%	11.2%	8.5%	19.6%	8.3%	15.6%	-16.1%	-4.3%	33.9%	-
Takashimaya Space Create	19,175	23,647	24,893	28,327	30,251	34,521	29,320	31,630	36,366	-
YoY	-9.9%	23.3%	5.3%	13.8%	6.8%	14.1%	-15.1%	7.9%	15.0%	-
Takashimaya Space Create Tohoku	-	-	551	773	910	564	533	588	647	-
YoY	-	-	-	40.3%	17.7%	-38.0%	-5.5%	10.3%	10.0%	-
Operating profit	217	868	1,110	1,439	1,898	2,342	1,207	727	1,779	-
YoY	79.3%	300.0%	27.9%	29.6%	31.9%	23.4%	-48.5%	-39.8%	144.7%	-
OPM	1.3%	4.6%	5.4%	5.8%	7.1%	7.6%	4.7%	2.9%	5.4%	-
Takashimaya Space Create	217	870	1,123	1,414	1,871	2,352	1,231	755	1,755	-
YoY	72.2%	300.9%	29.1%	25.9%	32.3%	25.7%	-47.7%	-38.7%	132.5%	-
OPM	1.1%	3.7%	4.5%	5.0%	6.2%	6.8%	4.2%	2.4%	4.8%	-
Takashimaya Space Create Tohoku	-	-1	-12	25	27	-9	-23	-28	24	-
YoY	-	-	-	-	8.0%	-	-	-	-	-
OPM	-	-	-2.2%	3.2%	3.0%	-1.6%	-4.3%	-4.8%	3.7%	-

Source: Shared Research based on company data

Growth strategy and long-term business plan

Emergency and long-term business plans

Takashimaya ordinarily announces a five-year long-term plan annually on a rolling basis at the beginning of the fiscal year. Its plan announced in April 2019 set FY02/24 targets of JPY990.0bn in operating revenue (CAGR of 1.6% from FY02/19), JPY43.0bn in operating profit (CAGR of 10.0%), ROE of 5.0%, ROA of 3.7%, and shareholders' equity ratio of 42.9%. During the period covered by the long-term plan, the company was looking to generate a combined total of JPY210.0bn in cash flows from operating activities and JPY210.0bn in cash flows from investing activities.

However, in April 2020, Takashimaya suspended its rolling five-year plans, instead announcing a three-year emergency business plan (FY02/21–FY02/23). Due to concern of diminishing earnings capacity at its domestic department stores, which are the source of its brand value, the company decided to focus in the short term on cost structure reform to enhance department store earnings. The main point will be reducing costs by reconsidering SG&A expenses from a zero base. It aims to reduce costs by JPY12.0bn over three years (personnel expenses by JPY6.0bn, general expenses by JPY2.0bn, and depreciation charges by JPY4.0bn).

This time, due to increasing uncertainty regarding the COVID-19 pandemic, the company decided not to release targets for key performance indicators such as operating revenue, operating profit, and ROE. It seems likely it will disclose such targets once the impact of the pandemic has diminished, but in the meantime will share some targets from its three-year plan, implement flexible measures in light of changes in financial standing, and provide rational explanations of status when possible in consideration of ongoing uncertainties.

Cost structure reform to enhance earnings

The earnings capacity of domestic department stores is declining due to contraction of the domestic department store market and fiercer competition with alternative retail formats causing a decline in GPM, even as SG&A expenses remain steady. Due to a strong sense of crisis felt by Yoshio Murata, who assumed the post of president in March 2019, Takashimaya has suspended its long-term plans and will seek to reduce costs by JPY12.0bn over three years. It may seek to reduce costs even further, depending on performance trends hereafter.

The company targets a JPY6.0bn reduction in personnel expenses, aiming to reduce headcount through limited hiring and natural attrition, including retirement. It plans to concentrate operations by function through reorganization and establish a framework by which department stores can be operated by a smaller number of employees, even as it improves sales capacity. In addition, it plans to optimize department store size by adopting new store management methods. However, the company is not yet planning to seek early retirement candidates or actively reduce headcount.

Takashimaya plans a JPY2.0bn reduction in general expenses. In the past, the company's domestic department stores have outsourced some operations, but the company aims to reduce its dependence on temporary staffing by improving employee productivity. It also aims to review and reduce expenses related to system operation and revise other outsourcing costs to reduce general expenses.

The company expects a JPY4.0bn reduction in depreciation. It will continue with large projects related to food sections and e-commerce that will reliably lead to growth, but will reduce capital expenditure by reviewing long-term facilities investment plans deemed to have poor cost efficiency.

Capital policy and shareholder returns

Takashimaya aims to promote even greater shareholder returns based on the key principle of maintaining stable dividends. Due to the impact of the COVID-19 outbreak, it indicated its earnings forecast for FY02/21 has not yet been determined and also chose not to disclose medium-term targets, but has maintained its FY02/21 dividend forecast at JPY24.0 per share. The company has faced crises before, but compared with those times its financial standing is more solid now (as of end-FY02/20, it held JPY89.8bn in cash and deposits and had a shareholders' equity ratio of 37.2% and some leeway in terms of issuing commercial papers and obtaining bank overdrafts and credit), so it determined it would be possible to maintain a stable dividend despite the impact of the COVID-19 pandemic.

In FY02/20, Takashimaya conducted its first share repurchase (it bought back 8.0mn shares for JPY9.8bn). If it can recover its earnings capacity through aggressive cost reduction, the company aims to implement additional shareholder returns once the impact of the pandemic ends.

ESG strategy

Along with active measures to improve profitability, Takashimaya plans to conduct strategic environmental, social, and governance measures aimed at achieving a sustainable society. In terms of short-term measures, the company is reducing its use of plastic shopping bags to help with the effort to eliminate waste plastic (it is charging for bags from April 2020), revising its product mix and sales methods to reduce food waste, and modifying in-store displays in stages to conform to universal design standards.

In terms of medium-term measures, the company is working to achieve sustainable growth while promoting awareness throughout the group of a range of social issues addressed by the UN's Sustainable Development Goals (SDGs), to realize a circular business model, and to actively participate in international frameworks including RE100 (a global initiative calling for companies to operate using 100% renewable energy) and EV100 (a global initiative promoting environmental improvements and the use by companies of electric vehicles for transport).

Core strategy: Machi-Zukuri strategy

Takashimaya has made no changes to its core strategy for the group, the comprehensive Machi-Zukuri (urban development) strategy. It is promoting the role of department stores as anchors for their communities and is working to maximize their appeal. It aims to realize commercial areas and facilities that strongly appeal to customers and exist in symbiosis with communities by leveraging internal resources in its Commercial Property Development, Finance, and Contract and Design businesses.

In the Commercial Property Development business, as part of efforts to improve the competitiveness of existing domestic facilities, three new facilities are currently being developed near Nagareyama Otakanomori SC. One of these is scheduled to open in spring 2021 (Block A3, 11,300sqm in total floor space, with plans to attract 30 stores), followed by one in fall 2021 (Block B45, 10,200sqm in total floor space) and one in summer 2022 (Block B43, 20,500sqm in total floor space). In addition, in Vietnam the company considers Hanoi to be a strategic region, so in addition to the Starlake Project and other projects currently underway, it aims to acquire existing commercial facilities and increase their values.

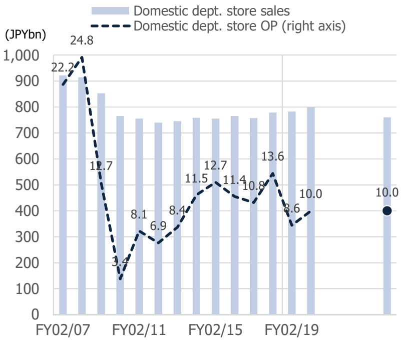
The company is hurrying to turn the Finance business into a third earnings pillar. The long-term plan announced in April 2019 targeted Finance segment operating profit of JPY10.0bn by FY02/24. It aims to achieve this target by expanding its existing credit card and insurance businesses and also providing customers with investment trusts based on an alliance with SBI Securities and trust and asset successions services based on an alliance with Hogaraka Trust, whose parent is a legal professional corporation.

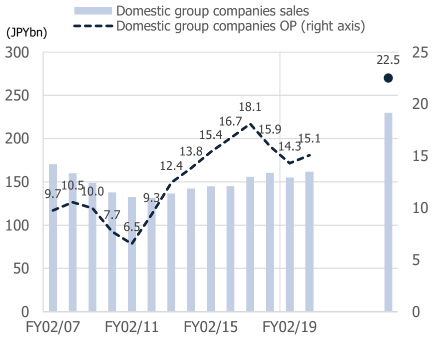
For reference: Long-term plan key performance indicators (out April 2019)

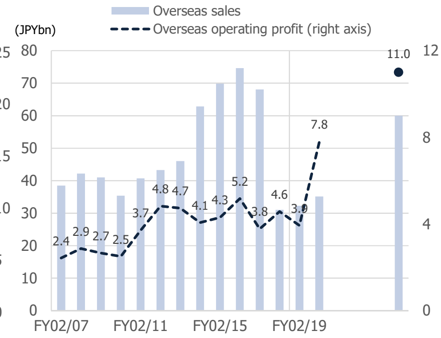
Long-term plan KPI (JPYmn)	FY02/18 Act.	FY02/19 Act.	FY02/24 Long-term plan	CAGR
Operating revenue	949,572	912,848	990,000	1.6%
YoY	2.8%	-3.9%		
Domestic department stores	778,624	782,608	760,000	-0.6%
YoY	2.8%	0.5%		
Domestic group companies	160,551	155,046	230,000	8.2%
YoY	3.1%	-3.4%		
Overseas	31,049	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

Long-term plan (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.	FY02/24 LTP	FY02/23 Last plan	FY02/22 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

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. Of the company's 15 stores, only the Wakayama store is not a large-sized department store.

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.

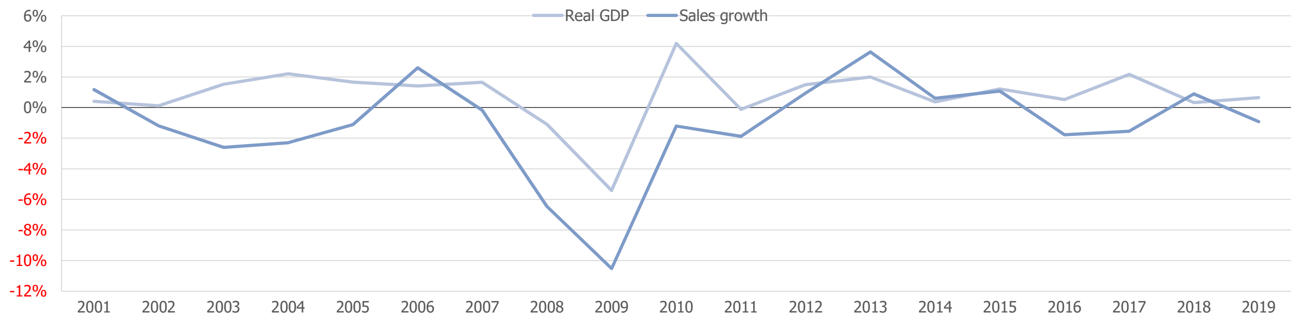
By product group GPMs are the highest for men's accessories at around 40%, followed by menswear, sporting goods, kimono, womenswear, and women's fashion goods. The GPM for luxury brands is slightly above 20% and for foodstuffs just under 20%.

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.

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.

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 (92.6% of total sales in FY02/20); corporate (4.8%); and cross-media (2.6%). 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 Store (85.4% of total sales in FY02/20), Commercial Property Development (5.0%), Finance (1.9%), Contract and Design (3.6%), and Others (4.1%).

Earnings by segment (consolidated)

By segment (JPYmn)	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 Act.
Operating revenue	858,123	870,333	904,180	912,523	929,588	923,601	907,805	912,848	919,094
YoY	-1.3%	1.4%	3.9%	0.9%	1.9%	-0.6%	-1.7%	0.6%	0.7%
Department Store	762,827	770,089	798,079	802,956	811,648	797,253	785,000	792,045	784,775
YoY	-1.9%	1.0%	3.6%	0.6%	1.1%	-1.8%	-1.5%	0.9%	-0.9%
Commercial Property Development	32,259	33,863	36,804	38,102	42,389	47,923	47,476	43,681	45,531
YoY	9.6%	5.0%	8.7%	3.5%	11.3%	13.1%	-0.9%	-8.0%	4.2%
Finance	11,514	11,655	11,911	12,385	12,865	13,414	14,187	15,894	17,457
YoY	-1.5%	1.2%	2.2%	4.0%	3.9%	4.3%	5.8%	12.0%	9.8%
Contract and Design	17,097	19,010	20,622	24,658	26,710	30,874	25,916	24,795	33,190
YoY	-2.0%	11.2%	8.5%	19.6%	8.3%	15.6%	-16.1%	-4.3%	33.9%
Other	34,424	35,714	36,762	34,420	35,974	34,135	35,430	36,431	38,138
YoY	3.0%	3.7%	2.9%	-6.4%	4.5%	-5.1%	3.8%	2.8%	4.7%
Operating profit	21,099	25,476	29,099	32,022	32,972	34,000	35,318	26,661	25,582
YoY	16.1%	20.7%	14.2%	10.0%	3.0%	3.1%	3.9%	-24.5%	-4.0%
OPM	2.5%	2.9%	3.2%	3.5%	3.5%	3.7%	3.9%	2.9%	2.8%
Department Store	9,909	11,880	13,962	15,519	14,975	12,182	13,509	8,691	6,938
YoY	-7.6%	19.9%	17.5%	11.2%	-3.5%	-18.7%	10.9%	-35.7%	-20.2%
OPM	1.3%	1.5%	1.7%	1.9%	1.8%	1.5%	1.7%	1.1%	0.9%
Commercial Property Development	7,184	7,757	8,380	9,528	10,297	11,028	11,393	9,410	9,922
YoY	8.6%	8.0%	8.0%	13.7%	8.1%	7.1%	3.3%	-17.4%	5.4%
OPM	22.3%	22.9%	22.8%	25.0%	24.3%	23.0%	24.0%	21.5%	21.8%
Finance	3,228	3,625	4,144	4,176	4,376	4,495	4,563	5,446	4,878
YoY	51.2%	12.3%	14.3%	0.8%	4.8%	2.7%	1.5%	19.4%	-10.4%
OPM	28.0%	31.1%	34.8%	33.7%	34.0%	33.5%	32.2%	34.3%	27.9%
Contract and Design	217	868	1,110	1,439	1,898	2,342	1,207	727	1,779
YoY	79.3%	300.0%	27.9%	29.6%	31.9%	23.4%	-48.5%	-39.8%	144.7%
OPM	1.3%	4.6%	5.4%	5.8%	7.1%	7.6%	4.7%	2.9%	5.4%
Other	248	1,261	1,650	1,590	1,496	2,333	3,331	2,371	2,562
Adjustments	310	83	-150	-231	-69	1,616	1,314	13	-499

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 12 parent stores, three 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 comprises the financial operations of Takashimaya Financial Partners Co., Ltd., which was established in March 2019 via a merger of Takashimaya Credit, which operated the group's credit card business, and Takashimaya Insurance, which conducted insurance agency business. It operates the mainstay credit card business in partnership with Credit Saison Co., Ltd., 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. Takashimaya Financial Partners also provides customers with investment trusts based on an alliance with SBI Securities and trust and asset succession services based on an alliance with Hogaraka Trust.

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 15 stores within its Department Stores segment—12 parent stores (eight stores in the Kanto region; four stores in the Kansai region) and three stores owned by subsidiaries. It holds a 100% equity position in subsidiaries Gifu Takashimaya, Takasaki Takashimaya, and Okayama Takashimaya. Equity-method affiliates are JR Nagoya Takashimaya (equity position 33.4%) and Iyotetsu Takashimaya (33.6%). The company transferred all of its shares in Yonago Takashimaya in March 2020 and removed it from consolidation.

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 15 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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Sales	124,242	126,124	129,901	129,843	136,631	132,908	134,241	129,308	130,790
YoY	-2.2%	1.5%	3.0%	0.0%	5.2%	-2.7%	1.0%	-3.7%	1.1%
Floor space (sqm)	50,508	50,508	50,508	48,616	49,234	48,852	49,144	47,132	47,504
Sales per sqm	2.46	2.50	2.57	2.67	2.78	2.72	2.73	2.74	2.75
YoY	-2.2%	1.5%	3.0%	3.8%	3.9%	-2.0%	0.4%	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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Sales	131,794	131,776	135,370	134,848	132,035	129,431	131,649	132,528	129,502
YoY	-1.7%	0.0%	2.7%	-0.4%	-2.1%	-2.0%	1.7%	0.7%	-2.3%
Floor space (sqm)	55,699	55,699	55,699	55,955	56,548	56,318	56,529	56,466	56,688
Sales per sqm	2.37	2.37	2.43	2.41	2.33	2.30	2.33	2.35	2.28
YoY	-1.0%	0.0%	2.7%	-0.8%	-3.1%	-1.6%	1.3%	0.8%	-2.7%

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 in FY02/20. 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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Sales	117,890	119,997	120,685	122,526	127,630	129,952	141,450	147,271	149,561
YoY	2.6%	1.8%	0.6%	1.5%	4.2%	1.8%	8.8%	4.1%	1.6%
Tax-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)	72,978	72,712	68,401	64,041	64,041	64,041	63,997	65,753	65,908
Sales per sqm	1.62	1.65	1.76	1.91	1.99	2.03	2.21	2.24	2.27
YoY	2.4%	2.2%	6.9%	8.4%	4.2%	1.8%	8.9%	1.3%	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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Sales	83,878	83,866	85,191	84,384	85,945	84,815	88,126	90,343	89,565
YoY	-1.7%	0.0%	1.6%	-0.9%	1.8%	-1.3%	3.9%	2.5%	-0.9%
Tax-free sales						4,200	7,100	9,938	-
YoY							69%	40%	-
% of store sales						5%	8%	11%	-
Floor space (sqm)	60,527	60,184	60,184	59,740	60,005	60,028	60,098	60,658	60,133
Sales per sqm	1.39	1.39	1.42	1.41	1.43	1.41	1.47	1.49	1.49
YoY	10.4%	0.6%	1.6%	-0.2%	1.4%	-1.4%	3.8%	1.6%	0.0%

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.

Tax-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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Sales	61,678	63,701	66,081	67,902	70,441	70,843	73,331	74,824	71,724
YoY	-6.7%	3.3%	3.7%	2.8%	3.7%	0.6%	3.5%	2.0%	-4.1%
Tax-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)	53,727	53,727	53,727	53,727	53,727	53,727	53,907	53,771	53,771
Sales per sqm	1.15	1.19	1.23	1.26	1.31	1.32	1.36	1.39	1.33
YoY	-6.4%	3.3%	3.7%	2.8%	3.7%	0.6%	3.2%	2.3%	-4.1%

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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Sales	40,515	40,936	42,468	42,434	42,908	43,087	43,665	43,755	42,925
YoY	-3.0%	1.0%	3.7%	-0.1%	1.1%	0.4%	1.3%	0.2%	-1.9%
Floor space (sqm)	24,007	24,007	24,056	24,085	24,080	24,050	24,113	24,118	24,165
Sales per sqm	1.69	1.71	1.77	1.76	1.78	1.79	1.81	1.81	1.78
YoY	-3.0%	1.0%	3.5%	-0.2%	1.1%	0.5%	1.1%	0.2%	-2.1%

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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Sales	17,347	18,117	17,778	16,988	15,753	14,589	12,332	9,628	9,059
YoY	-12.6%	4.4%	-1.9%	-4.4%	-7.3%	-7.4%	-15.5%	-21.9%	-5.9%
Floor space (sqm)	16,738	16,738	16,732	16,732	16,732	16,732	8,156	6,469	6,072
Sales per sqm	1.04	1.08	1.06	1.02	0.94	0.87	1.51	1.49	1.49
YoY	6.0%	4.4%	-1.8%	-4.4%	-7.3%	-7.4%	73.4%	-1.6%	0.2%

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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Sales	13,128	12,666	11,722	10,907	10,528	10,129	10,158	9,975	9,442
YoY	-4.7%	-3.5%	-7.5%	-7.0%	-3.5%	-3.8%	0.3%	-1.8%	-5.3%
Floor space (sqm)	29,207	29,207	29,207	29,207	29,207	29,207	29,207	29,207	29,207
Sales per sqm	0.45	0.43	0.40	0.37	0.36	0.35	0.35	0.34	0.32
YoY	-3.7%	-3.5%	-7.5%	-7.0%	-3.5%	-3.8%	0.3%	-1.8%	-5.3%

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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Sales	20,681	20,419	20,178	19,525	18,614	17,999	16,878	17,119	16,491
YoY	-1.2%	-1.3%	-1.2%	-3.2%	-4.7%	-3.3%	-6.2%	1.4%	-3.7%
Floor space (sqm)	20,811	20,811	20,781	20,781	20,781	20,781	17,107	17,526	17,535
Sales per sqm	0.99	0.98	0.97	0.94	0.90	0.87	0.99	0.98	0.94
YoY	0.9%	-1.3%	-1.0%	-3.2%	-4.7%	-3.3%	13.9%	-1.0%	-3.7%

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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Sales	**729,746**	**735,332**	**747,812**	**745,039**	**755,041**	**745,146**	**765,037**	**768,448**	**760,284**
YoY	**-2.1%**	**0.8%**	**1.7%**	**-0.4%**	**1.3%**	**-1.3%**	**2.7%**	**0.4%**	**-1.1%**
Takashimaya (parent)	674,262	680,255	691,580	689,779	700,045	691,353	711,341	715,333	707,618
YoY	-2.0%	0.9%	1.7%	-0.3%	1.5%	-1.2%	2.9%	0.6%	-1.1%
Osaka	117,890	119,997	120,685	122,526	127,630	129,952	141,450	147,271	149,561
YoY	2.6%	1.8%	0.6%	1.5%	4.2%	1.8%	8.8%	4.1%	1.6%
Sakai	15,618	15,386	15,171	14,243	13,860	12,988	13,122	12,625	11,665
YoY	-1.7%	-1.5%	-1.4%	-6.1%	-2.7%	-6.3%	1.0%	-3.8%	-7.6%
Kyoto	83,878	83,866	85,191	84,384	85,945	84,815	88,126	90,343	89,565
YoY	-1.7%	0.0%	1.6%	-0.9%	1.8%	-1.3%	3.9%	2.5%	-0.9%
Senboku	20,681	20,419	20,178	19,525	18,614	17,999	16,878	17,119	16,491
YoY	-1.2%	-1.3%	-1.2%	-3.2%	-4.7%	-3.3%	-6.2%	1.4%	-3.7%
Tokyo (Nihombashi)	124,242	126,124	129,901	129,843	136,631	132,908	134,241	129,308	130,790
YoY	-2.2%	1.5%	3.0%	0.0%	5.2%	-2.7%	1.0%	-3.7%	1.1%
Yokohama	131,794	131,776	135,370	134,848	132,035	129,431	131,649	132,528	129,502
YoY	-1.7%	0.0%	2.7%	-0.4%	-2.1%	-2.0%	1.7%	0.7%	-2.3%
Konandai	10,816	10,614	10,634	10,379	9,968	8,895	8,237	7,979	7,649
YoY	-1.8%	-1.9%	0.2%	-2.4%	-4.0%	-10.8%	-7.4%	-3.1%	-4.1%
Shinjuku	61,678	63,701	66,081	67,902	70,441	70,843	73,331	74,824	71,724
YoY	-6.7%	3.3%	3.7%	2.8%	3.7%	0.6%	3.5%	2.0%	-4.1%
Tamagawa	40,515	40,936	42,468	42,434	42,908	43,087	43,665	43,755	42,925
YoY	-3.0%	1.0%	3.7%	-0.1%	1.1%	0.4%	1.3%	0.2%	-1.9%
Tachikawa	17,347	18,117	17,778	16,988	15,753	14,589	12,332	9,628	9,059
YoY	-12.6%	4.4%	-1.9%	-4.4%	-7.3%	-7.4%	-15.5%	-21.9%	-5.9%
Omiya	13,128	12,666	11,722	10,907	10,528	10,129	10,158	9,975	9,442
YoY	-4.7%	-3.5%	-7.5%	-7.0%	-3.5%	-3.8%	0.3%	-1.8%	-5.3%
Kashiwa	36,670	36,646	36,394	35,793	35,726	35,711	38,147	39,972	39,239
YoY	-1.2%	-0.1%	-0.7%	-1.7%	-0.2%	0.0%	6.8%	4.8%	-1.8%
Okayama Takashimaya	18,223	18,014	18,760	18,549	18,517	18,315	18,674	18,376	18,527
YoY	-3.3%	-1.1%	4.1%	-1.1%	-0.2%	-1.1%	2.0%	-1.6%	0.8%
Gifu Takashimaya	16,041	15,715	16,002	15,397	15,330	14,960	14,663	14,055	13,631
YoY	-2.4%	-2.0%	1.8%	-3.8%	-0.4%	-2.4%	-2.0%	-4.1%	-3.0%
Yonago Takashimaya	6,396	6,341	6,363	6,158	5,993	5,333	4,912	4,788	4,503
YoY	-2.8%	-0.9%	0.3%	-3.2%	-2.7%	-11.0%	-7.9%	-2.5%	-6.0%
Takasaki Takashimaya	14,823	15,005	15,105	15,154	15,155	15,184	15,446	15,894	16,002
YoY	-3.2%	1.2%	0.7%	0.3%	0.0%	0.2%	1.7%	2.9%	0.7%

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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Operating revenue (simple aggregate)	37,480	39,912	55,190	61,308	65,124	58,897	22,097	23,427	23,751
YoY	6.3%	6.5%	38.3%	11.1%	6.2%	-9.6%	-62.5%	6.0%	1.4%
Takashimaya Singapore	37,480	39,710	49,980	55,015	57,818	50,745	17,440	18,145	16,985
YoY	6.3%	5.9%	25.9%	10.1%	5.1%	-12.2%	-65.6%	4.0%	-6.4%
Shanghai Takashimaya	-	202	5,210	6,293	7,306	6,333	3,164	3,186	3,140
YoY	-	-	2479.2%	20.8%	16.1%	-13.3%	-50.0%	0.7%	-1.4%
Takashimaya Vietnam	-	-	-	-	-	1,819	1,494	1,778	1,998
YoY	-	-	-	-	-	-	-17.9%	19.0%	12.4%
Siam Takashimaya	-	-	-	-	-	-	-	318	1,628
YoY	-	-	-	-	-	-	-	-	411.9%
Operating profit (simple aggregate)	3,454	3,380	2,387	2,347	2,834	1,665	2,201	1,773	3,982
YoY	22.8%	-2.1%	-29.4%	-1.7%	20.7%	-41.2%	32.2%	-19.4%	124.6%
OPM	9.2%	8.5%	4.3%	3.8%	4.4%	2.8%	10.0%	7.6%	16.8%
Takashimaya Singapore	3,454	3,599	3,915	4,302	4,076	3,153	3,622	3,260	4,770
YoY	19.2%	4.2%	8.8%	9.9%	-5.3%	-22.6%	14.9%	-10.0%	46.3%
OPM	9.2%	9.1%	7.8%	7.8%	7.0%	6.2%	20.8%	18.0%	28.1%
Shanghai Takashimaya	-	-219	-1,528	-1,955	-1,242	-980	-1,140	-866	74
YoY	-	-	-	-	-	-	-	-	-
OPM	-	-108.4%	-29.3%	-31.1%	-17.0%	-15.5%	-36.0%	-27.2%	2.4%
Takashimaya Vietnam	-	-	-	-	-	-508	-281	-117	122
YoY	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-27.9%	-18.8%	-6.6%	6.1%
Siam Takashimaya	-	-	-	-	-	-	-	-504	-984
YoY	-	-	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	-	-158.5%	-60.4%

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.

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

Toshin Development Singapore operates Takashimaya Singapore Shopping Center. Aided by strong consumer 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 and operates Saigon Centre, the commercial facility in which Ho Chi Minh Takashimaya is located. In June 2019, Toshin Development Singapore announced that it would participate in the Starlake Project, a real estate development project administered in Hanoi, Vietnam and acquired a 60% stake in Indochina Plaza Hanoi, a commercial and office complex building, in December 2019.

Starlake Project is an urban development project on the western side of West Lake (Ho Tay), some six kilometers northwest of the central business district (CBD) in Hanoi, Vietnam. The land involved is situated close to the high-end residential area bordering West Lake. An urban rail system will be constructed, allowing excellent access to central Hanoi and the airport. Toshin Development will acquire land use rights for two lots within the development area (Lots A and B). It will construct and hold properties therein, operating a real estate leasing business with the properties used as schools, commercial buildings, offices, and other facilities. For Lot A, Toshin Development will take the lead in developing the real estate business, while its business partner will take the lead in the school operation business (Toshin Development will have a 25.01% stake). In the school business, the plan is to open a bilingual school in early 2021. For Lot B, the company aims to begin a multi-use project centered on retail facilities in 2022 or later.

Indochina Plaza Hanoi is a commercial, office, and residential building complex completed in 2012 on the busy Xuan Thuy Street in the Cau Giay district of Hanoi, Vietnam. It sits on a 16,619sqm site and has 24,900sqm of floor space in its commercial section and 17,400sqm in its office section. The plaza has good access to the airport and is situated close to the National University Station (still under construction) on the No. 3 line of the metropolitan railway. The area is popular with Japanese expatriates as there is a Japanese school nearby. Takashimaya plans to renovate the commercial section and make other improvements to add value to the property, which it acquired jointly with Shimizu Corporation in November 2019. Toshin Development holds a 60% stake.

Commercial Property Development (JPYmn)	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 Act.
Operating revenue	32,259	33,863	36,804	38,102	42,389	47,923	47,476	43,681	45,531
YoY	9.6%	5.0%	8.7%	3.5%	11.3%	13.1%	-0.9%	-8.0%	4.2%
Toshin Development	31,424	32,111	33,549	33,956	35,008	44,581	52,312	43,830	44,596
YoY	5.5%	2.2%	4.5%	1.2%	3.1%	27.3%	17.3%	-16.2%	1.7%
TDS	5,782	6,115	7,618	8,528	9,490	8,785	8,952	8,889	8,737
YoY	20.7%	5.8%	24.6%	11.9%	11.3%	-7.4%	1.9%	-0.7%	-1.7%
Operating profit	7,184	7,757	8,380	9,528	10,297	11,028	11,393	9,410	9,922
YoY	8.6%	8.0%	8.0%	13.7%	8.1%	7.1%	3.3%	-17.4%	5.4%
OPM	22.3%	22.9%	22.8%	25.0%	24.3%	23.0%	24.0%	21.5%	21.8%
Toshin Development	6,005	6,588	6,886	7,754	8,006	8,840	9,044	7,319	6,681
YoY	6.4%	9.7%	4.5%	12.6%	3.2%	10.4%	2.3%	-19.1%	-8.7%
OPM	19.1%	20.5%	20.5%	22.8%	22.9%	19.8%	17.3%	16.7%	15.0%
TDS	1,368	1,356	1,681	1,961	2,476	2,340	2,484	2,194	3,097
YoY	34.4%	-0.9%	24.0%	16.7%	26.3%	-5.5%	6.2%	-11.7%	41.2%
OPM	23.7%	22.2%	22.1%	23.0%	26.1%	26.6%	27.7%	24.7%	35.4%

Source: Shared Research based on company data

Finance

Takashimaya Financial Partners (formerly Takashimaya Credit)

Takashimaya established Takashimaya Financial Partners Co., Ltd., in March 2019 by merging Takashimaya Credit, which operated the group's credit card business, with its insurance agency subsidiary, Takashimaya Insurance. Takashimaya Financial Partners handles the company's Finance business. It operates the mainstay credit card business in partnership with Credit Saison Co., Ltd., to which it outsources payment processing and other operations. Its credit cards are notable for providing a high ratio of reward points on shopping conducted at Takashimaya stores. Takashimaya Financial Partners also provides customers with investment trusts based on an alliance with SBI Securities and trust and asset successions services based on an alliance with Hogaraka Trust.

Contract and Design

Takashimaya Space Create

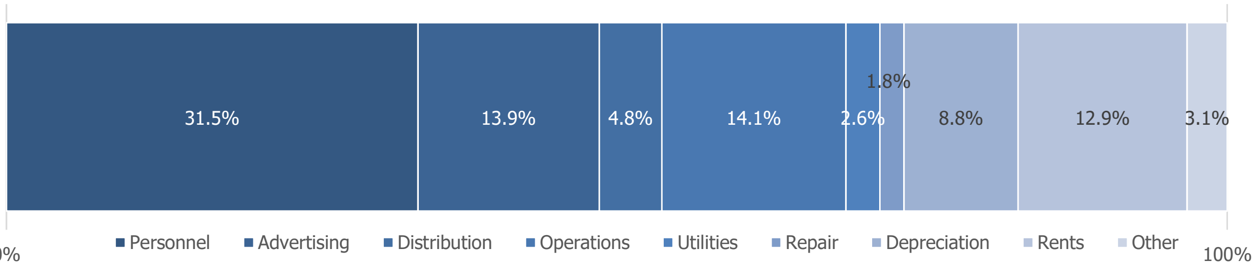
The core of the group's contract and design business is Takashimaya Space Create, a wholly owned subsidiary. Only about 20% of the interior design and remodeling orders received by Takashimaya Space Create come from Takashimaya and its consolidated subsidiaries, the remaining 80% comes from outside the 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. 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.

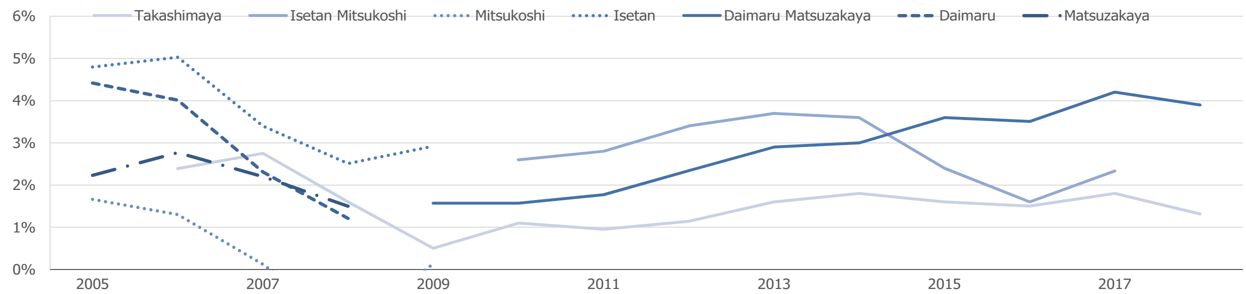
Under International Financial Reporting Standards (IFRS), when a consignment transaction occurs, the department store would not be seen as the main executor of the transaction but as an agent. This means that under those standards, the revenues (sales) would be recorded on a net, rather than a gross, 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, FY03/20)



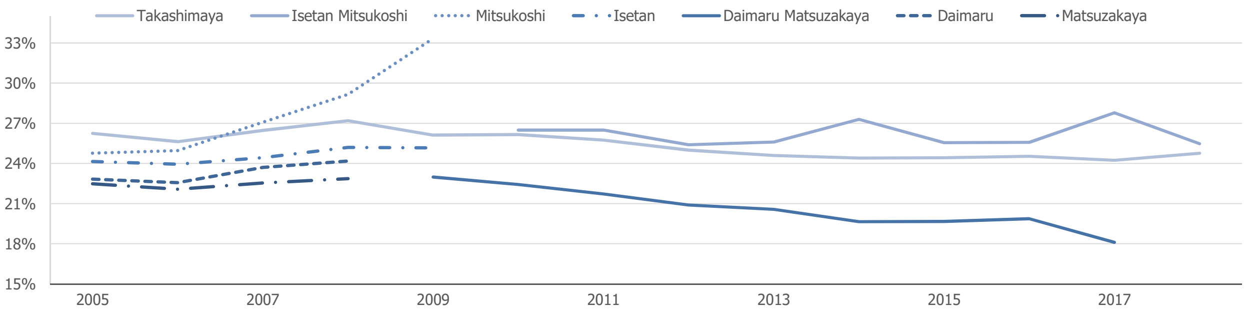
Note: Figures may differ from company materials due to differences in rounding methods.
Source: Shared Research based on company data

Operating profit margin (parent)



Source: Shared Research based on company data
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.

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.

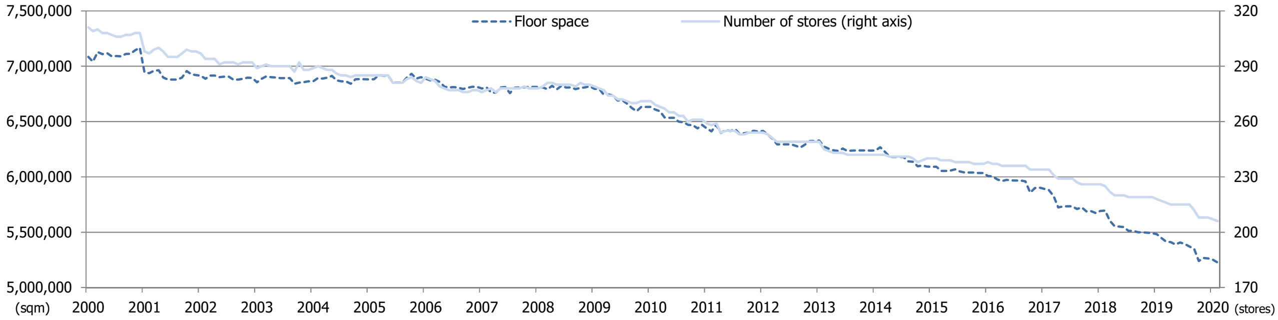
Premium pricing or deep discounting. The changes underway in the Japanese retail industry broadly reflect the trends seen across the world. Most successful companies increasingly seem to fall into one of the two opposing pricing strategies—luxury branding and premium prices, or deep discounting. Those 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%).

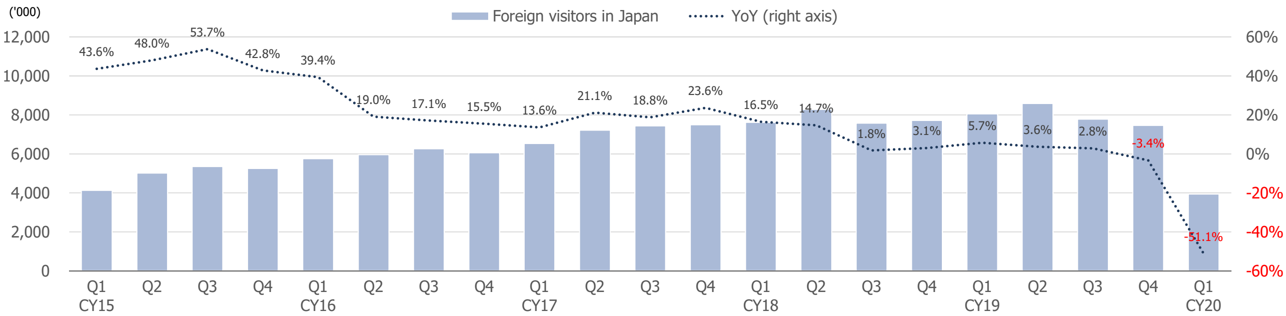
Total store space and number of stores



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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	CAGR
South Korea	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	5,584,597	35%
China	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	9,594,394	95%
Taiwan	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	4,890,602	48%
Hong Kong	508,691	364,865	481,665	745,881	925,975	1,524,292	1,839,193	2,231,568	2,207,804	2,290,792	51%
Thailand	214,881	144,969	260,640	453,642	657,570	796,731	901,525	987,211	1,132,160	1,318,977	74%
Singapore	180,960	111,354	142,201	189,280	227,962	308,783	361,807	404,132	437,280	492,252	34%
Malaysia	114,519	81,516	130,183	176,521	249,521	305,447	394,268	439,548	468,360	501,592	56%
Indonesia	80,632	61,911	101,460	136,797	158,739	205,083	271,014	352,330	396,852	412,779	65%
Philippines	77,377	63,099	85,037	108,351	184,204	268,361	347,861	424,121	503,976	613,114	86%
Vietnam	41,862	41,048	55,156	84,469	124,266	185,395	233,763	308,898	389,004	495,051	145%
India	66,819	59,354	68,914	75,095	87,967	103,084	122,939	134,371	154,029	175,896	30%

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 was the lead developer on the Shinjuku Station South Exit Project, which opened 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 commenced operations on shared tracks in November 2019, and the Sotetsu and Tokyu lines are scheduled to do so in fiscal 2022. This is having 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)	FY02/12 Act.	FY02/13 Act.	FY02/14 Act.	FY02/15 Act.	FY02/16 Act.	FY02/17 Act.	FY02/18 Act.	FY02/19 Act.	FY02/20 Act.
Operating revenue	858,123	870,333	904,180	912,523	929,588	923,601	949,572	912,848	919,094
YoY	-1.3%	1.4%	3.9%	0.9%	1.9%	-0.6%	2.8%	-3.9%	0.7%
Sales	**805,757**	**815,387**	**845,785**	**851,374**	**865,889**	**860,761**	**886,700**	**846,894**	**848,494**
YoY	-1.6%	1.2%	3.7%	0.7%	1.7%	-0.6%	3.0%	-4.5%	0.2%
Cost of sales	597,511	605,687	631,111	636,881	651,010	648,765	626,528	629,490	633,368
Gross profit	**208,245**	**209,700**	**214,673**	**214,492**	**214,878**	**211,996**	**218,405**	**217,403**	**215,125**
YoY	-1.9%	0.7%	2.4%	-0.1%	0.2%	-1.3%	3.0%	-0.5%	-1.0%
GPM	25.8%	25.7%	25.4%	25.2%	24.8%	24.6%	24.6%	25.7%	25.4%
Gross operating profit	**260,611**	**264,646**	**273,068**	**275,641**	**278,577**	**274,836**	**281,276**	**283,357**	**285,725**
SG&A expenses	239,512	239,169	243,969	243,618	245,605	240,835	245,957	256,695	260,142
SG&A ratio	29.7%	29.3%	28.8%	28.6%	28.4%	28.0%	27.7%	30.3%	30.7%
Operating profit	**21,099**	**25,476**	**29,099**	**32,022**	**32,972**	**34,000**	**35,318**	**26,661**	**25,582**
YoY	16.1%	20.7%	14.2%	10.0%	3.0%	3.1%	3.9%	-24.5%	-4.0%
OPM	2.6%	3.1%	3.4%	3.8%	3.8%	3.9%	4.0%	3.1%	3.0%
Non-operating income	5,239	6,157	5,734	5,536	5,982	5,054	5,223	6,368	5,730
Non-operating expenses	1,983	1,766	1,483	1,653	1,169	1,839	1,935	1,795	8,113
Recurring profit	**24,355**	**29,866**	**33,350**	**35,904**	**37,785**	**37,215**	**38,606**	**31,234**	**23,200**
YoY	8.3%	22.6%	11.7%	7.7%	5.2%	-1.5%	3.7%	-19.1%	-25.7%
RPM	3.0%	3.7%	3.9%	4.2%	4.4%	4.3%	4.4%	3.7%	2.7%
Extraordinary gains	185		286	3,049	13,734	6,410	2,630	2,813	18,339
Extraordinary losses	5,265	3,686	4,116	2,736	10,068	9,023	6,228	9,571	16,582
Tax charges	7,868	8,949	10,029	12,808	17,181	13,022	10,889	7,425	8,351
Implied tax rate	40.8%	34.2%	34.0%	35.4%	41.4%	37.6%	31.1%	30.3%	33.5%
Net income attrib. to non-controlling interests	511	690	774	827	441	709	460	607	577
Net income	**10,895**	**16,540**	**18,716**	**22,581**	**23,829**	**20,870**	**23,658**	**16,443**	**16,028**
YoY	-21.3%	51.8%	13.2%	20.7%	5.5%	-12.4%	13.4%	-30.5%	-2.5%
Net margin	1.4%	2.0%	2.2%	2.7%	2.8%	2.4%	2.7%	1.9%	1.9%

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

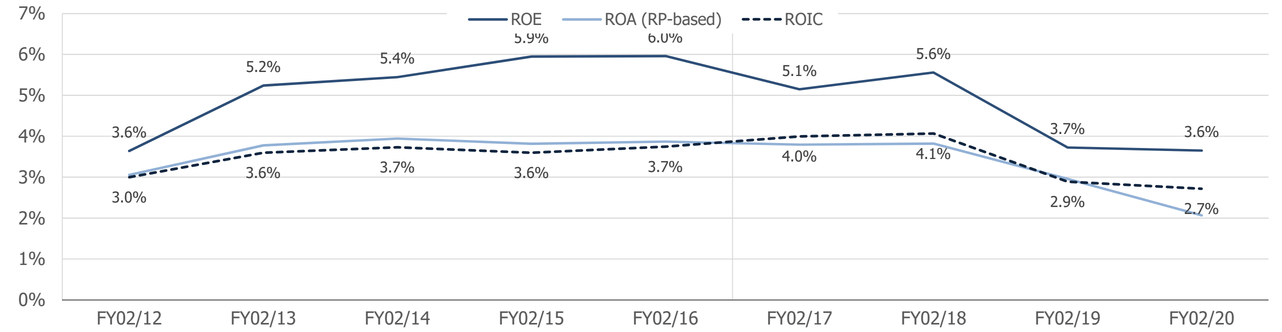
Profitability and financial ratios

Profit margins (JPYmn)	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 Act.
Gross profit	208,245	209,700	214,673	214,492	214,878	211,996	218,405	217,403	215,125
GPM	25.8%	25.7%	25.4%	25.2%	24.8%	24.6%	24.6%	25.7%	25.4%
Operating profit	21,099	25,476	29,099	32,022	32,972	34,000	35,318	26,661	25,582
OPM	2.6%	3.1%	3.4%	3.8%	3.8%	3.9%	4.0%	3.1%	3.0%
EBITDA	38,499	44,016	47,430	51,479	52,852	53,534	54,471	46,702	56,932
EBITDA margin	4.8%	5.4%	5.6%	6.0%	6.1%	6.2%	6.1%	5.5%	6.7%
Net margin	1.4%	2.0%	2.2%	2.7%	2.8%	2.4%	2.7%	1.9%	1.9%
Financial ratios (JPYmn)	**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 Act.**
ROA (RP-based)	3.0%	3.7%	3.9%	3.8%	3.9%	3.8%	3.8%	3.0%	2.1%
ROE	3.6%	5.2%	5.4%	5.9%	6.0%	5.1%	5.6%	3.7%	3.6%
Total asset turnover	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.8
Inventory turnover	15.6	15.9	16.3	15.6	14.7	14.2	14.0	13.9	13.8
Days in inventory	23.3	22.9	22.4	23.4	24.8	25.7	26.2	26.2	26.4
Working capital	71,980	49,329	50,009	61,220	61,962	66,457	82,355	54,066	59,266
Current ratio	81.3%	80.2%	99.0%	85.6%	89.4%	101.8%	88.3%	88.1%	72.3%
Quick ratio	63.1%	59.2%	78.4%	64.8%	63.2%	75.4%	67.3%	64.2%	51.5%
OCF / Current liabilities	10.2%	14.3%	12.9%	12.2%	7.7%	13.1%	10.7%	18.9%	10.9%
OCF / Total liabilities	6.4%	9.7%	7.6%	7.2%	4.5%	7.5%	6.3%	11.0%	5.7%
Cash conversion cycle (days)	25.0	19.5	13.6	15.5	17.9	19.4	20.9	20.4	15.6
Change in working capital	-601	-22,651	680	11,211	742	4,495	15,898	-28,289	5,200

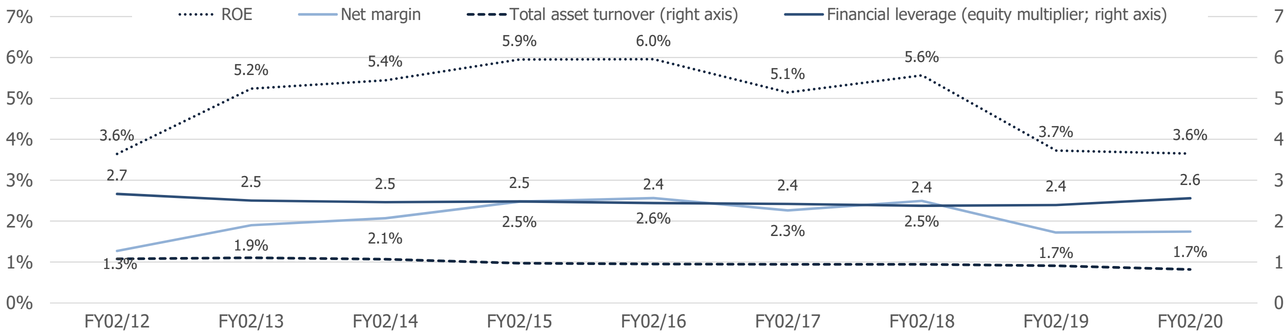
Source: Shared Research based on company data

ROE, ROA, ROIC

(JPYmn)	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 Act.
ROE	**3.6%**	**5.2%**	**5.4%**	**5.9%**	**6.0%**	**5.1%**	**5.6%**	**3.7%**	**3.6%**
Net margin	1.3%	1.9%	2.1%	2.5%	2.6%	2.3%	2.5%	1.7%	1.7%
Total asset turnover	1.08	1.10	1.07	0.97	0.95	0.94	0.94	0.91	0.82
Financial leverage (equity multiplier)	2.66	2.50	2.46	2.48	2.44	2.42	2.38	2.39	2.56
ROA (RP-based)	**3.1%**	**3.8%**	**3.9%**	**3.8%**	**3.9%**	**3.8%**	**3.8%**	**3.0%**	**2.1%**
ROIC	**3.0%**	**3.6%**	**3.7%**	**3.6%**	**3.7%**	**4.0%**	**4.1%**	**2.9%**	**2.7%**
NOPAT	12,514	15,110	18,038	19,850	21,221	22,758	24,422	18,497	17,749
Net assets + Interest-bearing debt	417,453	420,308	483,365	552,218	566,991	569,569	600,470	640,078	652,641
ROIC (before tax)	5.1%	6.1%	6.0%	5.8%	5.8%	6.0%	5.9%	4.2%	3.9%
OPM	2.5%	2.9%	3.2%	3.5%	3.5%	3.7%	3.7%	2.8%	2.8%
Operating revenue / Invested capital	2.06	2.07	1.87	1.65	1.64	1.62	1.58	1.49	1.41

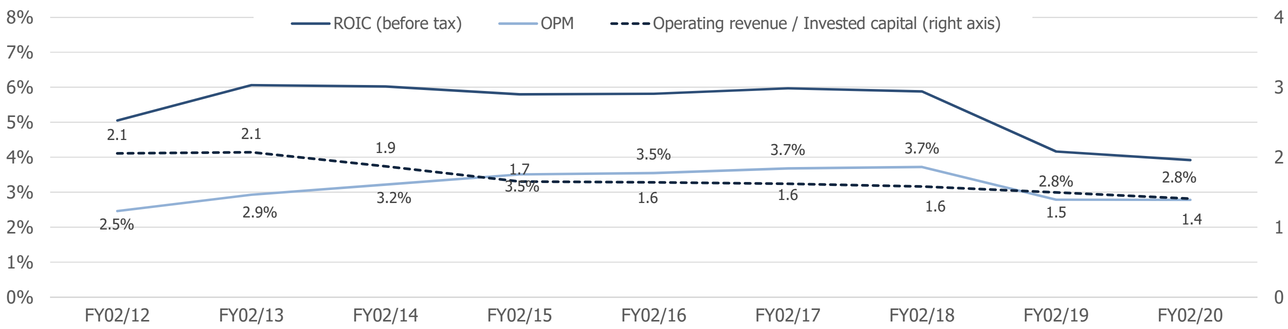


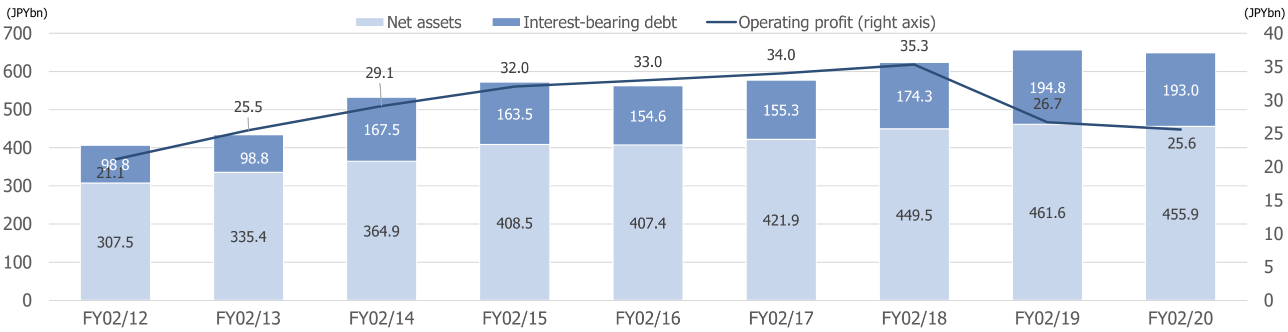
ROE



Source: Shared Research based on company data

ROIC





Source: Shared Research based on company data

Balance sheet

Balance sheet (JPYmn)	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 Act.
ASSETS									
Cash and deposits	61,124	69,495	106,451	87,887	75,487	107,159	99,541	97,090	89,820
Marketable securities	15,000	-	43,099	2,000	2,003	2,000	-	-	-
Accounts receivable	121,414	98,978	106,671	120,380	119,174	122,728	140,038	117,107	115,919
Inventories	37,863	38,234	39,239	42,398	46,151	45,049	44,745	45,519	45,973
Guarantee deposits	-	-	-	-	-	-	-	-	-
Deferred tax assets	6,989	6,601	7,221	8,501	9,309	9,459	10,163	10,443	-
Other	20,880	23,529	29,876	27,424	38,929	39,440	33,318	37,740	36,704
Allowance for doubtful accounts	-877	-577	-439	-446	-430	-336	-306	-335	-655
Total current assets	**262,394**	**236,263**	**332,121**	**288,147**	**290,625**	**325,500**	**327,501**	**307,568**	**287,764**
Buildings	155,348	154,003	157,381	173,110	171,610	164,940	167,732	185,639	193,471
Equipment	8,357	8,160	9,667	9,337	9,438	10,466	11,014	14,428	16,410
Land	208,682	213,057	223,296	225,209	231,174	230,386	361,362	411,507	412,051
Lease assets	2,611	2,939	2,615	2,233	1,929	1,285	989	2,758	2,876
Construction in progress	750	594	1,476	2,582	3,153	6,622	9,658	6,892	2,564
Total tangible fixed assets	**375,748**	**378,755**	**394,436**	**412,474**	**417,307**	**413,703**	**550,757**	**621,228**	**715,804**
Leasehold	11,404	11,414	11,414	93,712	93,712	93,725	4,939	10,671	10,567
Goodwill	669	745	631	518	404	193	97	1,545	2,769
Other	17,725	16,819	16,670	15,275	14,210	13,254	12,998	16,734	19,409
Total intangible fixed assets	**29,799**	**28,979**	**28,716**	**109,505**	**108,327**	**107,172**	**18,035**	**28,951**	**37,939**
Investment securities	77,474	96,100	105,890	127,040	102,550	89,114	95,231	81,743	76,598
Deferred tax assets	13,467	7,131	4,292	6,133	9,771	8,256	4,946	6,102	20,112
Long-term loans	-	-	-	-	-	-	-	-	-
Guarantee deposits	42,082	41,288	34,420	34,045	33,151	31,892	29,227	29,485	27,733
Other	7,358	4,962	5,029	4,944	15,268	13,278	12,045	5,301	4,856
Allowance for doubtful accounts	-4,406	-2,794	-2,768	-2,679	-2,579	-2,454	-1,938	-2,250	-2,305
Investments and other assets	**135,975**	**146,688**	**146,864**	**169,483**	**158,161**	**140,087**	**139,511**	**120,382**	**126,995**
Total fixed assets	**541,522**	**554,423**	**570,017**	**691,464**	**683,795**	**660,963**	**708,305**	**770,562**	**880,739**
Total assets	**803,917**	**790,687**	**902,139**	**979,611**	**974,421**	**986,464**	**1,035,807**	**1,078,130**	**1,168,503**
LIABILITIES									
Accounts payable	87,297	87,883	95,901	101,558	103,363	101,320	102,428	108,560	102,626
Short-term debt	39,811	19,172	47,301	37,292	17,187	9,007	50,382	13,418	67,303
Lease obligations	652	856	923	796	698	509	395	713	7,733
Income taxes payable	4,177	4,045	7,822	9,784	10,045	5,597	6,236	5,052	5,076
Advance received	75,713	77,022	78,125	79,321	82,954	91,852	96,102	100,593	101,717
Gift certificate	63,070	57,174	54,498	53,184	52,299	51,702	52,663	52,503	53,037
Deposits	26,178	25,545	24,505	23,384	27,069	24,702	26,725	31,693	24,000
Provision for point card certificates	3,517	3,136	3,260	3,252	3,233	2,509	2,561	2,530	2,796
Allowance for losses on removal	-	-	-	-	581	2,160	2,743	3,207	2,796
Other	22,495	19,812	23,264	28,132	27,653	30,430	30,647	30,947	30,831
Total current liabilities	**322,910**	**294,645**	**335,599**	**336,703**	**325,082**	**319,793**	**370,888**	**349,216**	**397,915**
Long-term debt	87,667	79,674	120,227	126,225	137,412	146,255	123,878	181,363	125,738
Lease obligations	1,967	2,109	1,715	1,458	1,250	858	641	2,109	88,102
Reserve for retirement allowance	49,763	43,648	42,098	62,983	61,875	58,251	54,616	50,890	56,137
Deferred tax liabilities	103	109	360	2,235	49	44	286	1,300	2,905
Deferred tax liabilities on revaluation	8,630	8,721	8,721	7,570	7,117	6,879	6,879	6,812	6,342
Other	25,395	26,336	28,506	33,959	34,248	32,489	29,087	24,854	35,493
Total fixed liabilities	**173,525**	**160,597**	**201,627**	**234,430**	**241,951**	**244,780**	**215,392**	**267,328**	**314,717**
Total liabilities	**496,436**	**455,243**	**537,227**	**571,133**	**567,034**	**564,574**	**586,281**	**616,545**	**712,632**
NET ASSETS									
Capital stock	56,025	56,025	56,025	66,025	66,025	66,025	66,025	66,025	66,025
Capital surplus	45,085	45,085	45,085	55,085	55,085	55,085	55,025	55,026	55,026
Retained earnings	193,362	206,440	221,857	229,185	249,145	265,033	284,320	296,977	308,397
Treasury stock	-531	-536	-549	-562	-6,153	-6,160	-6,170	-6,177	-15,993
Valuation and translation differences	8,211	22,413	35,775	51,374	34,824	32,240	39,971	32,067	21,247
Non-controlling interests	5,328	6,015	6,718	7,370	8,458	9,665	10,353	17,665	21,168
Total net assets	**307,481**	**335,443**	**364,912**	**408,477**	**407,386**	**421,890**	**449,526**	**461,585**	**455,871**
Working capital	71,980	49,329	50,009	61,220	61,962	66,457	82,355	54,066	59,266
Total interest-bearing debt	127,478	98,846	167,528	163,517	154,599	155,262	174,260	194,781	193,041
Net debt	66,354	29,351	61,077	75,630	79,112	48,103	74,719	97,691	103,221

Source: Shared Research based on company data

Statement of cash flows

Cash flow statement (JPYmn)	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 Act.
Cash flows from operating activities (1)	31,921	44,141	40,582	41,018	25,638	42,266	36,870	67,913	40,608
Pre-tax profit	19,267	26,180	29,520	36,217	41,451	34,602	35,009	24,476	24,957
Depreciation	17,305	18,427	18,218	19,344	19,767	19,421	19,058	19,946	31,093
Impairment losses	-	877	-	-	-	4,587	1,598	1,295	8,980
Amortization of goodwill	95	113	113	113	113	113	95	95	257
Change in working capital	-474	22,392	-1,807	-9,749	573	-3,322	-16,179	29,865	-6,897
Income taxes	-4,447	-6,210	-6,211	-11,889	-15,040	-16,453	-9,333	-9,823	-6,058
Other	175	-17,638	749	6,982	-21,226	3,318	6,622	2,059	-11,724
Cash flows from investing activities (2)	-16,356	-28,470	-30,389	-116,049	-16,081	-9,124	-62,286	-85,815	-23,434
Acquisition of tangible/intangible fixed assets	-16,360	-20,425	-34,546	-124,670	-23,646	-21,792	-69,437	-93,130	-44,540
Proceeds from sale of tangible/intangible fixed assets	651	-	242	5,677	-	236	20	285	20,145
Acquisition of shares in subsidiaries	-	-	-	-	741	-	-	-1,466	-4,329
Other	-647	-8,045	3,915	2,944	6,824	12,432	7,131	8,496	5,290
FCF (1+2)	15,565	15,671	10,193	-75,031	9,557	33,142	-25,416	-17,902	17,174
Cash flows from financing activities	-8,210	-32,931	64,391	11,619	-19,239	-4,228	14,185	17,226	-23,483
Net change in short-term borrowings	-	-	40	-	-	60	-147	-	1,700
Net change in long-term borrowings	-4,283	-28,816	3,140	16,087	-8,820	700	19,244	-20	-3,300
Issuance and redemption of bonds	-	-	65,525	-	-	-	-	20,300	-98
Acquisition of treasury stock	-	-	-	-	-5,590	-7	-9	-8	-9,816
Dividends paid	-3,299	-3,298	-3,298	-3,333	-3,869	-4,193	-4,193	-4,193	-4,145
Other	-628	-817	-1,016	-1,135	-6,550	-795	-719	1,139	-17,640
Other	-1,555	5,162	6,543	4,800	-3,278	-2,613	2,193	-2,226	28
Change in cash and cash equivalents	5,798	-12,097	81,127	-58,610	-12,960	26,299	-9,036	-2,902	-6,281
Cash and cash equivalents (year-end)	76,077	63,980	145,108	86,497	73,536	103,765	95,120	94,692	88,411
Depreciation and amortization (A)	17,400	18,540	18,331	19,457	19,880	19,534	19,153	20,041	31,350
Capital expenditures (B)	-15,709	-20,425	-34,304	-118,993	-23,646	-21,556	-69,417	-92,845	-24,395
Change in working capital (C)	-474	22,392	-1,807	-9,749	573	-3,322	-16,179	29,865	-6,897
Simple FCF (NI+A+B-C)	21,432	1,903	15,354	-53,570	37,112	35,902	924	-78,193	38,809

Source: Shared Research based on company data

Cash conversion cycle

Cash conversion cycle	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 Act.
Accounts receivable turnover	6.6	7.4	8.2	7.5	7.2	7.1	6.7	6.6	7.3
Days in accounts receivable	**55.0**	**49.3**	**44.4**	**48.7**	**50.5**	**51.3**	**54.1**	**55.4**	**50.1**
Inventory turnover	15.6	15.9	16.3	15.6	14.7	14.2	14.0	13.9	13.8
Days in inventory	**23.3**	**22.9**	**22.4**	**23.4**	**24.8**	**25.7**	**26.2**	**26.2**	**26.4**
Accounts payable turnover	6.8	6.9	6.9	6.5	6.4	6.3	6.2	6.0	6.0
Days in accounts payable	**53.3**	**52.8**	**53.1**	**56.6**	**57.4**	**57.6**	**59.3**	**61.2**	**60.9**
Cash conversion cycle (days)	**25.0**	**19.5**	**13.6**	**15.5**	**17.9**	**19.4**	**20.9**	**20.4**	**15.6**

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-February 2020

Top shareholders	Shares held ('000)	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust account)	16,255	9.75%
Japan Trustee Services Bank, Ltd. (Trust account)	9,951	5.97%
H2O RETAILING CORPORATION	8,887	5.33%
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,965	3.58%
Nippon Life Insurance Company	4,961	2.98%
Takashimaya Kyoeikai	3,395	2.04%
Japan Trustee Services Bank, Ltd. (Trust account 5)	2,920	1.75%
Sotetsu Holdings, Inc.	2,402	1.44%
Japan Trustee Services Bank, Ltd. (Trust account 1)	1,845	1.11%
Takashimaya Employees Shareholding Association	1,816	1.09%
SUM	58,401	35.03%

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 7,825 full-time employees at end-February 2020 and employed an average of 8,834 part-time workers during the course of a year. On a parent basis, the company had 4,631 full-time workers and a yearly average of 4,579 part-time workers. The average age and average length of employment for its full-time workers in FY02/20 and on a parent basis are shown below.

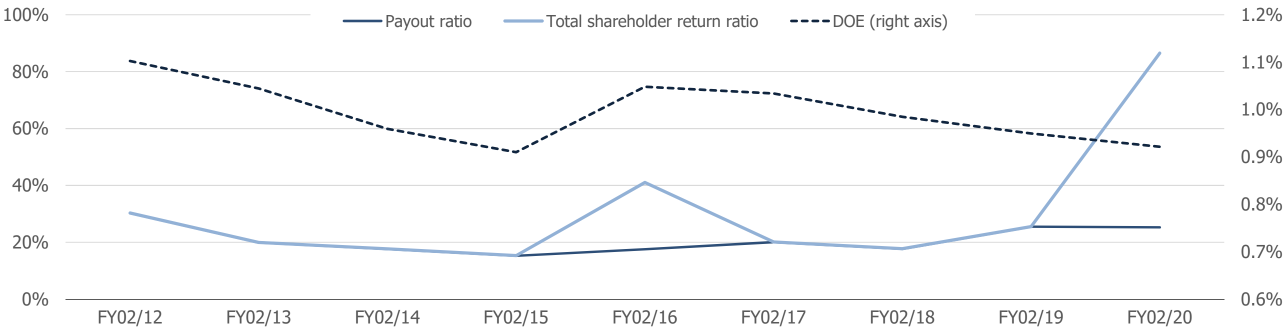
- ▷ Average age: 47.0 years
- ▷ Average length of employment: 23.8 years

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 announced a share repurchase program in June 2019 and bought back JPY9.810bn / 8mn shares (4.6% of the total number of shares issued).

(JPYmn)		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 Act.
Total dividends	a)	3,299	3,298	3,298	3,456	4,193	4,193	4,193	4,193	4,049
Total treasury stock acquired	b)	3	4	12	13	5,590	7	9	6	9,815
Total returns to shareholders	c) = a) + b)	3,302	3,302	3,310	3,469	9,783	4,200	4,202	4,199	13,864
Net income attributable to owners of the parent	d)	10,895	16,540	18,716	22,581	23,829	20,870	23,658	16,443	16,028
Dividend payout ratio	a) / d)	30.3%	19.9%	17.6%	15.3%	17.6%	20.1%	17.7%	25.5%	25.3%
Total shareholder return ratio	c) / d)	30.3%	20.0%	17.7%	15.4%	41.1%	20.1%	17.8%	25.5%	86.5%
Net assets available to common shareholders (year end)		302,153	329,428	358,194	401,107	398,928	412,225	439,173	443,920	434,703
Avg. of beginning and end of year	f)	299,196	315,791	343,811	379,651	400,018	405,577	425,699	441,547	439,312
Before deducting assets available to holders of Class A preferred shares		302,153	329,428	358,194	401,107	398,928	412,225	439,173	443,920	434,703
EPS	(JPY)	66.0	100.3	113.5	132.6	135.8	119.4	135.4	94.1	93.3
Dividend per share	(JPY)	20.0	20.0	20.0	20.0	24.0	24.0	24.0	24.0	24.0
DOE	a) / f)	1.1%	1.0%	1.0%	0.9%	1.0%	1.0%	1.0%	0.9%	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

Full-year FY02/20 results (out April 13, 2020)

In FY02/20, the company reported full-year consolidated operating revenue of JPY919.1bn (+0.7% YoY), operating profit of JPY25.6bn (-4.0% YoY), and net income of JPY16.0bn (-2.5% YoY). The decline in operating profit reflected weak results at domestic department stores, which were hurt by a combination of a warmer-than-usual winter, the spread of COVID-19, and rising expenses, with this only partially offset by the JPY2.7bn boost stemming from the adoption of IFRS 16 for lease accounting at overseas subsidiaries.

A number of factors either positively or negatively impacted operating profit. Positive impacts included about JPY700mn from the opening of Nihombashi Takashimaya SC, JPY700mn in earnings from subsidiaries, and JPY2.7bn from the adoption of IFRS 16. However, negative impacts included JPY1.6bn caused by deterioration of gross profit margin on product sales at domestic department stores (-0.31pp YoY), JPY700mn from an increase in expenses at domestic department stores, JPY500mn due to the consumption tax hike, JPY500mn from a decline in sales to inbound tourists, and JPY1.8bn due to the COVID-19 pandemic. As of October 2019, the company was projecting full-year operating profit of JPY28.0bn; the shortfall versus this estimate was attributed mainly to lower sales to inbound tourists (which reduced operating profit by roughly JPY900mn versus plan) and the decline in domestic consumer spending in the wake of the pandemic (which reduced operating profit by about JPY1.8bn versus plan).

Q4 operating revenue was JPY242.5bn (-4.3% YoY) and operating profit JPY5.3bn (-26.9% YoY). The decline in earnings reflects the drop in tax-free sales as the number of overseas tourists visiting Japan declined, and more and more Japanese shoppers opted to stay at home.

At this time, the company is not offering any forecasts with respect to FY02/21, saying it is still too early to make any reasonable estimates for the impact of the COVID-19 pandemic. The company plans to provide forecasts as soon as it becomes possible to do so. It plans to hold its annual dividend steady at JPY24.0 per share. Takashimaya has faced crises before, but compared with those times its financial standing is more solid now (as of end-FY02/20, it held JPY89.8bn in cash and deposits and had a shareholders' equity ratio of 37.2% and some leeway in terms of issuing commercial papers and obtaining bank overdrafts and credit). The fact that the company went so far as to indicate its expected dividend payment for FY02/21 even as it held off on offering any forecasts for earnings is a sign that management is confident in the company's financial position and its ability to weather the storm.

Along with the release of FY02/20 results, Takashimaya indicated its business outlook over the medium term, but refrained from setting any specific numerical targets owing to the uncertainty surrounding near-term earnings. In its discussion the company stressed five key points. First, it will suspend its ordinary practice of putting together long-term plans that cover five years (on a rolling basis), instead putting in place a three-year emergency business plan. Second, the company intends to reform the group's cost structure to help improve the earnings capacity of its core department stores business. Third, the company set a specific target of JPY12.0bn for cost reductions over the next three years, with JPY6.0bn of this coming from reductions in personnel expenses, JPY2.0bn from reductions in outsourcing and other general expenses, and JPY4.0bn from reduction in depreciation charges. Fourth, the company will narrow its investment spending plans to only the most essential areas needed to support medium-term growth, such as ecommerce-related investments. And fifth, while further developing and expanding its comprehensive Machi-Zukuri (urban development) strategy, the company emphasized its plans for developing its finance and overseas businesses (in countries such as Vietnam) will still be key parts of its future growth plans.

Impact of the adoption of IFRS 16 for lease accounting: The group's overseas subsidiaries adopted IFRS 16 for lease accounting starting FY02/20. The impact of this switch added a total of JPY2.7bn to operating profit during FY02/20, and reduced both recurring profit and pre-tax profit by JPY2.0bn versus FY02/19. At the individual segment level, the adoption of IFRS 16 added JPY2.4bn to operating profit at the Department Store segment and

JPY882mn to operating profit at the Commercial Property Development segment, with this reduced in part by a JPY632mn 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.

Department Store

In FY02/20, the Department Store business generated operating revenue of JPY784.8bn (-0.9% YoY) and operating profit of JPY6.9bn (-20.2% YoY). The adoption of IFRS 16 for lease accounting at overseas subsidiaries provided an operating profit boost of JPY2.4bn, but domestic department stores generated operating profit of just JPY4.2bn (-50.6% YoY), with the parent contributing JPY3.9bn (-54.0% YoY) of this. Sales declined YoY due to inclement weather during the summer, the consumption tax hike, a warmer-than-usual winter, and the COVID-19 pandemic. Although sales of foods and choice goods were relatively robust, sales of apparel declined YoY, causing gross profit margins on product sales to fall. Higher outsourcing fees also caused an increase in SG&A expenses, putting further pressure on operating profit.

According to analysis by the company, the consumption tax hike (net of increased demand ahead of the hike and decreased demand after it) had a negative impact of about JPY500mn on operating profit, and the COVID-19 pandemic had a negative impact of JPY1.8bn. The positive impact on sales from inbound demand through FY02/19 rapidly deteriorated because of the impact from the pandemic. The company's tax-free sales were about JPY49.6bn (-9% YoY).

By product category at domestic department stores, apparel sales (27.4% of segment sales) declined 2.8% YoY and fashion goods sales (18.0% of total sales) declined 1.0% YoY, while food sales (28.5% of segment sales) were relatively robust. Primarily because of deterioration in the product mix, in FY02/20 gross product margin on product sales was 23.6% (-0.3pp YoY).

At domestic department stores, SG&A expenses were JPY190.3bn (+0.4%, or +JPY729mn YoY). There were decreases in retirement benefits (-JPY1.5bn YoY) and other personnel expenses (-JPY839mn YoY), as well as in advertising expenses (-JPY995mn YoY), which had ballooned in FY02/19. However, there was an increase in general and administrative expenses (+JPY3.4bn YoY), including higher outsourcing fees (for example, for cleaning services and parking management) and depreciation related to the opening of Nihombashi Takashimaya SC. Accounting expenses also increased (+JPY616mn YoY) due in part to higher property taxes in connection with Nihombashi redevelopment. As a result, the SG&A-to-sales ratio rose to 24.5% (versus 24.2% in FY02/19).

At the parent, Q4 operating revenue was JPY189.2bn (-6.5% YoY) and operating loss was JPY498mn (operating profit of JPY2.4bn in FY02/19). The rapid deterioration in performance was due largely to the impact of the COVID-19 pandemic.

At end-FY02/20, in domestic department stores, the Konandai, Sakai, Rakusai, Senboku, Gifu Takashimaya, and Okayama Takashimaya stores were subject to impairment losses. As earnings capacity declines, it seems less likely the company will be able to adequately recover its investment.

Performance at overseas department stores was relatively robust. In Singapore, operating revenue was JPY17.0bn (-6.4% YoY) and operating profit JPY4.8bn (+46.3% YoY). Excluding the impact of IFRS adoption (which reduced operating revenue by about JPY1.1bn and increased operating profit by about JPY1.7bn), operating revenue and operating profit were both down slightly YoY because there was less rent income from group company Toshin Development Singapore, although retail sales were generally robust.

In Shanghai, operating revenue was JPY3.1bn (-1.4% YoY) and operating profit JPY74mn (operating loss of JPY866mn in FY02/19). Excluding the impact of IFRS adoption (which increased operating profit by about JPY600mn), operating revenue was down slightly YoY, while operating profit improved by about JPY300mn. Sales grew significantly in Q3 (July–September) due to a sale that presupposed closure (although closure was avoided due to a rent reduction proposal), and reduced rent led to earnings improvement starting in Q4 (October–December). After the Q3 sale ended and due to a lower tenant count, Q4 operating revenue was down 31.2% YoY, and there was an operating loss of JPY93mn. From January to March 2020, the company has been steadily filling vacant space.

In Vietnam, operating revenue was JPY2.0bn (+12.4% YoY) and operating profit JPY122mn (operating loss of JPY117mn in FY02/19). Excluding the impact of IFRS adoption (which increased operating profit by about JPY100mn), the Vietnam business has improved to around the breakeven point and should be able to turn a profit by capturing additional demand.

The situation at the Thailand store, opened in 2018, remains difficult. FY02/20 operating revenue was JPY1.6bn and operating loss JPY984mn. Construction of a nearby elevated railway was behind schedule, and the customer count fell short of projections. The product mix at the time of opening was weighted too much toward luxury items such as Japanese sweets and Japanese beef, so the store was unable to adequately capture demand and is making adjustments in terms of merchandising. There have been repeated delays on the elevated railway, and it remains unclear when it will actually begin operating. Local speculation says around fall 2020 is likely.

Commercial Property Development

In FY02/20, Commercial Property Development (formerly the Real Estate business) generated operating revenue of JPY45.5bn (+4.2% YoY) and operating profit of JPY9.9bn (+5.4% YoY). The segment has become the company’s biggest earner, accounting for 38.8% of FY02/20 consolidated operating profit (JPY25.6bn).

Toshin Development generated operating revenue of JPY44.6bn (+1.7% YoY) and operating profit of JPY6.7bn (-8.7% YoY). The opening of Nihombashi Takashimaya SC helped to boost revenue YoY, but operating profit fell YoY on higher rents and expenses for promoting the 50th anniversary of Tamagawa Takashimaya SC.

Toshin Development Singapore generated operating revenue of JPY8.7bn (-1.7% YoY) and operating profit of JPY3.1bn (+41.2% YoY). IFRS adoption had a positive impact on operating profit of about JPY900mn. Both operating revenue and operating profit rose YoY on a local currency basis with the contribution of an increase in percentage rent income.

In the Commercial Property Development business, the company decided in June 2019 to participate in the development of two lots of the Starlake Project in Hanoi, Vietnam, and announced in December 2019 that it had acquired the Indochina Plaza Hanoi commercial and office building complex jointly with Shimizu Corporation (TSE1: 1803), with Toshin Development holding a 60% stake, and Shimizu Investment (Asia) holding 40%. Takashimaya has increased its investment in Vietnam, where it expects robust growth.

Starlake Project is an urban development project on the western side of West Lake (Ho Tay), some six kilometers northwest of the central business district (CBD) in Hanoi, Vietnam. The land involved is situated close to the high-end residential area bordering West Lake. An urban rail system will be constructed, allowing excellent access to central Hanoi and the airport. Toshin Development will acquire land use rights for two lots within the development area (Lots A and B). It will construct and hold properties therein, operating a real estate leasing business with the properties used as schools, commercial buildings, offices, and other facilities. For Lot A, Toshin Development will take the lead in developing the real estate business, while its business partner will take the lead in the school operation business (Toshin Development will have a 25.01% stake). In the school business, the plan is to open a bilingual school in early 2021. For Lot B, the company aims to begin a multi-use project centered on retail facilities in 2022 or later.

Indochina Plaza Hanoi is a commercial, office, and residential building complex completed in 2012 on the busy Xuan Thuy Street in the Cau Giay district of Hanoi, Vietnam. It sits on a 16,619sqm site and has 24,900sqm of floor space in its commercial section and 17,400sqm in its office section. The plaza has good access to the airport and is situated close to the National University Station (still under construction) on the No. 3 line of the metropolitan railway. The area is popular with Japanese expatriates as there is a Japanese school nearby. Takashimaya plans to renovate the commercial section and make other improvements to add value to the property, which it acquired jointly with Shimizu Corporation in November 2019. Toshin Development holds a 60% stake.

Finance

In FY02/20, the Finance business generated operating revenue of JPY17.5bn (+9.8% YoY) and operating profit of JPY4.9bn (-10.4% YoY). Operating revenue increased on growth in the external handling volume for credit cards. However, operating profit declined on one-time expenses associated with issuance of the new Takashimaya Card Premium for gaisho customers and the merger of Takashimaya Credit and Takashimaya Insurance. The company resulting from the merger of Takashimaya Credit and Takashimaya Insurance began operating in March 2020 as Takashimaya Financial Partners Co., Ltd.

In April 2020, Takashimaya announced that it had concluded a business alliance agreement with SBI Holdings, Inc. (TSE1: 8473) subsidiary SBI Securities Co., Ltd., and a capital and business alliance agreement with Hogaraka Trust Co., Ltd. (unlisted). The agreement with SBI Securities means that Takashimaya can provide its customers with investment trusts, while the agreement with Hogaraka Trust means it can provide them with trust and asset succession services. Takashimaya is working to strengthen its financial services to make the Finance business another earnings pillar.

Contract and Design

In FY02/20, the Contract and Design business generated operating revenue of JPY33.2bn (+33.9% YoY) and operating profit of JPY1.8bn (2.4x the FY02/19 figure). Earnings were strong for work on hotels, high-end boutique shops, and other commercial facilities ahead of the Tokyo Olympics and Paralympics.

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 Store: 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.

Department Store

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.

Tax-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.

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.

Commercial Property Development

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

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

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.

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 Store: Department Store 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 gross profit margin on product sales 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 gross profit margin on product sales, 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 Store

In 1H, Department Store 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 tax-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 gross profit margin on product sales 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 profit 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 profit margin is relatively high, were down slightly YoY, causing its ratio to total sales to fall. Further, the gross profit margin for other various categories also deteriorated. The company is conducting initiatives to increase gross profit 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 Store: 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 has 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

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 tax-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.

News and topics

May 2020

On **May 25, 2020**, the company announced the share transfer of an equity-method affiliate.

The company has passed a resolution to transfer all shares of its equity-method affiliate, Shin Nankai Store Co., Ltd. (50:50 owned by the company and Nankai Electric Railway Co., Ltd.) to Osaka Chikagai Co., Ltd. and subsequently concluded a stock transfer agreement. The number of shares to be transferred is 48,000, with a total transfer price of JPY370mn. The scheduled date of the transfer is June 1. This transaction is not expected to have a significant impact on the company's business performance.

Shin Nankai Store operates specialty stores mainly located in commercial facilities owned and managed by Osaka Chikagai. It currently operates 28 stores in five facilities. In FY02/20, Shin Nankai Store posted sales of JPY908mn, with an operating loss of JPY19mn and net loss of JPY59mn. Earnings are under severe pressure due to intensifying regional competition and the diversification of retail channels into areas such as online shopping. Improving operational performance is an urgent issue. Following discussions on Shin Nankai Store's position in respect of Takashimaya, Nankai Electric Railway, and Osaka Chikagai, the company and Nankai Electric Railway have decided to transfer all their respective shares in Shin Nankai Store to Osaka Chikagai.

April 2020

On **April 7, 2020**, the company announced it would postpone the disclosure of its new management plan and FY02/21 earnings forecasts and temporarily close some facilities.

Postponement of announcement of the new management plan and FY02/21 earnings forecasts

The company will postpone the announcement of its new management plan and consolidated FY02/21 earnings forecasts, which had been scheduled for April 13, 2020. The reasons for the postponement are: 1) uncertainty about when the COVID-19 pandemic will subside and difficulty in calculating the effects of the declaration of a state of emergency and large-scale economic measures, and 2) many uncertainties that affect business performance, given the business conditions such as temporary closures and shortening of business hours at the group's domestic and overseas facilities. The company will postpone the announcement of the new management plan but clarify which strategies to prioritize through the process of elucidating medium-term management direction. The company has not yet decided on FY02/21 earnings forecasts, but will announce them as soon as it becomes possible to make rational calculations.

Temporary closure of some facilities

Following the declaration of a state of emergency on April 7, Takashimaya will temporarily close its group facilities located in the target areas of Tokyo, Kanagawa, Saitama, Chiba, Osaka, Hyogo, and Fukuoka. Facilities' food floors will remain open in response to a request from the Ministry of Economy, Trade and Industry for a stable supply of food. Business will be suspended for an indeterminate time beginning April 8, 2020. The following 13 facilities will be affected: Nihombashi Takashimaya SC, Takashimaya Times Square (Shinjuku), Tamagawa Takashimaya SC, Tachikawa Takashimaya SC, Kashiwa Takashimaya Station Mall, Nagareyama Otakanomori SC, Hakata Riverain Mall by Takashimaya, and the Yokohama, Konandai, Omiya, Osaka, Sakai, and Senboku stores (food floors to remain open).

December 2019

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.

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.

October 2019

On **October 11, 2019**, 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.

Company profile

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+81-6-6631-1101	Tokyo Stock Exchange 1st Section
Established	**Listed On**
August 20, 1919	May 16, 1949
Website	**Fiscal Year-End**
https://www.takashimaya.co.jp/store/foreign/index.html	February
IR phone	**IR Web**
+81-3-3668-7253	https://www.takashimaya.co.jp/corp/english/index.html

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Net One Systems Co.,Ltd.
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