Annual Report
Year ended February 29, 2008

Never Changing, ALWAYS NEW

Never forgoing our tradition of quality, service and dedication,
we constantly innovate to fulfill customers' ever-changing expectations.

HISTORY OF THE TAKASHIMAYA GROUP

1831 **Founding Spirit**
Our founder, Iida Shinshichi, opened a clothing and cotton cloth store in Kyoto with the trading name "Takashimaya."

1889 **Takashimaya Wins Prize at the World Exhibition in Paris**
In the 19th century, Takashimaya won several prizes at overseas exhibitions.

1896 **Kyoto Store Unveils Innovative Show Window**
Known as the *mihonba* (show place), this window became the prototype for show windows in modern department stores.

1938 **Establishment of Biggest Department Store Restaurant in the Far East**
The establishment of a restaurant was unprecedented for a drapery-based department store.

1959 **Licensing Agreement with Pierre Cardin**
With this agreement, Takashimaya became the first Japanese company to enter into an agreement with a foreign designer.

1969 **Tamagawa Takashimaya S.C. Opened**
The Tamagawa Takashimaya S.C. was Japan's first large-scale suburban shopping mall.

1993 **Singapore's Biggest Department Store Opened**
The Takashimaya branch in Singapore set a new standard in luxury shopping in Asia.

1994 **Taipei Branch Opened**
As Taipei's first suburban department store, this store became a source of new lifestyle ideas.

1996 **Takashimaya Times Square Opened**
Located in Tokyo's Shinjuku district and designed to be barrier-free, this store was the first retail store approved under the Tokyo Metropolitan Government's Heart Building Law*.

2000 **JR Nagoya Takashimaya Opened**
Conveniently located inside the JR Central Towers, a newly built landmark next to Nagoya Station, this was the first full-size department store to open in Nagoya City for 20 years.

2006 **Tokyo Store Given Historic Building Status**
In March 2006, the Tokyo Metropolitan Government granted historic building status to the Takashimaya store in Nihombashi, Tokyo. When built in 1933, this building attracted considerable interest with its classic exterior.

* Heart Building Law: This law was introduced to improve access for the aged and people with disabilities to specific types of buildings.

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Never Forgetting Our Past, ALWAYS INNOVATING for the Present

Takashimaya Company, Limited, established in 1831, was founded on the principle of offering a shopping experience characterized by the highest in Japanese quality and service. As we continue to innovate to exceed customer expectations, we remain true to this tradition.

Today, we are Japan's leading department store operator in terms of turnover, with services extending into Contract & Design, Real Estate, Finance and other businesses. Among our 20 stores in Japan, those in Tokyo, Shinjuku, Yokohama, Nagoya, Kyoto and Osaka exceed 50,000 m^2 or boast annual sales of more than ¥100.0 billion—the development of large metropolitan retail stores is a key corporate strength. We have also branched out overseas, to Singapore, New York and Taiwan. In total, the Group spans the parent company, 32 subsidiaries and 14 affiliates and employs 9,844 people.

Takashimaya Company, Limited and Consolidated Subsidiaries, Years ended February 29, 2008 and February 28, 2007	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars (Note 1) 2008
For the year:			
Net sales	**¥ 994,585**	¥ 1,007,476	**$ 9,492,127**
Other operating revenue	**48,126**	41,930	**459,305**
Sales and other operating revenue	**1,042,711**	1,049,406	**9,951,432**
Operating income	**37,699**	33,861	**359,793**
Net income (loss)	**18,697**	25,320	**178,441**
At year-end:			
Total assets	**758,871**	782,996	**7,242,518**
Total liabilities	**467,618**	496,167	**4,462,856**
Interest-bearing debt	**84,759**	116,492	**808,924**
Total net assets	**291,253**	286,829	**2,779,662**
	Yen		U.S. dollars
Per share data:			
Net income (loss):			
Basic	**56.66**	77.82	**0.54**
Diluted	**54.87**	74.66	**0.52**
Cash dividends applicable to the year	**10.00**	9.50	**0.10**
Ratios:			
ROE*	**6.5%**	9.9%	
Net assets ratio*	**37.9**	36.2	

Notes: 1. The U.S. dollar amounts in this report are presented for convenience only and have been converted at the rate of ¥104.78 to $1.00, the approximate rate prevailing at February 29, 2008.

2. ROE = $\frac{\text{Net income}}{\text{Average owners' equity and accumulated gains from revaluation and translation adjustments}} \times 100$

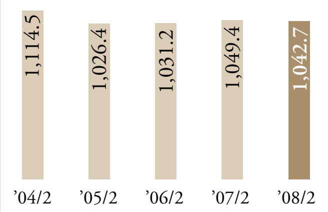
3. The number of shares outstanding excludes treasury stock.

*ROE and Net assets ratio are calculated from total net assets excluding minority interests in consolidated subsidiaries.

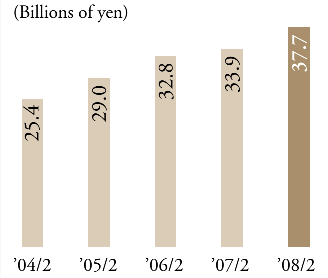
Forward-looking statements and note regarding redesignation of fiscal years

Statements contained in the Annual Report regarding business results for the fiscal year ended February 29, 2008 represent judgments based on currently available information. It should be noted that there is a possibility that actual results could differ significantly from those anticipated due to unforeseen factors, such as exchange rate fluctuations. Also, this Annual Report designates the year ended February 29, 2008 as fiscal 2007 to reflect that most of the term took place in 2007.

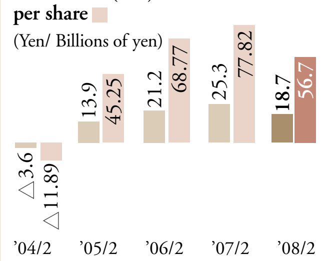
Sales and other operating revenue
(Billions of yen)



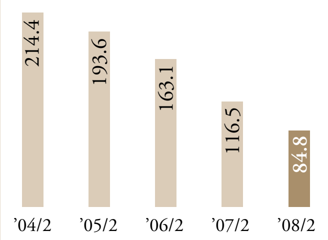
Operating income
(Billions of yen)



Net income (loss)
net income (loss) per share
(Yen/ Billions of yen)



Interest-bearing debt
(Billions of yen)



1 Fifth Consecutive Year of Operating Income Growth

Although consolidated operating revenue decreased 0.6% year on year to ¥1,042.7 billion, partly due to a change in the accounting period of some subsidiaries, operating income increased by 11.3% to ¥37.7 billion, marking the fifth consecutive year of growth.

2 Strong Performance by Subsidiaries and Reduced SG&A Expenses at Department Stores

SG&A expenses at department stores in Japan were reduced, and subsidiaries including Toshin Development Co., Ltd., Takashimaya Space Create Co., Ltd. and Takashimaya Singapore Ltd. steadily increased profits. These factors contributed to the 11.3% year-on-year increase in consolidated operating income, as well as record-high ordinary income of ¥42.1 billion.

3 Steady Progress with Structural Cost Reduction Reforms

We further solidified our business foundation by successfully implementing our plan for marketing cost structure reform. The plan, launched in September 2006, aims at reducing operating costs by ¥9 billion over a 30-month period. In fiscal 2007, we attained a reduction of ¥5.2 billion and raised the plan's final target to ¥9.2 billion as of the end of fiscal 2008.

4 Excellent Performance from the Shopping Center Business

The shopping center business, the Takashimaya Group's second core business, recorded a large profit increase following active business expansion, which included the development of stores proposing new lifestyle ideas and the expansion of existing facilities. Operating revenue for the shopping center business increased by 18.2% year on year to ¥33.7 billion, and operating income rose by 22.7% to ¥7.4 billion.

5 Dividend of ¥10.0 for Fiscal 2007 and Fiscal 2008

Takashimaya aims to provide stable shareholder returns based on a target dividend payout ratio of 30% on a consolidated and non-consolidated basis. The dividend for the year under review is ¥10.0 per share, and the Company aims to maintain this level for the year ending February 28, 2009 as well.

Tradition and Innovation —the Cornerstones of OUR GROWTH

Koji Suzuki, President

In March 2008, Takashimaya unveiled a new corporate message, Never Changing, Always New, which expresses the two factors that have powered our growth for nearly two centuries—tradition and innovation. While remaining true to our tradition of providing the very finest shopping experience, we constantly innovate to fulfill our customers' ever-changing expectations.

In fiscal 2007, Takashimaya's fifth consecutive year of income growth, we turned our innovative capabilities to optimizing our sales and marketing structure. Through this, we will counter tough market conditions while enhancing our ability to deliver the quality and refinement our customers expect.

Tough Market Conditions Persist in Fiscal 2007

In fiscal 2007, the department store industry continued to suffer severe business conditions, for reasons including the abolition of the fixed-rate tax deduction for individuals in Japan, sluggish growth in salaries and unfavorable summertime weather. The declining number of children and aging population have also begun to affect the retail industry.

As a result, the department store industry's competitive landscape is changing rapidly, as evidenced by the merger of Daimaru and Matsuzakaya in September 2007, the merger of Mitsukoshi and Isetan in April 2008, and the impending birth of Hankyu Hanshin Department Store in October 2008. Competition is intensifying, with sales of Japanese department stores continuing the downward trend from fiscal 2006.

Focused Sales and Marketing Strategy Brings Continued Income Growth

In fiscal 2007, the third year of our long-term business plan, Strategies for Growth, the Takashimaya Group bolstered its sales and marketing capabilities and raised operating efficiency with the aim of increasing earning power throughout its operations.

The Shinjuku Store, which on April 19, 2007 completed an extensive renovation, reflects this strategy. By switching to an up-market merchandise selection and completely reviewing sales floor layouts, we facilitated in-store browsing and created a department store that is now, as evidenced by rising sales, winning the patronage of a wide range of customers.

We also worked to raise merchandise profit margins by standardizing merchandising across stores, and increased differentiation from competitors by enhancing our Voice File private-brand line, which consists of original products that reflect customer opinions, and by operating in-store boutiques that provide customers with our own garment selections as well as information about the latest trends.

The Takashimaya Group's second core business, the shopping center business, saw continued expansion. Here, we expanded existing facilities and continued to develop shopping centers that propose new lifestyle ideas to customers.

Together, these measures resulted in good performance for the Takashimaya Group, despite the business environment. While consolidated sales and other operating revenue fell 0.6% to ¥1,042.7 billion year on year, operating income rose for the fifth consecutive year to ¥37.7 billion, an increase of 11.3%. Ordinary income rose 6.4% to ¥42.1 billion, a record for Takashimaya. Owing to the recording of extraordinary losses brought by a change in the accounting treatment of gift certificates and other factors, net income was ¥18.7 billion, a decrease of 26.2%. However, it should be noted that when the impact of a change in the accounting period of consolidated subsidiaries is taken into consideration, effective consolidated sales and other operating revenue increased by 0.2% to ¥1.7 billion year on year.

> "In fiscal 2007, Takashimaya's operating income rose for the fifth consecutive year, by 11.3% to ¥37.7 billion."

Building a Highly Effective Sales and Marketing Structure in Fiscal 2008

To cope with the adverse business environment and maximize corporate value, the Takashimaya Group will make maximum use of its management resources. In the core department store business, we will move ahead with exhaustive operational reform to prioritize sales operations. We will also boost our ability to respond to customer needs by strengthening merchandise procurement through a restructuring of purchasing systems, and by enhancing our use of customer relationship management (CRM)* through closer analysis of customers' credit card purchasing data.

In this way, we will build a highly effective sales and marketing structure that embodies our core principle: Putting People First.

* **Customer relationship management:** A marketing technique in which the purchasing data of individual customers is collected in a database and analyzed to help stores respond better to customer needs.

Introducing a Rolling Long-term Business Plan

At the start of each fiscal year, we review the targets and investment plans in our long-term business plan, Strategies for Growth, to account for changes in the business environment.

At the beginning of fiscal 2008, we revised the numerical targets for the plan's final year, fiscal 2011. We also established a new policy for revisions: Rather than specifying a final year, the plan will be continuously implemented on a rolling five-year basis, to account for changes in the economic and social environment. The management direction and numerical targets for sales, profit and other performance indicators will be reviewed annually.

Group Management Priorities for Fiscal 2008

Creating a clear, strategic merchandising structure is of utmost importance to the continuous reinforcement of our sales and marketing capabilities. In fiscal 2008, we aim to establish a core selection of continuously strong-selling products and propose distinctive new products by strengthening the merchandising system, adding staff and creating a system to enhance the merchandise selection.

A key priority is to establish a workflow that enables a consistent merchandising strategy extending from Takashimaya's overall direction to merchandise selection policies for individual product lines and store development plans. We will also work to streamline the organization, clarify roles and responsibilities and upgrade information systems.

Assessing Our Internal Controls and Auditing System for Financial Reporting

In fiscal 2008, Takashimaya will assess and verify internal control systems for financial reporting in accordance with the new Financial Instruments and Exchange Law (known as "J-SOX"), which is effective for fiscal years beginning April 2008 and after. This process will

> "We aim to build a highly effective sales and marketing structure that embodies our core principle: Putting People First."

assess three items: 1) company-wide internal controls, IT company-level control and the settlement of accounts and financial reporting process; 2) business process control and IT application control, and 3) IT general control.

An Annual Dividend of ¥10.0 per Share

Takashimaya's basic stance is to maintain a stable dividend level by reinforcing the business foundation in preparation for the future, and to provide shareholder returns with a guideline dividend payout ratio of 30% (consolidated and non-consolidated basis) after consideration of the Company's business performance and financial foundation.

For the year ended February 29, 2008, the Company declared as planned a dividend of ¥10.0 per share. We expect to maintain this level in the year ending February 28, 2009 as well.

* * *

Despite the challenging market environment, I believe that by reinforcing our sales and marketing structure, we will continue to grow and maintain our status as a department store operator offering an unparalleled shopping experience. I look forward to your continuing support.

May 2008

Koji Suzuki, President

Never Forgoing Stability, ALWAYS GOING Further

Key Aims of the Long-term Business Plan

Takashimaya's long-term business plan, Strategies for Growth, was launched in fiscal 2005 and culminates in fiscal 2011, the company's 180th anniversary. In fiscal 2008, the plan's fourth year, we aim to increase Group company revenues through three principal measures:

- The creation of high-grade stores that, through their class and style, will be seen as the finest in their respective areas.
- The opening up of new markets through new store openings, major store expansions and business alliances in Japan and overseas.
- Continued development of Takashimaya's second core business, the shopping center business.

Review of Investment Amount and Numerical Targets

The long-term business plan is reviewed at the beginning of each fiscal year. In fiscal 2008, we outlined a new policy: Starting fiscal 2008, we will not decide a final year for the plan; instead, to reflect changes in the business environment, the management direction and targets for sales, profit, and other performance indicators will be reviewed annually on a rolling five-year basis. For fiscal 2011, the plan's final year, we have revised upward the total investment amount from ¥250.0 billion to ¥270.0 billion and set targets of ¥1,120.0 billion for operating revenue, ¥58.0 billion for ordinary income, ¥70.0 billion for interest-bearing debt, and ROA of 7% or higher.

Extensive Store Renovations Drive Growth

Under Strategies for Growth, we will completely renovate the Yokohama Store and create a new main building for the Osaka Store. At the Yokohama Store, we will invest ¥15.0 billion in a phased renovation aimed at generating annual sales of ¥12.0 billion. The first phase ends in the spring of 2009, and the second in 2012. Focusing on 2009, the 50th anniversary of the opening of the Yokohama Store, we will radically review the merchandise selection, services

Total investment under Strategies for Growth

	Initial Plan	Revised Plan
Total investment	¥ 250 billion	¥ 270 billion

Numerical targets for fiscal 2011 (consolidated)

	Initial Plan	Revised Plan
Sales and other operating revenue	¥ 1,120 billion	¥ 1,120 billion
Ordinary income	¥ 55 billion	¥ 58 billion
Interest-bearing debt	¥ 70 billion	¥ 70 billion
ROA (ordinary income / total assets)	6.8 %	7 % or higher
ROE (net income / average owners' equity and accumulated gains from revaluation and translation adjustments)	—	8 % or higher

and customer environment to ensure the store's position as the area's leading department store. In March 2008, before renovating the Yokohama Store, we also opened Takashimaya Food Maison Shin-Yokohama, the second of our new food stores modeled on the food halls often found beneath department stores, in the JR Shin-Yokohama station building.

At the Osaka Store, we will invest ¥45.0 billion into a complete refurbishment occurring between late 2006 and late 2010, and expand the sales floor area by 22,000 m^2 to 78,000 m^2.

Yokohama Store

Total investment ¥ 15 billion Projected sales increase ¥ 12 billion	First store opening **Spring 2009** Project completion, full launch **2012**

Osaka Store

Total investment ¥ 45 billion Projected sales increase ¥ 32 billion	Opening of new TE Building **Autumn 2009** Project completion, full launch **Autumn 2010**

Tokyo Store

Total investment ¥ 30-35 billion (¥15-20 billion by fiscal 2011)	Project completion **2015**

These initiatives are forecasted to bring an annual sale increase of ¥32.0 billion. By upgrading the merchandise, service selection and store environment, we aim to establish this store as Osaka's leading department store and the cornerstone of the city's newly redeveloped Namba district.

The Tokyo Store will also undergo major renovation, starting in fiscal 2011 with a view to a grand opening in 2015. Investment will total between ¥30.0 and ¥35.0 billion, with ¥15.0 to ¥20.0 billion to be invested in the period to fiscal 2011. The project will culminate in a premiere commercial facility that combines commerce, business facilities and culture at the heart of Tokyo's Nihombashi district. In April 2008, we established the Nihombashi 2-chome Area Urban Redevelopment Preparation Association to help revitalize the area into a prosperous, bustling district by increasing the attraction power of the Tokyo Store.

At the Shinjuku Store, which completed an extensive renovation in April 2007, we are now seeking to increase customer numbers through a convenient direct connection to Shinjuku Station, which opened with the launch of the Tokyo Metro Fukutoshin Line in June 2008.

Optimizing Sales and Marketing— A Key Management Focus in Fiscal 2008

The outlook for individual consumption is bleak due to soaring crude oil and raw material prices, volatile stock and currency markets, the abolition of the fixed-rate tax deduction for individuals in Japan, and sluggish growth in personal income, among other factors. A declining number of children and aging population also point to a shrinking market.

For these reasons, Takashimaya regards the department store business as a mature market and will work to transform its revenue structure by strengthening the Takashimaya brand in other areas.

A key priority in this segment is to develop a highly effective sales and marketing structure by focusing on three core areas: sales floor management, merchandise appeal, and customer relationship management (CRM).

In fiscal 2008, the final year of the second phase of our plan to reform marketing cost structures, which is aimed at cutting operating expenses by ¥9.0 billion over a 30-month period, we will also reform back office functions and Group company operations. Here, we will strategically reallocate personnel, strengthen the buyer function with a focus on women's wear and greatly reinforce sales and marketing at the strategic Osaka Store and Shinjuku Store.

Outside of the department store business, we will raise the operational efficiency of Group companies while strengthening collaboration within the Group. We will, for instance, continue to expand the shopping center business through Toshin Development, who operates this business. These efforts will increase the revenue contributions of Group companies, and strengthen the Takashimaya brand.

Pursuing Responsible and Sustainable Growth

In line with the respect for people embodied in our principle of putting people first, we will actively make social contributions through our business activities. We will not only focus on compliance, but also help to solve social issues. Above all, we will focus on counteracting global warming by launching a CO_2 reduction program and reducing the environmental impact of our department stores.

Launching Wide-ranging Initiatives to Truly Put the Customer First

Takashimaya's Shinjuku Store

In the core department store business, Takashimaya, is launching a two-part strategy that will, more than ever before, allow the company to understand and meet the needs and wishes of its customers. A key element of this strategy is to optimize sales and marketing.

Takashimaya's Operating Strategy for Fiscal 2008

(1) Optimizing Sales and Marketing

This strategy, launched in fiscal 2007, aims at boosting selling power and enhancing merchandise appeal by optimizing our sales and marketing structure. This will strengthen our ability to effectively meet customer needs, and thereby, enable swift responses to changes in the business environment.

In fiscal 2008, we intend for all employees to adopt a highly sales-focused approach in line with this goal. We will also actively strengthen sales area management, merchandising and customer relationship management (CRM).

Firstly, to strengthen sales area management we will standardize and consolidate sales floor operations. This includes deploying sales personnel in the most effective manner possible, and relieving them of all duties not related to sales to increase employee productivity. Tasks not related to sales will be handled off the sales floor.

Secondly, in the area of merchandising, we will review work procedures, increase the number of dedicated staff and create systems to enhance the merchandise selection. By concentrating authority with buyers to speed up decision making and clarify responsibilities, we will assemble a strong merchandise selection that reflects Takashimaya's accurate understanding of customer needs.

Thirdly, to strengthen our grasp of customers' needs and wants, we will integrate CRM in the day-to-day work of sales personnel and enhance customer information systems through wide-ranging initiatives, including rebuilding the credit card information analysis system. To advance the implementation of these measures, Takashimaya has established the Marketing Systems Reform Promotion Office.

(2) Developing a Future-focused Merchandising Strategy

To continuously strengthen selling power, we will develop a strategic merchandising approach in fiscal 2008. We will establish a workflow that enables a consistent merchandising strategy extending from Takashimaya's overall direction to merchandise selection policies and plans for each product line and store development plans. Through organizational streamlining, a clarification of roles and responsibilities and the development of information systems, we will attain a merchandise selection that delivers high customer satisfaction.

Renovation Boosts Performance of the Shinjuku Store

On April 19, 2007, the Shinjuku Store completed an extensive renovation carried out under the RE-AXIS Plan. This plan involved a complete review of the floor configuration and a switch to an up-market merchandise selection. Sales following the renovation increased by 11.9% year on year to ¥81.3 billion.

A breakdown of sales by customer age reveals that sales to customers aged 40 and above increased by 28.8% year on year, indicating that we have succeeded in widening the target age group for this store. Browsing for other products following purchasing of luxury brands, groceries, and Japanese clothing increased, and the store attracted customers from a wide geographical area, as indicated by a sharp increase in customers from the Kanagawa and Chiba Prefectures. The number of corporate customers increased by about 40% year on year as well, with these customers accounting for a sales share exceeding 10%. Sales floor efficiency was increased by a fine-tuning of the sales areas and a reintroduction of popular brands in the autumn of 2007. Through this range of measures, we successfully created a department store that enjoys the patronage of a broad range of customers.

In the future, the Shinjuku store will focus on increasing the use of CRM to regain customers lost due to brand replacement, primarily customers in their 20s, and on promoting new brands for which sales have been slow.

Priority Areas in Merchandising for Fiscal 2008

In merchandising, we will prioritize three measures: enhancing the basic merchandise selection, responding to demand for premium-quality mass-market merchandise, and strengthening our ladies' fashion lines.

To enhance the basic merchandise selection, we will enhance mainstay selections, acquire best-selling products and eliminate out-of-stocks by increasing the market trend accuracy of merchandising strategies, boosting the number of assistant buyers in stores, and bolstering in-store information by upgrading information on individual products.

In response to demand for mass-market luxury goods from our core affluent customer group, we will enhance the selection of such merchandise and use CRM to provide targeted information to customers about these products.

To strengthen our line of ladies' fashion, a core source of revenue, we will review the workflow from setting the overall direction to drafting merchandising plans. We will also divide sales areas into special "product zones," each with its own dedicated buyers. Although these zones will not be evident to the customers, their boundaries will be determined from the customer's perspective.

Responding to Market Trends with Independent Selection Boutiques and Private Brands

To respond to the latest trends with original selections of high-quality fashion items and to emphasize Takashimaya's distinctiveness, our department stores offer a variety of independent selection boutiques. STYLE & EDIT is one such boutique that offers top-selling brands from Japan and overseas. Customers can also receive comprehensive fashion proposals encompassing everything from clothing to sundry goods. Now in their third year, the STYLE & EDIT boutiques have been very popular with customers, many of whom regard them as shops that always propose new ideas.

Another popular store brand is the Indigo Bar line of denim fashion boutiques, which offer the latest fashion in high-quality denim as well as style ideas. By the summer of 2008, Indigo Bar had begun to introduce brands from the U.K. and Italy.

We also continue to develop Voice File, a brand of original products jointly developed with suppliers on the basis of customer opinions. The Voice File products reflect Takashimaya's meticulous attention to design, function, safety and peace of mind.

Other initiatives aimed at communicating Takashimaya's identity include the Rose Gallery at the Shinjuku Store displaying our famous "rose" merchandise (the rose is Takashimaya's company symbol) and the Yokohama Store's YOKOHAMA CLUB, which offers smart original fashion items from Yokohama.

Unwavering Focus on Product Safety

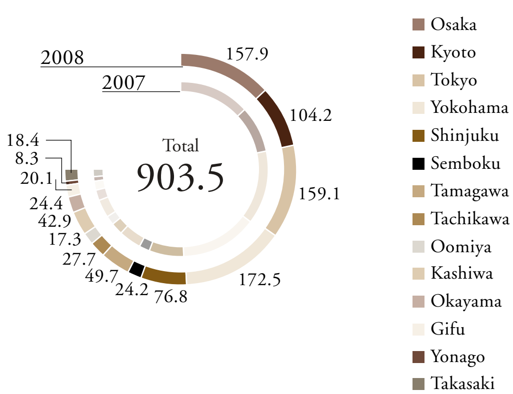
Amid increased concern about product safety, Takashimaya puts great effort into accurate product labeling to assure customers that our products combine safety with excellent quality. Takashimaya has systematically compiled the Takashimaya Quality Standards, which contains both quality-related legal standards such as the Japanese Agricultural Standards Law and our own voluntary standards. In fiscal 2007, we strengthened these standards, conducted employee education to ensure compliance, and publicized them to companies in the supply chain.

For food products, we are responding to customer demand for traceability, meaning easy access to information regarding producers, feedstock, ingredients, processing and shipping dates and more. In cooperation with producers, we are implementing traceability systems for vegetables, meat, eggs, rice and other food products.

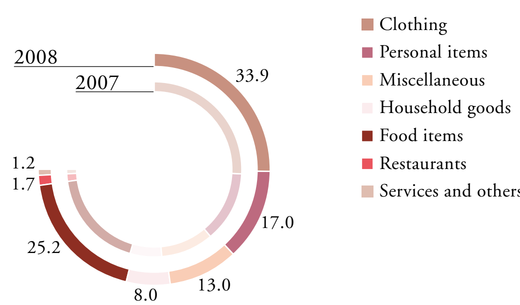
Advertising poster for the STYLE & EDIT boutique.

Advertising poster for the CS Case Study boutique, which offers modern elegance with a traditional touch.

Sales by department store
(Billions of yen)



Sales by category
(%)



Applying Community Development Expertise to Build a New Business

Takashimaya Group's second core business, the shopping center business, is spearheaded by Toshin Development Co., Ltd. The company develops commercial facilities from the twin perspectives of synergy with the department store business and community development.

Refurbishment and Expansion of Kashiwa Takashimaya Station Mall

The Kashiwa Takashimaya Station Mall is one of the most successful malls in the Kashiwa area in Chiba Prefecture near Tokyo. During the fall of 2008, Toshin Development will finish its ongoing total refurbishment of existing facilities, as well as complete the construction of a new, adjoining multi-tenant building with a total sales floor space of 7,300 m^2. We expect this project, in which investment will total around ¥7.0 billion to result in an increase in sales. Through this high-quality urban shopping center, we will maintain our status as the area's leading retailer.

Concept image of the completed Kashiwa Takashimaya Station Mall.

Nagareyama Otaka no Mori Shopping Center

Nagareyama Otaka no Mori Shopping Center, which opened in March 2007 following a total investment of about ¥10.0 billion, has performed very well and contributed to the increase in operating income seen in fiscal 2007. To help develop the local community, we are considering additional development projects centered on the shopping center in the Nagareyama Otaka no Mori area.

Hakata Riverain Eeny Meeny Miny Mo

In August 2007, Toshin Development acquired 50% of the trust beneficiary rights in Hakata Riverain Eeny Meeny Miny Mo, a multipurpose commercial complex in Fukuoka City, from Japan Retail Fund Investment Corporation. Toshin Development will operate and manage the complex, and apply its operation and management expertise to increase the facility's revenue potential. A significant part of the project involves improving and rehabilitating the facilities to better attract customers.

Fiscal 2008 Targets and Prospects for Fiscal 2011

Due to the impact of new shopping center openings, Toshin Development expects sales and profit to increase in fiscal 2008, with operating revenue forecast to climb 11.6% year on year to ¥37.7 billion and operating profit to rise 7.3% to ¥8.0 billion.

Toshin Development is targeting ordinary income of ¥10.0 billion in fiscal 2011. To that end, the company will seek to increase sales by increasing added value in its commercial facilities, and expand its business through new development that reflects the company's expertise in commercial facility and community development.

The company will also play a key role in the Takashimaya Group's development business by exploring new business opportunities, for instance through collaboration with business partners from outside the Group.

Building Japan's 21st Takashimaya Store—Online

Online shopping is proving to be a powerful revenue source for Takashimaya, and we are actively working to drive sales by enhancing the merchandise selection and increasing customer convenience.

Fiscal 2007 Results and Key Strategies for Fiscal 2008

Although the sales contribution from the online shopping business remains small at present, profit margins are good. Accordingly, we have positioned online shopping as an important business area that will complement the department store business in the coming years.

To increase customer convenience, we launched a redesigned website sporting a new, easy-to-use design in April 2007.

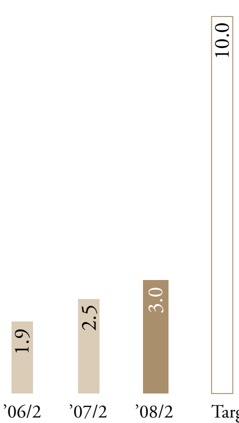
Furthermore, to use online shopping as a means of developing regular customers in areas where there are no Takashimaya stores, we introduced Takashimaya Net Points in June 2007.

Through this program, customers can use points earned through Takashimaya credit card purchases to shop at our online shopping website.

In fiscal 2008, we will expand our online presence through the launch of a website dedicated to women's fashion. The new website, set to be launched in the fall of 2008 with an initial investment of ¥120 million, will primarily target women in their 20s to 40s and offer ladies' clothing, cosmetics and ladies' sundries.

Takashimaya aims to achieve combined annual sales from the existing and new websites of ¥10.0 billion at an early date and develop the online shopping business into the "21st Takashimaya store."

Sales results and targets of the online shopping business
(Billions of yen)



Takashimaya's revamped online shopping website features a new, easy-to-use design and expanded services.

With online sales increasing year by year, Takashimaya will launch a new online shopping website specialized in women's fashion in the autumn of 2008.

Enhancing Customer Satisfaction Through Credit Card Information

The new Takashimaya Card《Gold》is specifically aimed at affluent customers, and offers a comprehensive range of benefits for this customer group.

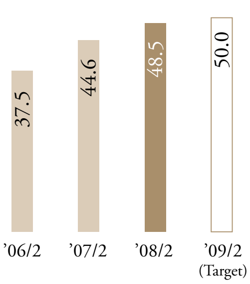
Via the partnership between Takashimaya Credit Co., Ltd. and Credit Saison Co., Ltd., Takashimaya will expand transaction volumes and reinforce the marketing capabilities of the department store business.

Fiscal 2007 Results and Outlook for Fiscal 2008

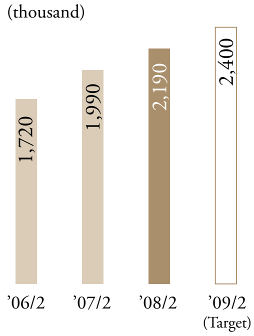
In fiscal 2007, cardholder numbers increased as a result of the March launch of Takashimaya Card《Gold》, a new card for affluent customers. This, in turn, brought a satisfactory increase in cardholder numbers, which lifted operating revenue by 11.1% year on year to ¥13.6 billion.

Takashimaya aims to enhance the efficiency of its credit card operations by outsourcing all credit card processing operations to Credit Saison. As expected, this year operating income fell year on year due to an increase in advertising expenses and system development costs related to this outsourcing. This decrease, which was 53.8% to ¥967 million, was ¥360 million higher than the initial forecast. In fiscal 2008, we aim to increase operating revenue by 6.4% to ¥14.5 billion by vigorously working to acquire new cardholders. However, we expect operating income to decrease by 18.6% to ¥800 million due to higher up-front expenses for card promotion.

Percentage of total sales accounted for by in-house card sales
(%)



Cardholders
(thousand)



Strengthening Customer Relationships through CRM

In fiscal 2008, we will work to strengthen customer relationships with the aim of achieving 2.4 million cardholders and raising the sales share of purchases made with Takashimaya's three credit card lines to 50% of total sales. A key strategy is to increase and closely integrate customer relationship management (CRM) into product line management. Here, we will invest ¥2.6 billion into improving merchandise and customer information systems that enables us to closely analyze customers' credit card purchase patterns, and gain information about the preferences of individual customers, including information about the color, pattern, size and other characteristics of chosen products. In connection, we will also implement rigorous standards for managing customer information. Through these systems, we will increase customer satisfaction with our merchandise selection, product development and customer service.

Building Brand Strength in Other Areas and Overseas

Takashimaya's reputation for quality is recognized and valued in other business areas and in overseas markets. The Group has established a powerful presence as a creator and provider of high-quality interior environments and related services, an area that will be developed further in the future.

Takashimaya Space Create

A key component of the Takashimaya Group's Contract & Design activities, Takashimaya Space Create Co., Ltd.

The interior of The Windsor Hotel Toya Resort & Spa in Sapporo, Japan was designed by Takashimaya Space Create Co., Ltd. The hotel hosted the G8 Hokkaido Toyako Summit in July 2008.

carries out interior finishing contracts for a variety of properties, ranging from hotels to cultural facilities. The company is highly regarded for its skill and technical capabilities, and enjoys a solid industry position.

Although a change in the accounting period led to a year-on-year decrease in operating revenue for fiscal 2007, the company doubled its operating income to ¥960 million by winning orders for high-margin projects in its core contractor business, and by improving its income and expenditure structure.

In fiscal 2008, Takashimaya Space Create will engage in strategic selling targeting large-scale properties and specific market sectors where growth is anticipated, such as commercial facilities, hotels, and medical and public welfare facilities. Although the gross profit margin is expected to decrease in fiscal 2008 due to soaring raw materials costs, the company aims to boost profits by increasing orders from customers outside the Group.

Singapore Takashimaya

Takashimaya operates three department stores overseas: Singapore Takashimaya, New York Takashimaya and Dayeh Takashimaya in Taiwan (an equity-method subsidiary).

Of these, Singapore Takashimaya, which celebrates its 15th anniversary this year, continues to enjoy particular success. In 1993, it opened as an integrated part of a new specialty shopping complex operated by Singapore Takashimaya and Toshin Development Co., Ltd. The building has since become a familiar local landmark.

In fiscal 2007, extensive renovation and a successful marketing strategy led to a rise in operating revenue by 11.2% year on year to ¥40.2 billion, while operating income increased by 14.3% to ¥3.1 billion.

However, competition is intensifying. Responding to the opening of the ION Orchard commercial complex and other competing malls in late 2008, Singapore Takashimaya will in fiscal 2008 work to enhance its distinctiveness by introducing original products and new brands, and by upgrading the store interior.

The store will also seek to acquire new customers, primarily targeting affluent people in neighboring countries and the increasing number of Chinese tourists. To strengthen the loyalty of high-value customers, the company will also provide information to holders of Takashimaya credit cards, and enhance cardholder benefits and promotions.

This range of measures is expected to raise operating revenue by 4.2% year on year to ¥41.9 billion and operating income by 13.0% to ¥3.5 billion.

The rapidly growing Southeast Asian and Chinese markets hold great potential for Takashimaya. By leveraging the knowledge of local markets and overseas store management gained through Singapore Takashimaya's success, we aim to strengthen our presence in this region.

CSR SECTION CONTENTS

Never Being Satisfied, ALWAYS STRIVING to do More

The Takashimaya Group continues to evolve, as does the world around us. In this evolution, our commitment to our customers and the local communities in which we exist will never change. Yet, at the same time, we will never cease to help to make things better.

We believe true corporate value comes from successful business practices combined with a strong sense of ethics. Driven by this ethos, we constantly work to strengthen the transparency of our operations, and our contributions to society and our planet.

Reaffirming our Commitment to

PEOPLE AND THE NEEDS OF SOCIETY

In 1991, the Takashimaya Group established its central management principle: Putting People First. While we remain firmly committed to this principle, the requirements and expectations that society places on companies have changed with time. To reflect the needs of the times and clarify the deeper meaning of Putting People First to all Takashimaya employees, we established a complementary set of management principles in March 2008.

We have also combined our previous Management Guidelines and Code of Behavior into five central Guidelines that will guide all our interaction with customers and society at large. Finally, we have also, after collecting ideas from all employees, defined a corporate message that succinctly expresses the Takashimaya Group's defining trait of innovation driven by a long and rich tradition—Never Changing, Always New.

Takashimaya Group Management Principle:

Putting People First

Takashimaya Group will trust people, care about people, be respectful to people and contribute to society.

Takashimaya's Guidelines:

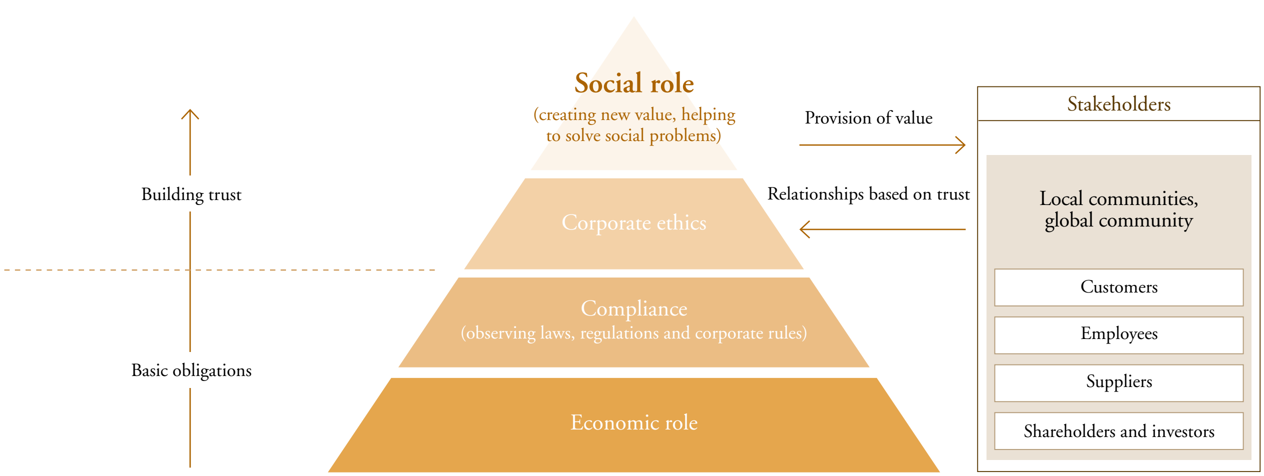
- Offer service that is truly memorable to the customer
- Open up new future possibilities by creating new lifestyles and culture
- Contribute to the creation of vibrant local communities
- Do our utmost to protect the environment
- Earn trust from society through good conduct

Group Message:

Never Changing, Always New

Our strong tradition gives us the power to innovate.
We continue to deliver true value that is in line with the times.

Our CSR management philosophy



Helping to Build

A SUSTAINABLE FUTURE

The Takashimaya Group regards contributing to environmental protection as a key management priority. After reviewing all business activities from the perspective of CO_2 emission reduction, we are now taking active steps to combat global warming.

¥10.0 Billion in Environmental Investments between Fiscal 2008 and Fiscal 2012

The Takashimaya Group is implementing new measures to combat global warming with a view to reducing CO_2 emissions in all business activities. During the five-year period from fiscal 2008 to fiscal 2012, we will invest ¥10.0 billion into upgrading air conditioning, elevators, lighting and other equipment at each Takashimaya store to energy-efficient versions. We will also formulate fair trading guidelines grounded in the perspective of corporate social responsibility, such as guidelines for environment-friendly products.

It is our view that Takashimaya, a company that employs some 50,000 people over the course of a year (including part-time and temporary staff), works in partnership with about 7,000 suppliers and receives about 200 million store visits annually, has a great social responsibility to address environmental issues. We will develop and market products made using environment-friendly natural materials, such as organic cotton, burlap and hemp, as well as products made of recycled polyester material. We will also propose environmental lifestyle ideas that only a department store of our size can offer, such as the collection and recycling of men's clothing and wool coats at all stores, and the holding of environmental events.

Takashimaya Group Environmental Policies

Basic Environmental Policies

In protecting the global environment, the Takashimaya Group has made the fight against global warming a key priority, and is implementing various activities centered on reducing CO_2 emissions. Through these activities, the Takashimaya Group aims to contribute to enriching the quality of life in the 21st century.

Policies

1. We shall introduce the latest energy-saving technologies and promote energy conservation at all stores and offices. At the same time, we shall promote the reduction, recycling and reuse of waste.

2. We shall propose lifestyle ideas for contributing to the reduction of CO_2 emissions and other environmental loads and introduce, develop and market eco-friendly products.

3. We shall consider environmental issues from the perspective of the communities we serve, strive to protect the environment and take every opportunity to communicate the importance of environmental protection.

4. Together with suppliers, we shall engage in CO_2 reduction and waste reduction, recycling and reuse throughout all distribution processes.

5. All employees shall voluntarily embrace lifestyles involving the reduction of environmental loads during working hours and in their daily lives, and the Takashimaya Group supports this effort.

6. We shall observe laws, regulations, and conventions concerning the environment, establish voluntary standards as necessary, and rigorously engage in environmental risk management to prevent pollution and other environmental problems.

Fulfilling Stakeholder Expectations of

GOOD GOVERNANCE AND CONDUCT

Contributing to Society Through Business Activities

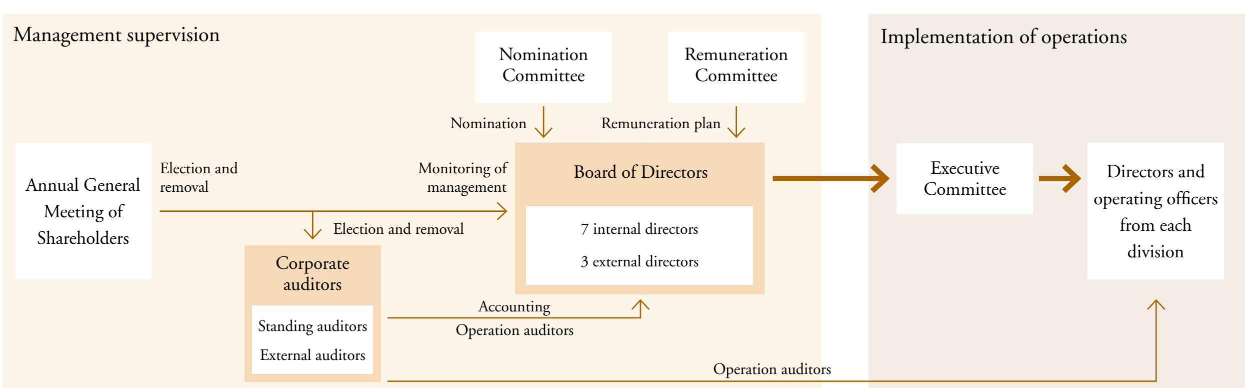
Modern businesses are widely expected to maintain a strong sense of ethics and a high level of management transparency. The Takashimaya Group's new corporate message, Never Changing, Always New, announced in March 2008, reaffirms our long-standing commitment to the management principle of putting people first, while also emphasizing our responsibility to always seek new ways of contributing to society. By adhering to this principle in our CSR Management and throughout all business activities, we aim to fulfill the expectations of our stakeholders.

In reinforcing our CSR activities, Takashimaya not only focuses on ensuring compliance, but also actively makes social contributions through its business activities. We are directing particular effort to the urgent worldwide problem of global warming and aim to drastically reduce the environmental loads of our department stores. We are also assessing our internal controls and auditing system for financial reporting as required by the new Financial Instruments and Exchange Law, effective for fiscal years beginning April 2008 and after for Japanese listed companies.

A More Effective Corporate Governance System

In May 2007, Takashimaya took several steps to create a streamlined and more dynamic structure for debate and effective decision making. We introduced an operating officer system separating the duties of directors and operating officers, and also introduced a performance-linked directors' remuneration system to increase the incentive to improve business performance. In addition, the number of directors was reduced from 21 to 10 and three outside directors were appointed. This system is complemented by four corporate auditors, two of which are outside corporate auditors who bring an independent perspective to the monitoring of business execution.

New corporate governance structure introduced in May 2007



Strengthening Internal Controls

To develop a framework ensuring that all employees perform efficiently and with a strong sense of business ethics, we will raise awareness of CSR within the Group under the direction of the Takashimaya Group CSR Committee.

In addition, the Operations Audit Office supervises compliance with laws, internal regulations and internal control systems. It also safeguards the integrity of the Takashimaya Group Compliance Hotline, which enables individual employees to anonymously report compliance violations and other problems within the organization.

Assessing Our Internal Controls and Auditing System for Financial Reporting

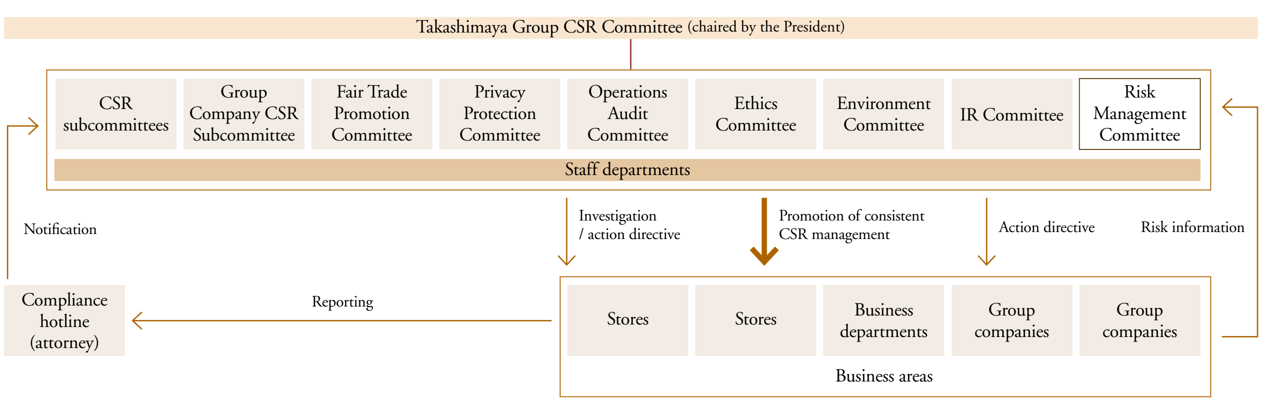
Under the new Financial Instruments and Exchange Law (known as "J-SOX" for its similarities with the U.S. Sarbanes-Oxley Act), which is effective for fiscal years beginning in or after April 2008, Japanese listed companies must assess and verify the integrity of their internal controls and auditing systems for financial reporting, and submit the results as final internal control reports. Takashimaya is required to submit such reports from the fiscal year ending 2010.

We are now preparing to develop our internal controls and auditing system in accordance with the new law. This procedure involves extensive documentation ahead of the final internal control reports. We will assess everything from design to operation for the following three evaluation items: 1) company-wide internal controls, company-level IT control (ITCLC) as well as the settlement of accounts and financial reporting process; 2) business process control and IT application control (ITAC); and 3) general IT control (ITGC).

Compliance—A Key Part of Takashimaya's CSR Activities

Raising group-wide awareness of compliance is a key part of our CSR activities, and an objective to which we will continue to devote much effort. The cornerstone of the Takashimaya Group's compliance structure is the Risk Management Committee, a subcommittee of the Takashimaya Group CSR Committee tasked with responding to information about real or potential compliance risks. All employees also receive the Takashimaya Group Compliance Guidebook (prepared in 2004 and revised in 2006), which explains the importance of compliance as well as applicable laws and regulations.

Internal control systems



Helping Employees
BALANCE WORK AND LIFE

Takashimaya helps its employees to enjoy fulfilling lives at work and at home by respecting their diverse values, and by providing working environments in which they can develop their autonomy and creativity.

Enhancing Employees' Work-life Balance

The Takashimaya Group is implementing a range of initiatives to help its employees achieve a proper work-life balance. For example, in fiscal 2006 we published a guidebook and launched a new website to provide our employees with information and advice on this topic. Our support in this area focuses in particular on parental needs. In addition to parental leave and flexible working hours for employees with young children, we also provide care leave and time off to attend school events. As part of the continuing enhancement of our systems in this area, we are also creating an environment in which male employees are able to play a greater parental role.

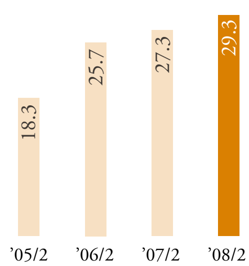
Our employees also benefit from extensive health management systems, including mental health support and measures targeting the risk of metabolic syndrome. As part of our efforts to create good working environments, we have taken steps to reduce overtime and also offer seminars that encourage employees to rethink their approach to work. Another priority is to enhance the motivation for fixed-term employees by offering options based on their skills and self-management capabilities. These options include shifting from short-hour part-time to long-hour part-time employment, or from full hour part-time to formal employment.

Our approach to human resource development is based on the use of assignments, training and evaluation to maximize the specialized skills of every employee. Employees set skill development goals in consultation with their supervisors. Then, they work to achieve those goals by developing the skills necessary for the desired position under a training program that includes over 150 courses. Our human resource policies, which include reemployment for people in the 60-plus age group and promotion for female employees, emphasize respect for individuality and motivation.

Employees on parental leave benefit from Takashimaya's staff-only news and discount sales website.

Takashimaya has been awarded the Kurumin mark for its parental support initiatives.

Percentage of female employees at management level
(%)



Total number at assistant manager level or above
1,508

Sales managers	Buyers, assistant buyers and group leaders	Managers	Other management positions
77	143	17	1,271

<As of April 15, 2008>

Engaging in Responsible
PARTNERSHIPS WITH SUPPLIERS

Suppliers with extensive networks are vital partners for Takashimaya. We work in close communication with suppliers to create products that offer real value.

Fair Trading Backed by Partnership and Shared Benefits

Takashimaya promotes fair trading by clearly stating the terms of each transaction in written agreements, including basic procurement agreements and joint advertising tie-up memoranda. Our commitment to fair business practices also includes the establishment of specific standards covering such aspects as the return of purchased goods and the use of temporary staff assigned by suppliers. In addition to these standards, which are applied to all transactions, we also use manuals compiled by the Japan Department Stores Association.

We are actively supporting suppliers in developing countries. Examples here include the development of new products and the launch of T-shirts and cut-and-sewn products made from Indian suvin cotton[*1], which went on sale in the spring of 2007. Under its producer contracts, Takashimaya guarantees growers a certain level of income even in years when harvests are poor. Related processes, such as spinning, create substantial employment for women and help to raise the status of women in their families.

In the area of quality control, Takashimaya has made the reinforcement of its production control system for merchandise from China and other Asian countries a key management priority. Here, Takashimaya Hong Kong Enterprises Ltd.[*2] serves as the point of contact for procurement, and suppliers have incorporated a voluntary inspection system based on Takashimaya's own standards into their workflows. By undertaking rigorous risk management with respect to quality, delivery schedules and intellectual property in overseas production in this way, we aim to create safe, trustworthy products that live up to the customers' expectations for the Takashimaya brand.

With regard to uniforms, we have strengthened our collaboration with fabric and apparel manufacturers, and strive to create products that combine environment-friendliness and value through the use of recycled fibers, proposals for recycling systems and other initiatives.

***1 Suvin cotton:**
Suvin cotton is a rare variety of cotton grown in the southern Indian state of Tamil Nadu. Though yields are low, the variety has an elegant luster similar to that of silk and is very strong, despite its long, thin fibers.

***2 Takashimaya Hong Kong Enterprises Ltd.:**
This is a wholly owned subsidiary of Takashimaya Co., Ltd. It was established in 1990 as Takashimaya's gateway for the procurement of goods in Southeast Asia.

Takashimaya's Fair Trade activities include sales of garments made from Indian suvin cotton[*1]

Fair business practices are ensured by Takashimaya's trading standards and manuals from the Japan Department Stores Association.

Strengthening Communication with
SHAREHOLDERS AND INVESTORS

Our goal is to provide a fair picture of our corporate value through a highly transparent disclosure process. Our relationship with shareholders is based on good faith and two-way communication.

Quality Information—
Our Response to Investor Confidence and Expectations

In fiscal 2001, we began to host shareholder receptions in Tokyo as a way of fostering understanding about Takashimaya. These events, which are attended by about 1,000 shareholders, provide directors, store managers and other executives with valuable opportunities to talk directly with investors and shareholders and canvass their views about management and business activities. Another important tool for communication with shareholders and investors is the Shareholder Report (available in Japanese only). Introduced in 2006 as an enhanced version of the old business report, this report provides clear, detailed information about Takashimaya. The content includes financial results, details of long-term planning, and interviews with the President on current topics, together with color photographs and diagrams.

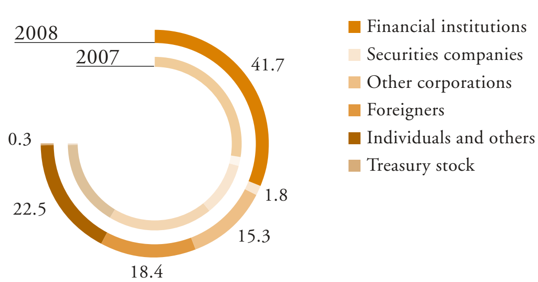
In fiscal 2006, we compiled for the first time an English version of our CSR Report. Through this report, which is now published in conjunction with the English version of the Takashimaya Annual Report, we aim to strengthen communication with overseas investors by providing information about our CSR activities.

Takashimaya's basic stance is to maintain a stable dividend level by reinforcing the business foundation in preparation for the future, and to provide shareholder returns with a guideline dividend payout ratio of 30% on a consolidated and non-consolidated basis after consideration of the Company's business performance and financial foundation.

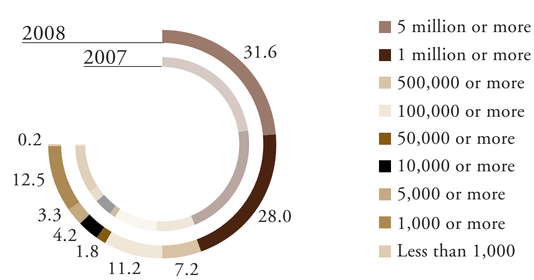
Takashimaya also provides a variety of shareholder privileges, including a Shareholder Benefit Card that entitles holders to a 10% discount on each purchase over ¥1,000 paid by cash or Takashimaya's gift certificates up to a set amount. Other benefits include free admission to cultural events in Takashimaya stores for up to three people.

Takashimaya's Shareholder Benefit Card offers shareholders 10% purchase discounts and other benefits.

Shareholder profile: Type of shareholder
(%)



Shareholder profile: Number of shares (as of February 29, 2008)
(%)



Actively Supporting

SOCIETY AND LOCAL COMMUNITIES

Takashimaya is helping to build a sustainable society by recognizing its responsibilities as a corporate citizen, and by contributing through its activities at all levels from community revitalization to the solution of global problems.

Supporting Community Activities as a Good Neighbor

The Takashimaya Group's support for the World Food Program (WFP) is an important aspect of our social contribution activities. During the 2006 Christmas season, we sold Mini-Santa dolls designed by Raymond Briggs, and in 2007 we sold T-shirts at our "Love T Collection" shows. Some of the proceeds from these sales were donated to the WFP. We also displayed panels about the WFP in our stores to inform the public about its activities and its mission to eliminate famine from the world.

In February 2006, we commenced Pink Ribbon Campaign activities to promote awareness of the importance of early detection and treatment of breast cancer. The public reaction to this initiative was very positive, and in the fall of 2006 we began to hold Pink Ribbon activities at all Takashimaya stores[*1], especially during Breast Cancer Awareness Month in October. Free breast cancer consultations were offered at our Osaka, Kyoto, Tokyo, Yokohama and Shinjuku Stores, and self-diagnosis brochures were distributed. We also raised funds by selling special charity badges. To raise employee awareness, our employee dining room offered healthy "Pink Ribbon Lunches" consisting of soymilk and "mentaiko" cream pasta.

Takashimaya wishes to be seen as a good neighbor in the communities where its stores are located. One way in which we contribute to communities is by staging events designed to foster renewed awareness of attractive local features. For example, our Sakai Store recently hosted the "We Love Sakai Fair" to mark the first anniversary of Sakai City's attainment of the "city designated by government ordinance"[*2] status. Activities included sales of specially designed products with local color, such as neckties featuring local specialties. There were also events focusing on local culture, including an exhibition in Sakai City of art by Alphonse Mucha.

*1 **All Takashimaya stores:**
20 stores in Japan, including JR Nagoya Takashimaya and Iyotetsu Takashimaya, as well as Singapore Takashimaya.

*2 **City designated by government ordinance:**
A Japanese official term meaning a city that has a population of over 500,000 and is considered a "major city" with important economic and industrial functions.

Staff dining rooms served healthy "Pink Ribbon Pasta" to employees as part of this year's Pink Ribbon Campaign activities.

Pink Ribbon

Mini-Santa doll holding a heart.
© 1991–2006 Raymond Briggs
Blooming Productions, Ltd.

Taking Decisive Action to PROTECT THE ENVIRONMENT

Takashimaya is helping to combat global warming, encourage recycling and achieve harmony with the natural environment through initiatives carried out in partnership with consumers. These include efforts to reduce the amount of containers and packaging.

Reducing Environmental Loads

In 1994, we adopted the Takashimaya Group Environmental Philosophy. Since then, we have implemented a variety of environmental protection activities based on our Environmental Declaration, which emphasizes consideration for the environment and immediate action in areas in which progress can be achieved now.

In 2000, we integrated the Environmental Philosophy into the Takashimaya Environmental Policy, and in 2001 all Takashimaya stores gained certification under ISO 14001, the international standard for environmental management. We are continuing our efforts to minimize environmental loads.

Our contribution to the fight against global warming includes an increase in the summer air conditioning temperature in Takashimaya stores, as well as activities based on the Japanese government's COOL BIZ campaign. We are also working to reduce the amount of containers and packaging used. In June 2007, we introduced eco-packaging for foodstuffs with the aim of reducing excessive wrapping. In April 2007, we began to issue stamps to customers who decline checkout bags at food counters. Recycling activities include a collection and recycling program for menswear. The program

Environmental activities at our department stores

*The numbers in this chart are the results for the year ended February 28, 2007.
*This is for 18 Takashimaya stores and two distribution centers.

Input

Energy	
Electric power	3,072,843 thousand MJ (305,755 kWh)
City gas	403,287 thousand MJ
Fuel oil/kerosene	610 thousand MJ
District cooling/heating	240,223 thousand MJ
Water	
Piped water	1,965 thousand m^3
Ground water	432 thousand m^3
Packaging materials	
Paper shopping bags	1,557.2 tons
Wrapping papers	444.7 tons
Checkout bags	461.0 tons
Other materials	
Copy paper	231.2 tons

The tranquil White Garden roof-top terrace at the Shinjuku Store.

was first introduced at our Tokyo Store in 2002 and was extended to 12 stores in fiscal 2006. In 2007, we launched a similar scheme for women's and men's wool coats. The garments collected are reused in automobile interior materials, such as thermal and noise insulation.

Takashimaya Building Maintenance Co., Ltd., a member of the Takashimaya Group, is working to optimize environmental accounting and improve lifecycle cost efficiency at Takashimaya stores. In preparation for changes to the Law Concerning the Rational Use of Energy, staff members have gained qualifications as energy management engineers and are standardizing energy management systems in all stores. ESCO Services*1 were introduced at the Shinjuku and Tachikawa Stores in April 2007, and the estimated annual savings at these two stores are equivalent to 1,157 kl of crude oil. We also expect to cut CO_2 emissions by 21,891 tons annually.

We are donating a percentage of proceeds from sales of Takashimaya bags to the OISCA Children's Forest Program to support tree-planting activities in the Asia-Pacific region. Since 2006, the Kyoto Store has also contributed to environmental education by organizing tree-planting programs for children in the Biwako World Citizens' Forest.

*1 ESCO Services:
These services involve the comprehensive provision of all resources needed for improved energy conservation, including technology, facilities, human resources and finance. They are provided by Energy Service Companies (ESCOs).

- ***Promotion of furoshiki use***
  Through specialized staff, we will promote the use of *furoshiki*, traditional Japanese wrapping cloths, to reduce usage of checkout bags and paper bags.
- ***Energy-saving facility upgrades***
  These upgrades will enable more efficient heat preservation and air conditioning, as well as efficient transmission and transformation of electric power.
- ***Collection of cosmetics bottles for recycling***
  In collaboration with Shiseido, we collect cosmetic bottles at the stores after which Shiseido reuses the materials.
- ***Recommended eco-products***
  Every year, Takashimaya eco-brands a certain number of products using its "Clean Rose" mark.
- ***Unified hanger specifications for efficient recycling***
  For easy recycling of hangers, we aim to use hangers of unified specifications at all Takashimaya stores.
- ***Eco-packaging ("smart wrapping") recommendation***
  Customers are advised on how to reduce wrapping and packing materials.
- ***Recycling of food scraps***
  Cooking scraps, food leftovers, bones and fish guts are turned into fertilizer or animal feed.

Output

CO_2 emissions	157,854 tons-CO_2
Wastewater	2,221 thousand m^3
Disposal volumes	28,282 tons
Recycling	14,923 tons
Final disposal volumes (incinerated and landfill)	13,359 tons
Packaging materials and wrapping paper (disposed of and recycled materials)	5,747 tons

Environmental Targets and Performance in Fiscal 2006 and Targets for Fiscal 2007

Environmental targets for fiscal 2005		Environmental targets	Target for fiscal 2006	Result for fiscal 2006	Achievement level	Target for fiscal 2007
Energy conservation, water conservation	Reduction of energy use (electric power, gas and other energy forms)	1% reduction per unit (area, operating hours)	0.9904 MJ/m²·h	1.0014 MJ/m²·h	△	1% reduction per unit (area, operating hours)
	Reduction of water use	1% reduction per unit (area, operating hours)	0.000656 m³/m²·h	0.000629 m³/m²·h	◎	1% reduction per unit (area, operating hours)
Waste reduction and promotion of recycling	Reduction of final disposal volumes	1% reduction per unit	13.29 kg/m²	12.39 kg/m²	◎	1% reduction per unit
	Improvement of organic waste recycling ratio	2-point increase in the recycling ratio	59.7%	66.0%	◎	1-point increase in recycling ratio
Promotion of resource conservation	Reduced business form use	Reduction through use of LOBINES	60,000 forms/year	75,200 forms/year	◎	—
		Reduction through e-marketplace use	10,000 sheets/year	10,500 sheets/year	◎	—
	Reduced use of •Wrapping papers and shopping bags •Checkout bags •Copier paper	0.5% reduction in total use	2,009.5 tons	2,001.9 tons	◎	1% reduction in the use of each item
			467.6 tons	461.0 tons	◎	
			245.8 tons	231.2 tons	◎	
Promotion of environment-friendly merchandise	Introduction of new Clean Rose merchandise and packaging	Certification of 30 products	30 products	38 products	◎	certification of 20 products
Reinforcing compliance with environmental laws and regulations and environmental risk management	Effective wastewater management	Development of wastewater management system based on upstream and downstream perspectives	Improvement of kitchen management, including grease-trap use, through a review of inspection checklist items and operating methods			Wastewater management systems improved.
	Effective PCB management	Development of disposal plans for equipment containing PCB	A periodic check was carried out in June to determine how many machines containing PCBs are stored and used.			Proper storage and management of machines containing PCBs.
	Effective CFC management	Appropriate disposal when equipment that uses specified CFCs is replaced	A documentation check was carried out as part of internal environmental audit to ascertain whether CFC gases are being disposed of properly.			Proper disposal of specified CFCs when machinery is scrapped
	Effective waste management	Effective management based on agreements and manifests, etc.	All waste disposal contracts were checked for irregularities in June.			Proper management of waste disposal contracts and manifests.
	Reinforcement of emergency response training	Twice-yearly emergency response drills based on a major earthquake scenario	Implementation according to plan in June, confirmation of effectiveness of emergency response procedures (scenario: major earthquake)			Drills based on various scenarios (major earthquake, accidents, etc.)

- Period: March 2006–February 2007
- Scope: All 18 Takashimaya stores, business headquarters
- All reductions in environmental target items relative to fiscal 2006

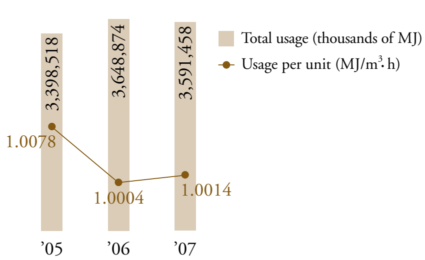
◎: Achieved △: Not achieved

Changes in environmental performance

Total for 18 ISO 14001-certified stores

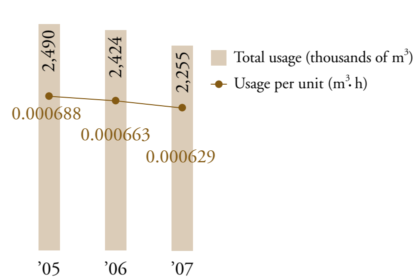
Reduction of energy use

(total of electric power, gas, crude oil and local air conditioning)

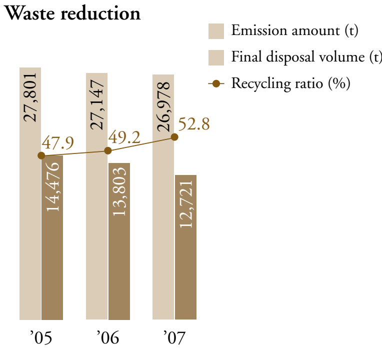


Reduction of water use

(total of tap water and ground water)



Waste reduction



Takashimaya Environmental Accounting

¥ million, previous year's figures shown in parentheses

Category of environmental data, environmental campaign activities		Maintenance and management costs for environmental protection activities: Investment	Cost	Total	Environmental protection benefits
Energy conservation, water conservation	Reduction of energy use (electric power, gas and other energy forms)	346 (643)	0 (1)	346 (644)	• Energy consumption was reduced by 336,000 MJ through measures that included the installation of high-performance freezers (one store), the replacement of elevators with energy-efficient models (one store), and the installation of inverters in air conditioning systems (two stores). • The economic benefit was ¥4 million (¥13 million in the previous year).
	Reduction of water use	0 (45)	0 (0)	0 (45)	• There were no items in fiscal 2006.
Waste reduction and promotion of recycling	Reduction of final disposal volumes	0 (0)	139 (164)	139 (164)	• The portion of total waste for which final disposal in landfills or through incineration was reduced by 1,082 tons year on year to 12,721 tons, and the recycling ratio was improved by 3.6 percentage points to 52.8%.
	Improvement of organic waste recycling ratio	4 (0)	122 (60)	126 (60)	• The recycling ratio was increased by 8.3 percentage points year on year to 66.0% through the installation of an organic waste treatment system (one store), and through composting and other methods.
Promotion of resource conservation	Reduced use of supplies (wrapping papers, shopping bags, checkout bags, copier paper)	0 (0)	0 (0)	0 (0)	• An employee manual entitled "Customer Service and Parlance Case Studies—Takashimaya Eco-Packaging Standards" was compiled to encourage renewed efforts to simplify packaging, . • In the container and packaging category, the amount of wrapping paper, shopping bags and checkout bags was reduced by 31 tons year on year to 2,463 tons.
Promotion of environment-friendly merchandise	Introduction of new Clean Rose merchandise and packaging	0 (0)	1 (1)	1 (1)	• Another 38 items were approved as environment-friendly products under Takashimaya's own Clean Rose system.
Reinforcement of environmental risk management	Appropriate disposal of waste	0 (0)	435 (576)	435 (576)	• To ensure the appropriate disposal of waste, Takashimaya spent ¥382 million on disposal contracts for general business waste, and ¥53 million on disposal contracts for industrial waste covered by manifests.
	Compliance with regulatory requirements for facilities and equipment	90 (15)	286 (170)	376 (185)	• Expenditure on water pollution prevention measures (cleaning and inspection of kitchen facilities, pest control facilities and gray water facilities) amounted to ¥84 million. Takashimaya spent ¥22 million on legally mandated inspections of gas turbine generators, ¥6 million on the appropriate disposal of CFCs, ¥163 million on the removal and containment of asbestos and environmental monitoring, and ¥3 million on soot and smoke monitoring.
	Compliance with recycling regulations for containers and packaging	0 (0)	44 (44)	44 (44)	• This amount consists of recycling contracting charges paid in fiscal 2006. Contracting charges relating to checkout bags and other plastic containers and packaging accounted for 92.6%.
	Voluntary pollution prevention costs relating to the prevention of air, water and soil pollution and foul odors	5 (33)	39 (29)	44 (62)	• Cost items include ¥28 million for the repair and cleaning, etc., of wastewater pipes and other water pollution prevention measures.
Maintenance and management costs for environmental protection activities	Environmental education for employees	0 (0)	5 (2)	5 (2)	• This includes the cost of education, such as the production of monthly fliers and lectures by environmental experts, to raise employee awareness of the environment, asbestos dispersion.
	Maintenance and management of environmental management systems	0 (0)	4 (3)	4 (3)	• Items include the cost of renewal inspections in February 2007, and operating expenses.
	Personnel costs for environmental protection activities	0 (0)	123 (144)	123 (144)	• This consists of labor costs for ISO officers.
Environmental communication activities	Effective wastewater management	0 (0)	24 (10)	24 (10)	• Items include production expenses for the *Takashimaya Group CSR Report 2006*, and expenses relating to the menswear collection and recycling scheme.
	Community activities, donations	0 (0)	1 (5)	1 (5)	• A percentage of proceeds from sales of Takashimaya bags is donated to the Children's Forest Program to support tree-planting activities in the Asia-Pacific region.
Cost of repairing environmental damage	Dealing with soil contamination, damage to natural environment, etc.	0 (0)	0 (0)	0 (0)	• None in fiscal 2006
Total		445 (736)	1,223 (1,209)	1,668 (1,945)	

Takashimaya environmental accounting guidelines

1. Characteristics of Takashimaya's Environmental Accounting

   While Takashimaya's environmental accounting system is based on the 2005 edition of the Environment Ministry's Environmental Accounting Guidelines, we have further enhanced our system to comply with ISO 14001 by categorizing and analyzing environment protection costs according to the environmental targets and objectives defined in that system.

2. Period and Scope

   A. Period: March 2006-February 2007 (same as financial accounting period)
   B. Scope: Coverage of ISO 14001 certification for Takashimaya Co., Ltd. (all 18 stores, business headquarters)

3. Aggregation Standards

   A. Criteria for calculating (recording) environmental protection costs
   - Total environmental costs consist of investment + expenses.
   - As with expenditure items, leased items are recorded as the total amount incurred (acquisition price) during the accounting period.
   - Depreciation costs are not included.
   - In the case of composite costs (expenses incurred for various purposes in addition to environmental protection), if environmental protection is deemed to be the most important reason for the expenditure, the entire amount is included in environmental protection costs.
   - Personnel costs relating to personnel responsible for ISO-related activities are calculated using the following method.
     Personnel costs = Average annual salary per job category × Number of personnel × Index
     (The index is 100% for large store staff and ISO coordination staff, 50% for small/medium store personnel, and 10% for Sales Headquarters staff.)

   B. Standards for calculating (recording) environmental protection benefits
   - Environmental protection benefits are recorded specifically for reductions resulting from each category of environmental protection activities, and for the content and results of initiatives.
   - Energy savings are shown in the accounts as annualized reductions in freight movements corresponding to environmental protection costs incurred during the accounting period.

   C. Standards for calculating economic benefits (currency units) of environmental protection activities
   - Only real benefits, based on resource investment and calculated according to the evidence, are included in the accounts.
   - Energy savings are shown in the accounts as annualized reductions in expenditure corresponding to environmental protection costs incurred during the accounting period.

BOARD OF DIRECTORS, AUDITORS AND OPERATING OFFICERS


President
Koji Suzuki*


Vice President
Atsunori Andoh*


Senior Managing Director
Shigeyuki Tokunaga*


Senior Managing Director
Shuichi Tezuka*

*Representative Director


Managing Director
Hideshi Mizuno


Managing Director
Masaaki Osato


Managing Director
Toshiaki Seki


Director
Kaoru Nakajima


Director
Eiko Oya


Director
Takejiro Sueyoshi


Corporate Auditor
Noboru Hatakeyama


Corporate Auditor
Isao Yamabe


Corporate Auditor
Shigeo Takii


Corporate Auditor
Eji Muto


Alternate Auditor
Katsumi Maeda

Senior Operating Officers

Teruo Nishino **Yasuhiko Matsumoto** **Takashi Shimizu**

Operating Officers

Kaoru Omata **Yutaka Masuyama** **Muneki Adachi** **Hirofumi Hisasue** **Jitsuya Akehi**

Hisao Matsubara **Kazuhiko Kojima** **Kenji Sukino** **Toshio Hanabusa** **Mamoru Takeshita**


General Manager Public and Investor Relations Office
Miharu Koezuka

(As of May 20, 2008)

CONSOLIDATED FIVE-YEAR SUMMARY

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28/29, 2008, 2007, 2006, 2005 and 2004

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2005	2004	2008
For the year:						
Sales and other operating revenue	¥ 1,042,711	¥ 1,049,406	¥ 1,031,150	¥ 1,026,353	¥ 1,114,482	$ 9,951,432
Gross profit	268,591	273,392	270,335	267,931	234,857	2,563,381
Selling, general and administrative expenses	279,018	281,461	279,259	279,189	248,274	2,662,893
Operating income	37,699	33,861	32,755	28,996	25,361	359,793
Net income (loss)	18,697	25,320	21,192	13,947	(3,610)	178,441
Cash dividends	3,300	2,857	2,542	2,311	2,299	31,495
Property and equipment investment	44,078	32,714	15,254	18,428	27,806	420,672
Depreciation	14,687	12,226	12,896	15,713	17,311	140,170
At year-end:						
Total assets	758,871	782,996	765,487	771,484	798,543	7,242,518
Interest-bearing debt	84,759	116,492	163,068	193,552	214,388	808,924
Total net assets	291,253	286,829	227,787	195,813	183,276	2,779,662

	Yen					U.S. dollars
Per share data:						
Net income (loss):						
Basic	¥ 56.66	¥ 77.82	¥ 68.77	¥ 45.25	¥ (11.89)	$ 0.54
Diluted	54.87	74.66	65.75	43.23	—	0.52
Cash dividends applicable to the year	10.00	9.50	9.00	7.50	7.50	0.10
Net assets (*)	872.42	859.37	737.25	634.10	594.45	8.33
Ratios:						
Ratio of operating income to sales and other operating revenue	3.6%	3.2%	3.2%	2.8%	2.3%	
Ratio of net income (loss) to sales and other operating revenue	1.8	2.4	2.1	1.4	(0.3)	
ROE (*)	6.5	9.9	10.0	7.4	(2.0)	
Net assets ratio (*)	37.9	36.2	29.7	25.3	23.0	
Number of shares outstanding (thousands)	329,965	330,001	308,246	308,167	308,230	

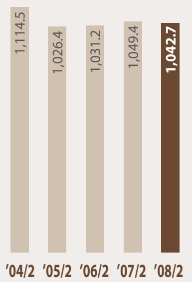
Notes: 1. The U.S. dollar amounts in this report are presented for convenience only and have been converted at the rate of ¥104.78 to $1.00, the approximate rate prevailing at February 29, 2008.

2. $\text{ROE} = \dfrac{\text{Net income}}{\text{Average owners' equity and accumulated gains from revaluation and translation adjustments}} \times 100$

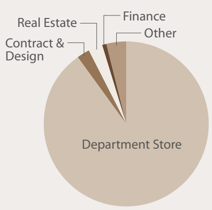
3. The number of shares outstanding excludes treasury stock.

* Net assets per share, ROE and Net assets ratio are calculated from Total net assets excluding minority interests in consolidated subsidiaries.

Sales and other operating revenue
(Billions of yen)

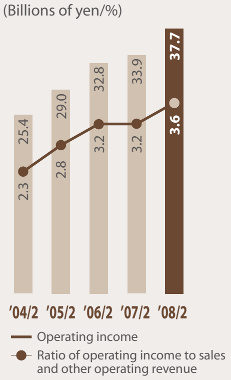


Sales and other operating revenue by business segment
(Billions of yen)



Department Store	940.1
Contract & Design	25.9
Real Estate	29.0
Finance	8.7
Other	39.0

Operating income and Ratio of operating income to sales and other operating revenue
(Billions of yen/%)



OVERVIEW

In the fiscal year ended February 29, 2008 (consolidated basis), the Japanese economy continued to grow moderately, bolstered by strong corporate investment. However, this growth did not significantly raise household incomes. In the latter half of the year, there were signs of a slowdown in corporate performance, brought by surging crude oil and raw material prices, and by the negative effect of the unstable U.S. economy on the domestic economy.

In the domestic environment surrounding the department store industry, realignment in the industry accelerated and cross-industry competition intensified. In addition, factors including the government's abolition of the fixed-rate tax reduction for individuals, slow growth in salaries and abnormal summer weather contributed to a tough situation for the industry.

Under those circumstances, the Takashimaya Group worked to strengthen its marketing capabilities to boost earnings and enhance management efficiency in each segment, with the aim of steadily driving forward the Group's long-term business plan, Strategies for Growth, launched in fiscal 2005.

In April 2007, the Takashimaya Shinjuku Store completed the first major renovation since its inauguration. By switching to an up-market merchandise selection and completely reviewing sales floor layouts to facilitate customer browsing, we were able to attract a broader range of customers to the new Shinjuku Store.

While working to increase profitability by standardizing merchandising across our department stores, we also continued to develop original products under our Voice File private-brand line and inform customers about the latest trends through independent selection boutiques. Through these efforts, we strengthened our merchandising capabilities and differentiated our stores from those of our competitors.

In the shopping center business segment, the Group's second core business, we worked to expand our operations through various measures, including developing shopping malls centered on proposing lifestyles to customers, and increasing floor spaces at existing store facilities.

Meanwhile, in the area of corporate governance, we made decision-making in the Board of Directors more dynamic and streamlined by introducing an operating officer system separating the duties of directors and operating officers. We also carried out other reforms, including the introduction of a performance-linked directors' remuneration system to increase directors' incentive to improve business performance and, thereby, raise corporate value.

OPERATING REVENUE AND OPERATING INCOME

Consolidated sales and other operating revenue declined 0.6% year on year ¥1,042.7 billion, while consolidated operating income rose by 11.3% year on year to ¥37.7 billion. Consolidated net income declined by 26.2% year on year to ¥18.7 billion as a result of booking extraordinary losses in write-offs caused by a change in the accounting treatment of gift certificates and other factors. It should be noted that, in real terms, after adjustment for a change in the accounting period of some consolidated subsidiaries, consolidated sales and other operating revenue increased by 0.2% year on year.

SEGMENT INFORMATION

Department Store

In the department store business, we continued to work toward building department stores that are seen as the foremost in their respective areas in terms of style and elegance, based on the fundamental idea that every employee is a salesperson.

We moved forward with differentiating our merchandise from that of rival department stores by further reinforcing our Voice File brand lineup of original goods, which incorporates customer requests, and by introducing new brands at our independent selection boutiques STYLE & EDIT (ladies wear) and CS Case Study (menswear), which provide customers with information about the latest trends.

In March 2007, in time with the opening of Nagareyama Otaka no Mori Shopping Center in Nagareyama City, Chiba Prefecture, we opened Takashimaya Food Maison, a new branch shop that offers a specialized assortment of foods similar to that sold in Takashimaya department store basements. In April, Takashimaya Shinjuku Store was relaunched after a complete renovation, offering a broad lineup of high-quality, fashionable merchandise.

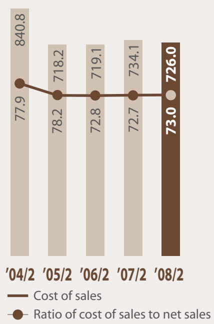
By promptly sharing ideas and requests received from customers at all department stores and through assessments made of our services by outside parties, we worked to enhance customer-focused services, merchandise and in-store environments.

In addition, in March 2007, we began issuing the Takashimaya Card 《Gold》 alongside the existing Takashimaya Card and Takashimaya 《Saison》 Card, and worked vigorously to acquire new cardholders.

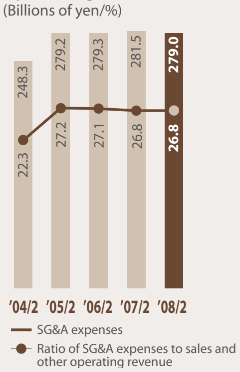
We also issued gift cards that can be freely designed as desired by individual customers, and started cultivating a new gift market.

In 2007, marking the 100th anniversary of its foundation, the Takashimaya Art Department held the

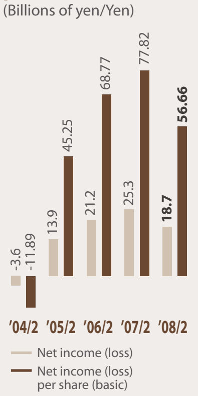
Cost of sales and Ratio of cost of sales to net sales
(Billions of yen/%)



SG&A expenses and Ratio of SG&A expenses to sales and other operating revenue
(Billions of yen/%)



Net income (loss) and Net income (loss) per share (basic)
(Billions of yen/Yen)



Takashimaya Centennale Art Exhibition, with "the history of art and artistic fashion" as the main theme. The exhibition, a cultural event that makes use of and reflects Takashimaya's unique capabilities, will display works of modern artists for three years.

As a result, same-store sales exceeded those recorded in the previous year at seven Takashimaya Stores (Kyoto, Tokyo, Semboku, Gifu, Tamagawa, Ohmiya and Kashiwa). However, total sales of domestic Takashimaya department stores fell 0.2% year on year.

Bolstered by the solid Singaporean economy and a growing number of foreign visitors, Singapore Takashimaya posted booming sales of women's clothing at its choice boutiques, and of sport gear, which significantly exceeded the previous year's figures for sales and operating income.

All taken into account, sales and other operating revenue in the department store business declined by 0.2% year on year to ¥940.1 billion, while operating income surged by 15.3% year on year to ¥26.9 billion due to a change in the Shinjuku Store's leasing scheme, more efficient use of advertising expenses and a reduction in selling, general and administrative expenses.

Contract & Design

Sales and other operating revenue declined year on year, due to a change in the accounting period of Takashimaya Space Create Co., Ltd. and a decrease in large-size orders. However, the company's efforts to win orders for high-margin projects and to reform the existing income and expenditure structure brought a significant year-on-year increase in operating income. As a result, in this segment, operating revenue fell by 22.5% year on year, to ¥25.9 billion, but operating income surged by 101.1%, to ¥956 million.

Real Estate

Toshin Development Co., Ltd. opened the Nagareyama Otaka no Mori Shopping Center in Nagareyama City, Chiba prefecture near Tokyo, as well as the T-terrace specialty shop zone inside the Nanba Parks complex in Osaka City. In addition, the company acquired trust beneficiary rights in Hakata Riverain Eeny Meeny Miny Mo, a multipurpose commercial complex in Fukuoka City, and will commence management of these facilities.

There was also an increase in rent revenue from booming sales at Singapore Takashimaya, which saw increases in both revenue and operating income in the year under review.

As a result, sales and other operating revenue for the Real Estate segment increased 20.6% year on year to ¥29.0 billion, while operating income rose by 21.5% to ¥7.7 billion.

Finance

Total billing amount grew at both Takashimaya Department Stores and affiliate stores, driven by an increase in the number of Takashimaya cardholders following Takashimaya Credit Co., Ltd.'s launch of the new Takashimaya Card 《Gold》. However, the company's operating income declined due to increased advertising expenses resulting from efforts to win new cardholders, and a rise in system expenses associated with the transfer of existing card processing operations to Credit Saison Co., Ltd.

As a result, in this segment, sales and other operating revenue was up 9.4% year on year to ¥8.7 billion, but operating income was down 53.9% to ¥960 million.

Other

In the mail-order business, online orders and direct mail orders continued to grow steadily. However, catalog order sales, which had so far played a major role in this segment, fell year on year.

As a result, sales and other operating revenue from the mail-order business and other associated businesses fell by 7.7% year on year to ¥39.0 billion, and operating income dropped by 19.0% to ¥1.7 billion.

EXPENSES AND NET INCOME

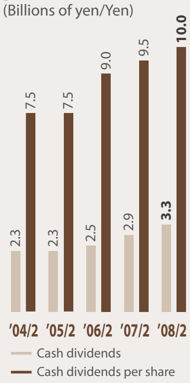
The total cost of sales fell 1.1% year on year to ¥726.0 billion. The cost of sales to net sales ratio rose slightly by 0.1% points to 73.0%.

Selling, general and administrative expenses declined by 0.9% year on year to ¥279.0 billion. This decline resulted from a decrease in personnel costs and administrative expenses driven by ongoing structural reform, and a decrease in accounting expenses due to a change in the leasing scheme for the Shinjuku Store. However, advertising and general affairs-related expenses increased as business grew at a steady pace.

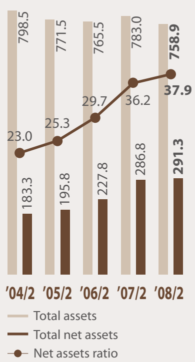
Operating income rose by 11.3% year on year to ¥37.7 billion. The ratio of operating income to sales and other operating revenue grew by 0.4% from 3.2% in the previous year to 3.6%.

As for other revenues and expenses, there was equity-method investment profit of ¥2.5 billion, and sales of investment securities generated additional income of ¥4.0 billion. However, income before taxes dropped by 25.0% year on year to ¥32.2 billion, due to a fall in interest and dividends from investment securities and a provision for loss on unclaimed gift certificates.

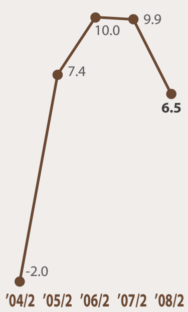
Cash dividends and Cash dividends per share
(Billions of yen/Yen)



Total assets, Total net assets and Net assets ratio
(Billions of yen/%)



Return on equity (ROE)
(%)



As a result, consolidated net income for the year under review decreased by 26.2% year on year to ¥18.7 billion. ROE was down 3.4 percentage points year on year to 6.5%, and net income per share fell by ¥21.16 to ¥55.66.

FINANCIAL POSITION

Total assets at year-end amounted to ¥758.9 billion, a decrease of ¥24.1 billion year on year. This reflects a fall in guarantee deposits, chiefly for the Shinjuku Store. Tangible fixed assets grew from aggressive investment consistent with Takashimaya Group's long-term business plan, Strategies for Growth.

Liabilities declined by ¥28.5 billion year on year to ¥467.6 billion, largely due to a reduction in debt.

Net assets increased in value by ¥4.4 billion year on year to ¥291.3 billion. As a result, the net asset ratio was up 1.7 percentage points year on year to 37.9%, and net assets per share rose by ¥13.6 year on year to ¥872.4.

CASH FLOWS

Cash and cash equivalents at year-end decreased by ¥15 billion year on year to ¥39.9 billion.

Net cash provided by operating activities was ¥65.5 billion in receipts, an increase of ¥36.7 billion in revenue over the previous year. The main factors behind this result were a revenue increase of ¥48.2 billion resulting from the return of guarantee deposits for the Shinjuku Store, and a ¥13.4 billion year-on-year increase in accounts receivable as Takashimaya Credit Company outsourced its credit card processing operations, which resulted in extended payment deadlines.

Net cash used in investment activities was ¥45.5 billion, a year-on-year increase of ¥35.5 billion. Specifically, expenditure for the acquisition of tangible and intangible fixed assets rose by ¥18.1 billion year on year to ¥47.6 billion, and expenditure for the acquisition of negotiable securities, including those for investment, increased by ¥4.0 billion year on year to ¥6.0 billion. In the meantime, revenue from the sale of investment securities and the holdings of affiliated companies' shares declined by ¥6.6 billion from the previous year to ¥4.4 billion.

Net cash used in financing activities was ¥35.1 billion, a year-on-year increase of ¥19.3 billion. This mainly reflects a ¥30.1 billion fall in capital raised through public offerings and allocation of new shares to third parties, both of which fell year on year.

DIVIDENDS

Takashimaya's basic dividend policy is to maintain a stable dividend level by reinforcing the business foundation in preparation for the future, and to provide shareholder returns with a guideline dividend payout ratio of 30% (consolidated and non-consolidated) after considering the Company's business performance and financial foundation.

In accordance with this policy, the total per-share dividend for fiscal 2007 will be ¥10.0, consisting of interim and final dividends of ¥5.0 each.

BUSINESS RISKS AND OTHER RISKS

The Takashimaya Group addresses the various risks arising from its business operations systematically. The following risk factors could affect the business performance, financial position and other aspects of the Takashimaya Group's activities, and influence the decisions of investors:

(a) Economic and seasonal factors

The Takashimaya Group's core activity is the operation of department stores in Japan. Trends in economic performance and consumer spending in Japan and overseas, as well as abnormal weather patterns, such as a cool summer or mild winter, could have a major impact on this business. These factors could adversely affect the business performance and financial position of the Takashimaya Group.

(b) The competitive environment

Five major department stores in central Tokyo account for the bulk of the Takashimaya Group's sales and other operating revenue. All of these stores are located adjacent to major stores operated by competitors. In addition to the ongoing refurbishment and expansion of these rival stores, commercial facilities based on new urban formats are continually being opened. These and other factors are reflected in an increasingly intense competitive environment. In regional and suburban markets, there is escalating competition among retailers and across retail format categories, partly because of the opening of large-scale roadside shopping malls. These changes in the competitive environment could have a significant impact on the business performance and financial position of the Takashimaya Group.

(c) Natural disasters, accidents

The Takashimaya Group's main sources of income are the operation of department stores and, through the Real Estate segment, rental income from specialty store buildings owned by Group companies. Natural disasters, such as earthquakes, floods and typhoons, or fires and other accidents could have a negative impact on the business performance of the Takashimaya Group. Although we implement exhaustive fire prevention measures and evacuation drills as required under the Fire Service Law, a fire in a store could result in restrictions under the Fire Service Law, compensation claims, the loss of human resources if employees are affected by the fire, and damage to fixed assets, such as buildings, and inventory assets. These factors could have a negative impact on the business performance and financial position of the Takashimaya Group.

(d) Trading in merchandise

As an organization whose core activity is the operation of department stores, the Takashimaya Group sells merchandise to consumers. We take all possible care to ensure the suitability and safety of our products, but if we sell defective items, such as faulty goods or products that cause food poisoning or other problems, we may incur costs resulting from official restrictions, product liability or liability for damages. There would also be damage to the reputation of the Takashimaya Group and a decline in sales resulting from uncertainty about our merchandise. These factors could have a negative impact on the business performance and financial position of the Takashimaya Group.

(e) Laws and regulations

In its business activities, the Takashimaya Group takes all possible care to comply with the Large-scale Retail Stores Location Law and the Antimonopoly Law, as well as laws, regulations and other requirements relating to food safety management, consumer protection, taxation, the environment and recycling. If a violation of any of these laws and regulations occurs, restrictions could be placed on the business activities of the Takashimaya Group, or we could face additional compliance costs. In addition, changes expected in the Japanese taxation system, such as a rise in the consumption tax, may reduce consumer spending and thereby negatively affect the Group's performance and financial position. These laws and regulations could have a negative impact on the business performance and financial position of the Takashimaya Group.

(f) Customer information management

The Takashimaya Group holds a variety of customer information, including information concerning house-card customers. We have established internal management systems under which customer information is rigorously controlled. However, if customer information is leaked because of an unforeseeable incident or a criminal act, we could incur costs relating to compensation payments to individual customers, as well as a decline in sales resulting from damage to the Takashimaya Group's reputation. These factors could adversely affect the business performance and financial position of the Takashimaya Group.

(g) System risks

The Takashimaya Group uses various computer systems, especially in its department store business. These are centrally managed in a security center operated by outside contractors. The center is designed to withstand earthquakes (up to intensity 7 on the Japanese shindo scale) and is equipped with safety systems, including backup power supplies and communication lines, in-house power generators and measures to prevent unauthorized entry. However, if a natural disaster or system failure that exceeds anticipated scenarios results in the disruption of communication lines and/or the interruption of systems, there would be serious implications for the business activities of the Takashimaya Group. These factors could have a negative impact on the business performance and financial position of the Takashimaya Group.

(h) Overseas operations

The Takashimaya Group is engaged in overseas operations, primarily through its department stores. In its overseas business activities, the Group's performance and financial conditions may negatively be affected by various factors, including exchange rate fluctuations, unforeseen changes in overseas economies, amendments to local laws and regulations, tax systems, and political instability caused by terrorism, war or civil war. These factors could have a negative impact on the business performance and financial position of the Takashimaya Group.

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29/28, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2008**	**2007**	**2008**
Current assets:			
Cash and deposits (Notes 3 and 11)	¥ 35,131	¥ 40,010	$ 335,283
Marketable securities (Notes 3, 4 and 11)	5,000	15,600	47,719
Notes and accounts receivable:			
Trade	95,900	72,089	915,251
Non-consolidated subsidiaries and affiliated companies	497	534	4,743
Other	10,926	6,836	104,276
Less: Allowance for doubtful accounts	(949)	(612)	(9,057)
	106,374	78,847	1,015,213
Inventories (Note 5)	43,730	41,494	417,351
Deferred tax assets (Note 12)	8,011	6,211	76,455
Other current assets	14,643	76,696	139,750
Total current assets	212,889	258,858	2,031,771
Investments and advances:			
Investment securities (Notes 4 and 11)	55,574	70,886	530,387
Investments in and advances to:			
Non-consolidated subsidiaries and affiliated companies	31,454	29,276	300,191
Other	7,825	89,152	74,680
Less: Allowance for doubtful accounts	(3,017)	(3,078)	(28,793)
	36,262	115,350	346,078
Total investments and advances	91,836	186,236	876,465
Property and equipment:			
Land (Notes 6, 10 and 16)	201,016	142,230	1,918,458
Buildings and structures (Notes 6 and 10)	325,840	273,640	3,109,754
Equipment and fixtures (Note 6)	31,107	30,035	296,879
Construction in progress	11,429	15,357	109,076
	569,392	461,262	5,434,167
Less: Accumulated depreciation	(184,783)	(179,868)	(1,763,533)
Total property and equipment	384,609	281,394	3,670,634
Leasehold and other deposits (Notes 7 and 11)	42,937	36,876	409,782
Goodwill (Note 22)	1,050	1,145	10,021
Deferred tax assets (Note 12)	10,889	3,738	103,923
Other assets	14,661	14,749	139,922
Total assets	¥ 758,871	¥ 782,996	$ 7,242,518

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2008**	**2007**	**2008**
Current liabilities:			
Short-term bank loans (Note 8)	¥ 5,800	¥ 5,800	$ 55,354
Current portion of long-term debt (Note 8)	10,273	55,099	98,044
Notes and accounts payable:			
Trade	96,334	95,750	919,393
Non-consolidated subsidiaries and affiliated companies	3,588	3,271	34,243
Other	11,623	15,913	110,928
	111,545	114,934	1,064,564
Accrued income taxes (Note 12)	8,940	9,959	85,322
Accrued expenses	8,069	9,039	77,009
Allowance for directors' and corporate auditors' bonuses	81	92	773
Gift certificates outstanding	51,515	44,638	491,649
Advances received	71,631	67,877	683,632
Employees' saving deposits	16,041	16,374	153,092
Allowance for Point Gift Certificates	4,437	3,732	42,346
Allowance for loss on disposal of property and equipment	1,451	2,379	13,848
Other current liabilities	12,251	11,135	116,921
Total current liabilities	302,034	341,058	2,882,554
Long-term debt (Note 8)	68,686	55,593	655,526
Deposits from tenants	29,659	31,353	283,060
Allowance for employees' retirement benefits (Note 14)	55,574	56,824	530,388
Allowance for directors' and corporate auditors' retirement benefits	285	606	2,720
Deferred tax liabilities (Note 12)	113	124	1,078
Deferred tax liabilities related to land revaluation (Note 16)	10,081	10,184	96,211
Long-term accounts payable	235	13	2,243
Other long-term liabilities	951	412	9,076
Total liabilities	467,618	496,167	4,462,856
Contingent liabilities (Note 13)			
Net assets			
Owners' equity (Note 15):			
Common stock:			
Authorized: 600,000 thousand shares			
Issued: 330,827,625 shares in 2008			
and 330,827,625 shares in 2007	56,025	56,025	534,692
Capital surplus	45,081	45,077	430,244
Retained earnings	161,524	145,975	1,541,554
Less: Treasury stock, at cost, 862,336 shares in 2008			
827,002 shares in 2007	(478)	(425)	(4,562)
Total owners' equity	262,152	246,652	2,501,928
Accumulated gains from revaluation and translation adjustments			
Unrealized gains on available-for-sale securities, net of taxes	14,282	25,631	136,304
Unrealized losses on hedging derivatives, net of taxes	(3)	(1)	(29)
Land revaluation difference, net of taxes (Note 16)	8,354	8,506	79,729
Foreign currency translation adjustments	3,085	2,803	29,443
Total accumulated gains from revaluation and translation adjustments	25,718	36,939	245,447
Minority interests in consolidated subsidiaries	3,383	3,238	32,287
Total net assets	291,253	286,829	2,779,662
Total liabilities and net assets	¥ 758,871	¥ 782,996	$ 7,242,518

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29/28, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Sales and other operating revenue (Note 20):			
Net sales	¥ 994,585	¥ 1,007,476	$ 9,492,127
Other operating revenue	48,126	41,930	459,305
	1,042,711	1,049,406	9,951,432
Operating expenses (Note 20):			
Cost of sales	725,994	734,084	6,928,746
Selling, general and administrative expenses	279,018	281,461	2,662,893
	1,005,012	1,015,545	9,591,639
Operating income (Note 20)	37,699	33,861	359,793
Other income (expenses):			
Interest and dividend income	1,452	3,549	13,857
Interest expenses	(1,550)	(2,852)	(14,793)
Reversal for doubtful accounts	(15)	8,613	(143)
Loss on sale and disposal of property and equipment, net	(1,412)	(1,243)	(13,476)
Gain on sale of securities, net	4,038	580	38,538
Gain on sale of consolidated subsidiaries	—	1,671	—
One-time write-off of bonus gift certificates	—	(1,120)	—
Extra retirement bonus	(1,945)	(2,579)	(18,563)
Provision for loss on disposal of property and equipment	(1,451)	(2,379)	(13,848)
Gain on liquidation of gift certificates outstanding, net	871	1,653	8,313
Write-down of securities	(243)	—	(2,319)
Equity in gain of affiliated companies	2,504	2,152	23,898
Loss on impairment of property and equipment (Note 6)	—	(44)	—
Loss on adjustment of gift certificates	(8,580)	—	(81,886)
Other, net	818	1,075	7,807
	(5,513)	9,076	(52,615)
Income before income taxes and minority interests	32,186	42,937	307,178
Income taxes (Note 12):			
Current	14,445	12,819	137,861
Deferred	(1,145)	4,666	(10,928)
	13,300	17,485	126,933
	18,886	25,452	180,245
Minority interests in earnings of consolidated subsidiaries	(189)	(132)	(1,804)
Net income	¥ 18,697	¥ 25,320	$ 178,441

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29/28, 2008 and 2007

		Millions of yen				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 28, 2006	309,024,920	39,162	28,227	127,264	(345)	194,308
Issuance of common stock under public offering	18,400,000	15,033	15,022			30,055
Increase due to conversion of convertible bonds	3,402,705	1,830	1,825			3,655
Cash dividends paid				(2,857)		(2,857)
Net income for the fiscal year				25,320		25,320
Gain on sales of treasury stock and increase in treasury stock, net			3		(80)	(77)
Reversal of revaluation reserve for land				(3,752)		(3,752)
Net changes during the year						—
Balance, February 28, 2007	330,827,625	56,025	45,077	145,975	(425)	246,652
Cash dividends paid				(3,300)		(3,300)
Net income for the fiscal year				18,697		18,697
Gain on sales of treasury stock and increase in treasury stock, net			4		(53)	(49)
Reversal of revaluation reserve for land				152		152
Net changes during the year						—
Balance, February 29, 2008	330,827,625	56,025	45,081	161,524	(478)	262,152

			Millions of yen				
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Total accumulated gains from revaluation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance, February 28, 2006	27,180	—	4,754	1,013	32,947	532	227,787
Issuance of common stock under public offering					—		30,055
Increase due to conversion of convertible bonds					—		3,655
Cash dividends paid					—		(2,857)
Net income for the fiscal year					—		25,320
Gain on sales of treasury stock and increase in treasury stock, net					—		(77)
Reversal of revaluation reserve for land					—		(3,752)
Net changes during the year	(1,549)	(1)	3,752	1,790	3,992	2,706	6,698
Balance, February 28, 2007	25,631	(1)	8,506	2,803	36,939	3,238	286,829
Cash dividends paid					—		(3,300)
Net income for the fiscal year					—		18,697
Gain on sales of treasury stock and increase in treasury stock, net					—		(49)
Reversal of revaluation reserve for land					—		152
Net changes during the year	(11,349)	(2)	(152)	282	(11,221)	145	(11,076)
Balance, February 29, 2008	14,282	(3)	8,354	3,085	25,718	3,383	291,253

See accompanying notes.

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 28, 2007	534,692	430,206	1,393,157	(4,056)	2,353,999
Cash dividends paid			(31,495)		(31,495)
Net income for the fiscal year			178,441		178,441
Gain on sales of treasury stock and increase in treasury stock, net		38		(506)	(468)
Reversal of revaluation reserve for land			1,451		1,451
Net changes during the year					—
Balance, February 29, 2008	534,692	430,244	1,541,554	(4,562)	2,501,928

Thousands of U.S. dollars (Note 1)

	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Total accumulated gains from revaluation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance, February 28, 2007	244,617	(10)	81,180	26,751	352,538	30,903	2,737,440
Cash dividends paid					—		(31,495)
Net income for the fiscal year					—		178,441
Gain on sales of treasury stock and increase in treasury stock, net					—		(468)
Reversal of revaluation reserve for land					—		1,451
Net changes during the year	(108,313)	(19)	(1,451)	2,692	(107,091)	1,384	(105,707)
Balance, February 29, 2008	136,304	(29)	79,729	29,443	245,447	32,287	2,779,662

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29/28, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 32,186	¥ 42,937	$ 307,178
Depreciation	14,687	12,226	140,170
Loss on impairment of property and equipment	—	44	—
Amortization of goodwill	95	95	907
Increase (decrease) in allowance for doubtful accounts	277	(9,037)	2,644
Decrease in allowance for directors' and corporate auditors' bonuses	(11)	(7)	(105)
Decrease in allowance for employees' retirement benefits	(1,251)	(545)	(11,939)
(Decrease) increase in allowance for directors' and corporate auditors' retirement benefits	(321)	69	(3,064)
Increase in allowance for Point Gift Certificates	703	528	6,709
Loss on adjustment of gift certificates	8,580	—	81,886
(Decrease) increase in allowance for loss on disposal of property and equipment	(928)	2,379	(8,857)
Interest and dividend income	(1,452)	(3,549)	(13,857)
Interest expenses	1,550	2,852	14,793
Equity in gain of affiliated companies	(2,504)	(2,152)	(23,898)
Gain on sale of property and equipment, net	(1,603)	(3,567)	(15,299)
Loss on disposal of property and equipment	3,737	3,018	35,665
Gain on sale of securities, net	(4,037)	(833)	(38,528)
Gain on sale of consolidated subsidiaries	—	(1,418)	—
Write-down of securities	243	2	2,319
Increase in notes and accounts receivable	(23,383)	(9,989)	(223,163)
Increase in inventories	(2,254)	(284)	(21,512)
Increase in notes and accounts payable	698	1,921	6,661
Decrease in leasehold and other deposits	55,041	6,819	525,301
Other	(220)	(4,819)	(2,100)
Subtotal	79,833	36,690	761,911
Interest and dividend income received	3,122	4,166	29,796
Interest expenses paid	(2,102)	(3,746)	(20,061)
Income taxes paid	(15,372)	(8,348)	(146,708)
Net cash provided by operating activities	65,481	28,762	624,938
Cash flows from investing activities:			
Purchase of time deposits	(56)	(61)	(534)
Repayment of time deposits	56	61	534
Purchase of securities	(6,015)	(2,025)	(57,406)
Proceeds from sale of securities	4,415	11,057	42,136
Purchase of property and equipment	(47,621)	(29,544)	(454,486)
Proceeds from sale of property and equipment	3,694	7,813	35,255
Increase in long-term advances	(48)	(30)	(458)
Proceeds from collection of long-term advances	53	1,059	506
Other	—	1,594	—
Net cash used in investing activities	(45,522)	(10,076)	(434,453)
Cash flows from financing activities:			
Net decrease in short-term bank loans	—	(50)	—
Proceeds from long-term bank loans	14,500	4,000	138,385
Payment of long-term bank loans	(46,233)	(38,907)	(441,239)
Proceeds from issuance of bonds	10,000	—	95,438
Redemption of bonds	(10,000)	(8,000)	(95,438)
Proceeds from sale of treasury stock	6	4	57
Cash dividends paid	(3,300)	(2,857)	(31,495)
Issuance of new shares	—	30,055	—
Other	(98)	(94)	(934)
Net cash used in financing activities	(35,125)	(15,849)	(335,226)
Effect of exchange rate changes	110	528	1,050
(Net decrease) net increase in cash and cash equivalents	(15,056)	3,365	(143,691)
Cash and cash equivalents at beginning of year	54,961	51,596	524,537
Cash and cash equivalents at end of year (Note 3)	¥ 39,905	¥ 54,961	$ 380,846

See accompanying notes.

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Takashimaya Company, Limited (hereafter, the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of changes in net assets for 2006) from the consolidated financial statements of the Company, prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 29, 2008, which was ¥104.78 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (hereafter, the "Companies").

Investments in certain significant affiliated companies are accounted for by the equity method after the elimination of unrealized intercompany profits. Investments in the remaining non-consolidated subsidiaries and affiliated companies are not accounted for by the equity method because of the immaterial effect on the consolidated financial statements. Such investments are, therefore, carried at cost, adjusted for any substantial and non-recoverable diminution in value, and income from those non-consolidated subsidiaries and affiliated companies is recognized only when the Companies receive dividends therefrom.

In accordance with the accounting standards for consolidation, the Company's subsidiaries include companies over which substantial control is exerted through either majority ownership of voting stock and/or by other means. Also, the Company's affiliated companies include companies over which the Company has the ability to exercise significant influence.

All significant intercompany transactions and unrealized profits among the Companies have been eliminated in consolidation.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries ("Goodwill" and "Negative goodwill") are amortized on a straight-line basis over 20 years with the exception of minor differences, which are charged or credited to income in the period of acquisition.

All the Company's non-consolidated subsidiaries are of a limited scale in terms of total assets, net sales, profit, retained earnings and other indicators, and taken together they do not have a significant impact on the consolidated financial statements.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rate at the balance sheet date, and translation gains and losses are charged to income.

The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for owners' equity accounts, which are translated at the historical rates. Statements of operations of consolidated overseas subsidiaries are translated at average rates.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents include cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase.

(d) Securities

No trading securities are held by the Companies. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets section in the balance sheets. Realized gains and losses on sale of such securities are computed using moving-average cost.

Debt securities with no available fair market values are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market values are stated at moving-average cost.

(e) Derivatives and hedging transactions

Derivative financial instruments are stated at fair value and changes in the fair value as gains or losses are charged to income unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, forward foreign exchange contracts and hedged items are accounted for in the following manner:

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,
  (i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and
  (ii) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Companies use forward foreign currency contracts, currency swaps and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange and increases in the interest rate.

The related hedged items are trade receivables, trade payables, loans payable and interest on foreign currency bonds.

(f) Allowance for doubtful accounts

Allowance for doubtful accounts is provided principally for amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to specific items and possible losses on collection calculated by applying a percentage based on collection experience to the remaining items.

(g) Inventories

Inventories are valued at cost determined by the following methods:

Merchandise:	principally retail method and specific identification method
Products:	principally first-in, first-out method
Work in process:	principally first-in, first-out method
Raw materials:	principally first-in, first-out method
Supplies:	first-in, first-out method

(h) Property and equipment

Property and equipment are stated at cost and depreciated by using mainly the straight-line method over the estimated useful lives of the assets as prescribed by Japanese tax laws. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. The cost of property and equipment sold or disposed of and the accumulated depreciation thereon are deducted from the related accounts, and the net gain or loss is credited or charged to income.

(i) Impairment of fixed assets

Calculation of the impairment of fixed assets is based on reasonable and supportable assumptions and projection of the grouping of assets and recoverable value, with due consideration for the specific conditions of each company. The recoverable amount of assets is calculated based on net selling price.

(j) Software

The Companies amortize capitalized software using the straight-line method over its estimated useful life (five years).

(k) Allowance for Point Gift Certificates

The Company provides its customers with credit points when they make purchases using the Takashimaya Card and, upon request, issues gift certificates (Point Gift Certificates) to those customers who have earned sufficient points.

The Company provides an allowance for the estimated future costs of the issuance of the certificates based on the number of credit points outstanding at each fiscal year-end.

(l) Allowance for loss on disposal of property and equipment

In the fiscal year under review the Company has set aside a reasonable estimate of losses it expects to incur in association with the future disposal of buildings, etc. and related demolition costs due to large-scale sales floor remodeling and construction.

(m) One-time write-off of bonus gift certificates

Consolidated subsidiaries have, as a one-time write-off, expensed an amount equivalent to the bonus certificate portion of gift certificates collected in the past. The bonus certificate is a credit that the customer receives after paying 12 months worth of deposits into Takashimaya's gift certificate reserve.

(n) Allowance for directors' and corporate auditors' bonuses

An allowance for directors' and corporate auditors' bonuses is provided for the estimated amounts which the Company is obligated to pay to directors and corporate auditors subject to the resolution of the general shareholders' meeting subsequent to the fiscal year-end.

(o) Allowance for employees' retirement benefits

The Companies provide an allowance for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The unrecognized prior service cost obligations are recognized as expenses and recorded in equal amounts mainly 10 years from their recognition, which is less than the average remaining years of employment of the employees.

Actuarial gains or losses incurred during the year are amortized by using the straight-line method over a certain period of time (mainly 10 years), which is less than the average remaining years of employment of the employees, commencing from the succeeding fiscal year.

(p) Allowance for directors' and corporate auditors' retirement benefits

An allowance for directors' and corporate auditors' retirement benefits of the Companies was provided based on the Companies' pertinent rules and is calculated as the estimated amount which would be payable if all officers were to retire at the balance sheet date.

The payments are subject to approval of the shareholders' meeting.

(q) Accounting for leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

(r) Income taxes

Income taxes consist of corporation, inhabitants' and enterprise taxes.

The Companies recognize the tax effects of temporary differences between the financial statements' carrying amounts and the tax basis of assets and liabilities. The provision for income taxes is computed based on the income before income taxes and minority interests included in the statements of income of each of the Companies. The assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(s) Per share information

Net income per share is based on the weighted average number of shares of common stock outstanding during each year and diluted net income per share reflects the potential dilution that could occur if it were converted into common stock.

Cash dividends per share represent interim dividends declared by the Board of Directors in each year and year-end dividends approved by the shareholders at the annual meeting held subsequent to the end of the fiscal year.

(t) Changes in Accounting Treatment

(1) Accounting Standards for Presentation of Net Assets in the Balance Sheet

Effective for the year ended February 28, 2007, the Company and its domestic consolidated subsidiaries adopted new accounting standards, the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the Implementation Guidance for the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards").

Under the New Accounting Standards, the balance sheets comprises the assets, liabilities and net assets sections. Previously, the balance sheets comprised the assets, liabilities, minority interests and shareholders' equity sections. Due to the adoption of the New Accounting Standards, the following items are presented differently compared to the previous presentation rules. The net assets section includes unrealized gains (losses) on hedging derivatives, net of taxes. Under the previous presentation rules, unrealized gains (losses) on hedging derivatives were included in the assets or liabilities section without considering the related income tax effects. Minority interests are included in net assets under the New Accounting Standards. Under the previous presentation rules, minority interests were presented between non-current liabilities and shareholders' equity.

The consolidated balance sheets as of February 28, 2006 has been restated to conform to the 2007 presentation. The adoption of the New Accounting Standards had no impact on the consolidated statements of income for the years ended February 28, 2007 and 2006.

If the previous accounting standards were to be applied, net assets at February 28, 2007 would be ¥283,592 million.

(2) Accounting Standards for Statement of Changes in Net Assets

Effective for the year ended February 2007, the Company and its domestic consolidated subsidiaries adopted new accounting standards, the "Accounting Standard for Statement of Changes in Net Assets" (Statement No. 6 issued by the Accounting Standards Board of Japan on December 27, 2005), and the Implementation Guidance for the "Accounting Standard for Statement of Changes in Net Assets" (the Financial Accounting Standard Implementation Guidance No. 9 issued by the Accounting Standards Board of Japan on December 27, 2005), (collectively, the "New Accounting Standards").

Accordingly, the Company prepared the statements of changes in net assets for the year ended February 28, 2007. In addition, the Company voluntarily prepared the consolidated statements of changes in net assets for 2006 in accordance with the New Accounting Standards.

Previously, consolidated statements of shareholders' equity were prepared for purposes of inclusion in the consolidated financial statements although such statements were not required under the Japanese GAAP.

(3) Amount of Gift Certificates Recorded in the Consolidated Balance Sheets

Previously, the Companies had reversed gift certificates to other income after a certain period of time had passed, in accordance with a standard similar to that prescribed in the Corporation Tax Law. Following the publication of Audit Treatment for Reserves of Special Taxation Measures Law, and Allowances or Reserves of Special Law (Report No. 42 of the Japanese Institute of Certified Public Accountants Audit and Assurance Practice Committee), the Companies has reasonably estimated and recorded on the consolidated balance sheets the estimated amount of gift certificates to be redeemed in the future from the year ended February 29, 2008. According to this change, the Companies have recorded a "Loss on adjustment of gift certificates" of ¥8,580 million in the consolidated statements of income. In comparison with the accounting method used the previous year, ordinary income and income before income taxes and minority interests decreased by ¥798 million and ¥9,378 million, respectively.

(4) Depreciation Method of Tangible Fixed Assets

According to the revision to the Corporation Tax Law (Law for Partial Revision of the Income Tax Law (Law No. 6, March 30, 2007) and the Cabinet Order for the Partial Amendment of the Corporation Tax Law Enforcement Regulations (Cabinet Order No. 83, March 30, 2007), the Company has changed the depreciation method on tangible fixed assets acquired on and after April 1, 2007 to a method based on the revised Corporation Tax Law. The impact of this change on profit and loss is immaterial. The impact of this change on segment information is described in the corresponding section.

(u) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. These changes had no impact on previously reported results of operations.

3 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents at February 29/28, 2008 and 2007 consisted of the following:

	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Cash and deposits	¥35,131	¥40,010	$335,283
Time deposits with maturities exceeding three months	(226)	(49)	(2,156)
Certificate of deposits	5,000	15,000	47,719
	¥39,905	¥54,961	$380,846

(b) Significant non-cash transactions

(1) Conversion of convertible bonds

	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Increase in capital stock by conversion of convertible bonds	¥ —	¥1,830	$ —
Increase in capital surplus by conversion of convertible bonds	—	1,825	—
Decrease in convertible bonds by conversion of convertible bonds	—	3,619	—

(2) Acquisition of Tangible Fixed Assets Through Repayment of Real Estate Convertible Loan

	Millions of yen 2008	Millions of yen 2007	Thousands of U.S. dollars 2008
Decrease in long-term loans through conversion of real estate convertible loan	¥ 82,730	¥ —	$ 789,559
Acquisition of tangible fixed assets through the above conversion	¥ 81,007	¥ —	$ 773,115

4 SECURITIES

(a) The following tables summarize the acquisition costs, book values and fair values of securities with available fair values as of February 29/28, 2008 and 2007:

(1) Held-to-maturity debt securities:

Securities with available fair values exceeding book values:

	Millions of yen						Thousands of U.S. dollars		
	2008			2007			2008		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	¥12,010	¥12,430	¥420	¥10,612	¥10,741	¥129	$114,621	$118,630	$4,009

(2) Available-for-sale securities:

Securities with book values exceeding acquisition costs:

	Millions of yen						Thousands of U.S. dollars		
	2008			2007			2008		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥15,376	¥38,576	¥23,200	¥17,308	¥59,270	¥41,962	$146,746	$368,162	$221,416
Government bonds	20	20	0	20	20	0	191	191	0
Total	¥15,396	¥38,596	¥23,200	¥17,328	¥59,290	¥41,962	$146,937	$368,353	$221,416

Other securities:

	Millions of yen						Thousands of U.S. dollars		
	2008			2007			2008		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥4,638	¥3,839	¥(799)	¥515	¥437	¥(78)	$44,264	$36,638	$(7,626)

The total sales for available-for-sale securities sold in the years ended February 29/28, 2008 and 2007 amounted to ¥5,636 million ($53,789 thousand) and ¥5,751 million, respectively. The related gains amounted to ¥4,038 million ($38,538 thousand) and ¥580 million in the years ended February 29/28, 2008 and 2007, respectively. The related losses amounted to ¥1 million ($10 thousand) in the year ended February 29, 2008.

(b) The following tables summarize the book values of securities with no available fair values as of February 29/28, 2008 and 2007:

(1) Held-to-maturity debt securities:

	Millions of yen		Thousands of U.S. dollars
Type	2008	2007	2008
Corporate bonds	¥ 4	—	$ 38

(2) Equity securities of subsidiaries and affiliates:

	Millions of yen		Thousands of U.S. dollars
Type	2008	2007	2008
Subsidiaries	¥ 2,718	¥ 2,718	$ 25,940
Affiliates	28,736	26,558	274,251
Total	¥31,454	¥29,276	$300,191

(3) Available-for-sale securities:

	Millions of yen		Thousands of U.S. dollars
Type	2008	2007	2008
Unlisted securities	¥ 1,125	¥ 1,147	$ 10,737
Certificate of deposits	5,000	15,000	47,719
Total	¥ 6,125	¥ 16,147	$ 58,456

(c) Held-to-maturity debt securities and available-for-sale securities with maturities are as follows:

(1) Held-to-maturity debt securities:

	Millions of yen				Thousands of U.S. dollars			
	2008				2008			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	¥—	¥3,001	¥9,010	¥—	$—	$28,641	$85,990	$—
Corporate bonds	—	4	—	—	—	38	—	—
Total	¥—	¥3,005	¥9,010	¥—	$—	$28,679	$85,990	$—

	Millions of yen			
	2007			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	¥600	¥3,001	¥7,011	¥—

(2) Available-for-sale securities:

	Millions of yen				Thousands of U.S. dollars			
	2008				2008			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	¥ —	¥ 20	¥—	¥—	$ —	$191	$—	$—
Others	5,000	—	—	—	47,719	—	—	—
Total	¥5,000	¥ 20	¥—	¥—	$47,719	$191	$—	$—

	Millions of yen			
	2007			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	¥ —	¥ 20	¥ —	¥ —
Others	15,000	—	—	—
Total	¥ 15,000	¥ 20	¥ —	¥ —

5 INVENTORIES

Inventories at February 29/28, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Merchandise	¥40,453	¥38,345	$386,076
Products	223	236	2,128
Work in process	2,465	2,346	23,526
Raw materials	138	174	1,317
Supplies	451	393	4,304
	¥43,730	¥41,494	$417,351

6 IMPAIRMENT OF PROPERTY AND EQUIPMENT

The Companies recorded impairment losses on the following asset group for the year ended February 28, 2007:

			Millions of yen		Thousands of U.S. dollars
Location	Use	Classification	2008	2007	2008
Takashimaya Logistics Co., Ltd.	Delivery center	Other	—	¥ 44	—

The retail store is primarily considered as the lowest cash-generating unit. The book values of the cash-generating units which would incur operating losses continuously were reduced to the recoverable amount.

The amounts written down of ¥44 million for the year ended February 28, 2007 were recorded as a loss on impairment of property and equipment.

The recoverable amounts from those asset groups are based mainly on the net selling price. The net selling price is appraised as the amount of the inheritance tax evaluation in terms of land prices based on the accessibility method.

7 LEASEHOLD AND OTHER DEPOSITS

The Companies conduct a substantial portion of their retail business through leased properties. The terms of the relevant leases for stores are generally from 10 to 20 years with options for renewal, subject to renegotiation of rental fees every 2 or 5 years. In connection with such leases, lessors require, under certain circumstances, large deposits relative to the amount of annual lease rental payments, and such deposits bear no interest or interest only at nominal rates.

8 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding were generally represented by bank overdrafts and notes issued by the Companies to banks bearing interest at average rates of 1.05% and 0.89% at February 29/28, 2008 and 2007, respectively.

Long-term debt at February 29/28, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
1.0% bonds due 2008	¥ —	¥ 10,000	$ —
0.0% convertible bonds due 2010	11,231	11,231	107,187
2.03% bonds due 2008	10,000	—	95,438
Loans from banks, insurance companies and others due serially to 2016:			
Secured (bearing interest at rates from 1.35% to 4.85% at February 29, 2008)	12,533	55,687	119,613
Unsecured (bearing interest at rates from 0.95% to 2.22% at February 29, 2008)	45,195	33,774	431,332
	78,959	110,692	753,570
Less: Current portion of long-term debt	(10,273)	(55,099)	(98,044)
	¥ 68,686	¥ 55,593	$ 655,526

The current conversion price of 0.0% convertible bonds issued by the Company is ¥1,074 ($10.25). At February 29, 2008, the convertible bonds were convertible into approximately 10,560 thousand shares of common stock.

The aggregate annual maturities of long-term debt at February 29, 2008 are summarized below:

Years ending February 28/29	Millions of yen	Thousands of U.S. dollars
2009	¥10,273	$ 98,044
2010	18,681	178,288
2011	17,793	169,813
2012	7,283	69,508
2013	12,933	123,430
2014 and thereafter	11,996	114,487
	¥78,959	$753,570

9 COMMITMENT CONTRACT

The Company has entered into a loan commitment contract with six banks in order to procure operating funds efficiently. The unexercised loan balance related to the loan commitment at February 29, 2008 is summarized below.

	Millions of yen	Thousands of U.S. dollars
Total amount of loan commitment	¥ 20,000	$ 190,876
Exercised loan balance	—	—
Difference	¥ 20,000	$ 190,876

10 PLEDGED ASSETS

The assets pledged as collateral for debts mainly from banks and certain other obligations at February 29/28, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Other current assets	—	¥ 60,588	—
Investment in and advances to—other	—	45,646	—
Land	¥ 35,315	20,687	$ 337,040
Buildings and structures	14,629	9,720	139,616
	¥ 49,944	¥ 136,641	$ 476,656

11 DEPOSITED ASSETS

The deposited assets required by the Installment Sales Law at February 29/28, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and deposits	¥ 903	¥ 890	$ 8,618
Investment securities	12,031	10,432	114,822
Leasehold and other deposits	10	10	95
	¥ 12,944	¥ 11,332	$ 123,535

12 INCOME TAXES

The Companies are subject to a number of taxes based on income. The aggregate statutory tax rate in Japan was approximately 40.6% for the years ended February 29/28, 2008 and 2007, respectively. The difference between the statutory tax rate and the Company's income tax burden after the application of tax effect accounting for the years ended February 29/28, 2008 and 2007 is within 5% of the statutory tax rate, so this section has been omitted.

Significant components of the Companies' deferred tax assets and liabilities as of February 29/28, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets (current):			
Accrued enterprise tax	¥ 708	¥ 747	$ 6,757
Undeductible allowance for doubtful accounts	241	198	2,300
Accrued bonuses	249	393	2,377
Tax loss carryforward	428	742	4,085
Undeductible write-down of inventories	133	144	1,269
Allowance for Point Gift Certificates	2,303	2,007	21,979
Allowance for disposal of property and equipment	589	966	5,621
Accrued severance	—	84	—
Accrued defined contribution plan liabilities	—	513	—
Adjustment of gift certificates	4,642	—	44,302
Others	496	488	4,734
Gross deferred tax assets	9,789	6,282	93,424
Less: Valuation allowance	(46)	(7)	(439)
Total deferred tax assets	9,743	6,275	92,985
Net of deferred tax liabilities	(1,732)	(64)	(16,530)
Net deferred tax assets	¥ 8,011	¥ 6,211	$ 76,455
Deferred tax liabilities (current):			
Adjustments of allowance for doubtful accounts	¥ 211	¥ 64	$ 2,014
Adjustment of gift certificates	1,521	—	14,516
Others	—	—	—
Total deferred tax liabilities	1,732	64	16,530
Net of deferred tax assets	(1,732)	(64)	(16,530)
Net deferred tax liabilities	¥ —	¥ —	$ —
Deferred tax assets (noncurrent):			
Unrealized intercompany profits	¥ 1,110	¥ 590	$ 10,594
Undeductible allowance for employees' retirement benefits	22,460	22,931	214,354
Undeductible write-down of securities	1,412	2,354	13,476
Undeductible amortization of software costs	948	982	9,047
Loss on impairment of property and equipment	800	1,000	7,635
Tax loss carryforward	1,739	2,030	16,597
Undeductible write-down of memberships	267	273	2,548
Undeductible allowance for doubtful accounts	995	811	9,496
Devaluation of property and equipment resulting from spin-off	1,410	1,391	13,457
Others	1,127	720	10,756
Gross deferred tax assets	32,268	33,082	307,960
Less: Valuation allowance	(3,074)	(3,012)	(29,338)
Total deferred tax assets	29,194	30,070	278,622
Net of deferred tax liabilities	(18,305)	(26,332)	(174,699)
Net deferred tax assets	¥ 10,889	¥ 3,738	$ 103,923
Deferred tax liabilities (noncurrent):			
Reserve for deferred capital gains of property	¥ 9,246	¥ 9,261	$ 88,242
Adjustments of allowance for doubtful accounts	—	71	—
Unrealized holding gains on securities	9,095	17,006	86,801
Others	77	118	734
Gross deferred tax liabilities	18,418	26,456	175,777
Net of deferred tax assets	(18,305)	(26,332)	(174,699)
Net deferred tax liabilities	¥ 113	¥ 124	$ 1,078

13 CONTINGENT LIABILITIES

The Company and certain consolidated subsidiaries were contingently liable for loan guarantees made for employees and others of ¥1,364 million ($13,018 thousand) and ¥1,673 million at February 29/28, 2008 and 2007, respectively.

14 ALLOWANCE FOR EMPLOYEES' RETIREMENT BENEFITS

The Companies have defined benefit pension plans, i.e., corporate pension plans, tax-qualified pension plans, lump-sum retirement plans and defined contribution pension plans, covering substantially all their employees, who are entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salaries. Premium retirement payments may be granted to employees according to the conditions under which the termination occurs.

The allowance for employees' retirement benefits as of February 29/28, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligations	¥125,286	¥125,081	$1,195,705
Plan assets at fair value	(57,269)	(61,013)	(546,564)
Projected benefit obligations in excess of plan assets	68,017	64,068	649,141
Unrecognized prior service costs	4,967	5,731	47,404
Unrecognized actuarial differences	(17,410)	(12,975)	(166,157)
Allowance for employees' retirement benefits	¥ 55,574	¥ 56,824	$ 530,388

Note: Certain of the consolidated subsidiaries have adopted the conventional method in calculating their retirement benefit obligations as set forth in the accounting standard for employees' retirement benefits.

Employees' retirement benefit costs for the years ended February 29/28, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service costs	¥ 3,720	¥ 4,001	$ 35,503
Interest cost on projected benefit obligations	2,463	2,536	23,506
Expected return on plan assets	(1,399)	(1,401)	(13,352)
Amortization of prior service costs	(764)	(763)	(7,291)
Amortization of actuarial differences	1,976	2,147	18,859
Premium retirement payment	1,945	2,579	18,563
Defined contribution pension costs and others	1,056	1,009	10,078
Employees' retirement benefit costs	¥ 8,997	¥ 10,108	$ 85,866

Assumptions used in the calculation of the above information were as follows:

	2008	2007
Discount rate	2.0%	2.0%
Expected return on plan assets	Mainly 2.3%	Mainly 2.3%
Method of attributing the projected retirement benefits to periods of service	Straight-line basis	Straight-line basis
Amortization of unrecognized prior service costs	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial differences	Mainly 10 years	Mainly 10 years

15 NET ASSETS

As described in Note 2 (t), net assets comprises three subsections, which are the owners' equity, accumulated gains from revaluation and translation adjustments and minority interests.

Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code").

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in the capital surplus.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on May 20, 2008, the shareholders resolved cash dividends amounting to ¥1,650 million ($15,747 thousand). Such appropriations have not been accrued in the consolidated financial statements as of February 29, 2008, and are recognized in the period in which they were resolved.

16 LAND REVALUATION

In accordance with the Law Concerning Revaluation of Land, land used for business owned by the Company and two consolidated subsidiaries was revalued. The unrealized gain, net of deferred tax, was excluded from earnings and reported as "Excess of land revaluation" in shareholders' equity, and the relevant deferred tax was included as "Deferred tax liabilities related to land revaluation" in liabilities.

Related information is shown as follows:

Date of revaluation:	
The Company	December 31, 2000 and February 28, 2001
A consolidated subsidiary	February 28, 2001
A consolidated subsidiary	March 31, 2002

17 LEASES

Finance leases

(1) Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at February 29/28, 2008 and 2007 which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2008	**2007**	**2008**
Acquisition costs: Equipment and fixtures	¥6,070	¥10,357	$57,931
Accumulated depreciation: Equipment and fixtures	3,507	7,810	33,470
Accumulated impairment loss: Equipment and fixtures	25	26	239
Net book value: Equipment and fixtures	¥2,538	¥ 2,521	$24,222

Lease payments relating to finance leases accounted for as operating leases amounted to ¥1,116 million ($10,651 thousand) and ¥1,772 million for the years ended February 29/28, 2008 and 2007, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to February 29, 2008 for finance leases accounted for as operating leases are summarized as follows:

Years ending February 28/29	Millions of yen	Thousands of U.S. dollars
2009	¥ 894	$ 8,532
2010 and thereafter	1,650	15,747
Total	¥ 2,544	$ 24,279

(2) Operating leases

Future minimum lease payments subsequent to February 29, 2008 for noncancelable operating leases are summarized as follows:

Years ending February 28/29	Millions of yen	Thousands of U.S. dollars
2009	¥ 8,345	$ 79,643
2010 and thereafter	64,094	611,701
Total	¥72,439	$691,344

18 DERIVATIVE TRANSACTIONS

There was no derivative transaction as of February 29/28, 2008 and 2007 for which hedge accounting has not been applied.

19 PER SHARE INFORMATION

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended February 29/28, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Basic net income per share			
Income (numerator):			
Net income	¥ 18,697	¥ 25,320	$178,441
Amounts not belonging to common stock (bonuses to directors from retained earnings)	—	—	—
Net income available to common shareholders	18,697	25,320	178,441
Shares, thousands (denominator):			
Weighted average number of shares	329,983	325,360	—
Basic EPS (yen and U.S. dollars)	¥ 56.66	¥ 77.82	$ 0.54
Diluted net income per share			
Income (numerator):			
Net income	¥ 18,697	¥ 25,320	$178,441
Amounts not belonging to common stock (bonuses to directors from retained earnings)	—	—	—
Net income available to common shareholders	18,697	25,320	178,441
Effect of dilutive securities — convertible bonds	(10)	(2)	(95)
Adjusted net income	18,687	25,318	178,346
Shares, thousands (denominator):			
Weighted average number of shares	329,983	325,360	—
Assumed conversion of convertible bonds	10,560	13,760	—
Adjusted weighted average number of shares	340,543	339,120	—
Diluted EPS (yen and U.S. dollars)	¥ 54.87	¥ 74.66	$ 0.52

Net assets per share as of February 29/28, 2008 and 2007 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net assets per share			
Net assets (numerator):			
Total net assets	¥291,253	¥286,829	$2,779,662
Minority interests in consolidated subsidiaries	(3,383)	(3,238)	(32,287)
Adjusted net assets	287,870	283,591	2,747,375
Common stock, thousands (denominator):			
Issued number of shares	330,828	330,828	—
Treasury stock	(862)	(827)	—
Outstanding number of shares	329,966	330,001	—
Net assets per share (yen and U.S. dollars)	¥ 872.42	¥ 859.37	$ 8.33

20 SEGMENT INFORMATION

(a) Business segment information

Business segment information for the years ended February 29/28, 2008 and 2007 was as follows:

	Millions of yen							
	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 29, 2008								
Sales and other operating revenue:								
Outside customers	¥940,086	¥25,862	¥29,041	¥ 8,739	¥38,983	¥1,042,711	¥ —	¥1,042,711
Intersegment	6,188	6,825	5,705	4,854	40,447	64,019	(64,019)	—
Total	946,274	32,687	34,746	13,593	79,430	1,106,730	(64,019)	1,042,711
Operating expenses	919,371	31,731	27,073	12,633	77,742	1,068,550	(63,538)	1,005,012
Operating income	26,903	956	7,673	960	1,688	38,180	(481)	37,699
Assets	¥498,876	¥16,864	¥98,492	¥80,267	¥19,961	¥ 714,460	¥ 44,411	¥ 758,871
Depreciation	11,227	137	3,010	46	106	14,526	161	14,687
Loss on impairment	—	—	—	—	—	—	—	—
Capital expenditure	26,988	130	20,697	3	67	47,885	(3,807)	44,078

	Millions of yen							
	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 28, 2007								
Sales and other operating revenue:								
Outside customers	¥941,692	¥33,389	¥24,089	¥ 7,987	¥42,249	¥1,049,406	¥ —	¥1,049,406
Intersegment	6,315	5,389	5,605	4,255	49,453	71,017	(71,017)	—
Total	948,007	38,778	29,694	12,242	91,702	1,120,423	(71,017)	1,049,406
Operating expenses	924,664	38,303	23,378	10,157	89,616	1,086,118	(70,573)	1,015,545
Operating income	¥ 23,343	¥ 475	¥ 6,316	¥ 2,085	¥ 2,086	¥ 34,305	¥ (444)	¥ 33,861
Assets	¥539,447	¥19,597	¥81,735	¥66,087	¥19,602	¥ 726,468	¥ 56,528	¥ 782,996
Depreciation	9,353	92	2,361	107	79	11,992	234	12,226
Loss on impairment	—	—	—	—	44	44	—	44
Capital expenditure	25,032	239	8,280	—	59	33,610	(896)	32,714

Thousands of U.S. dollars								
	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 29, 2008								
Sales and other operating revenue:								
Outside customers	$8,971,999	$246,822	$277,162	$ 83,403	$372,046	$ 9,951,432	$ —	$9,951,432
Intersegment	59,057	65,137	54,447	46,326	386,018	610,985	(610,985)	—
Total	9,031,056	311,959	331,609	129,729	758,064	10,562,417	(610,985)	9,951,432
Operating expenses	8,774,298	302,834	258,379	120,567	741,955	10,198,033	(606,394)	9,591,639
Operating income	$ 256,758	$ 9,125	$ 73,230	$ 9,162	$ 16,109	$ 364,384	$ (4,591)	$ 359,793
Assets	$4,761,176	$160,947	$939,988	$766,053	$190,504	$ 6,818,668	$ 423,850	$7,242,518
Depreciation	107,148	1,307	28,727	439	1,012	138,633	1,537	140,170
Loss on impairment	—	—	—	—	—	—	—	—
Capital expenditure	257,568	1,241	197,528	29	639	457,005	(36,333)	420,672

(b) Geographic segment information

Geographic segment information is not disclosed, due to sales and other operating revenue and total assets of overseas subsidiaries not being material compared to consolidated sales and other operating revenue and consolidated total assets, respectively.

(c) Information for overseas sales

Information for overseas sales is not disclosed, due to overseas sales and other operating revenue not being material compared to consolidated sales and other operating revenue.

21 RELATED PARTIES

Significant transactions and balances with related parties as of and for the years ended February 29/28, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
SAGAMI RAILWAY Co., Ltd.			
(Masahiro Hoshino, representative director and chairman, is our director):			
Sales	¥ 4	¥ 9	$ 38
Notes and accounts receivable	1	0	10
Kanagawa Kaihatsu Kanko Co., Ltd.			
(Naotaka Saeki, a representative director and president, is our auditor):			
Sales	¥ 1	¥ 11	$ 10
Notes and accounts receivable	1	1	10
Other assets	21	21	200

1) Neither of the above have voting rights.

2) Commodities sold to SAGAMI RAILWAY Co., Ltd. by Takashimaya Group are generally seen as intended for third parties. The transaction conditions are the same as those used with other, non-related companies.

3) Sales and investment between Kanagawa Kaihatsu Kanko Co., Ltd. and Takashimaya Group are generally seen as intended for third parties. The transaction conditions are the same as those used with other, non-related companies.

22 PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

The partial offsetting of goodwill by negative goodwill at February 29, 2008 is presented below:

	Millions of yen	Thousands of U.S. dollars
Goodwill	¥ 2,253	$ 21,502
Negative goodwill	1,203	11,481
Goodwill, net	¥ 1,050	$ 10,021

23 SUBSEQUENT EVENT

Cash dividends

On May 20, 2008, the shareholders of the Company approved the following appropriations:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.0 ($0.05) per share)	¥1,650	$15,747

Independent Auditors' Report

To the Shareholders and Board of Directors of
Takashimaya Company, Limited:

We have audited the accompanying consolidated balance sheets of Takashimaya Company, Limited and consolidated subsidiaries as of February 29, 2008 and February 28, 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Takashimaya Company, Limited and consolidated subsidiaries as of February 29, 2008 and February 28, 2007 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

As discussed in Note 2(t) (3) to the consolidated financial statements, effective for the year ended February 29, 2008, Takashimaya Company, Limited and its subsidiaries changed the method of accounting for the amount of gift certificates recorded in the consolidated balance sheets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
May 20, 2008

(As of February 29, 2008)

YEAR OF FOUNDATION
1831

TAKASHIMAYA COMPANY, LIMITED
1-5, Namba 5-chome, Chuo-ku, Osaka 542-8510, Japan

ORDINARY GENERAL MEETING OF SHAREHOLDERS
The Ordinary General Meeting of Shareholders
was held in late May in Osaka.

JAPANESE STOCK EXCHANGE LISTINGS
Tokyo and Osaka

INDEPENDENT ACCOUNTANTS
KPMG AZSA & Co.
Tokyo, Japan

PAID-IN CAPITAL
¥56,025 million

NUMBER OF SHARES OUTSTANDING
330,827,625 shares

NUMBER OF SHAREHOLDERS
32,106

TRANSFER AGENT OF COMMON SHARES HANDLING OFFICE
Mitsubishi UFJ Trust and Banking Corporation

RATING INFORMATION

Domestic Rating	Term	Rating
JCR	Long-term	A
	Short-term	J-1
R&I	Long-term	A-
	Short-term	a-1

TAKASHIMAYA ON THE INTERNET
Takashimaya's website offers a wealth of corporate information:

http://www.takashimaya.co.jp/corp/english/index.html

Department Store

- Okayama Takashimaya Co., Ltd.
- Gifu Takashimaya Co., Ltd.
- Yonago Takashimaya Co., Ltd.
- Takasaki Takashimaya Co., Ltd.
- Takashimaya Tomonokai Co., Ltd.
- Fashion Plaza 21 Co., Ltd.
- R. T. Corporation Ltd.

Takashimaya Company, Limited

- Takashimaya (Singapore) Ltd.
- Takashimaya New York LLC.

Contract & Design

- Takashimaya Space Create Co., Ltd.
- TACK Inc.

Orders for store interior refurbishment

Real Estate

- Toshin Development Co., Ltd.
- Sun Roser P&C Co., Ltd.
- Takashimaya Fifth Avenue Corporation

Property rental and other real estate operations

Finance

- Takashimaya Credit Co., Ltd.
- Koei Lease Co., Ltd.*

Issuance of credit cards

*Koei Lease Co., Ltd. ceased operations in March 2005.

Other

Wholesale; Trading

- Good Live Co., Ltd.

Supply of products

Sewing and Processing Business

- TAPP Co., Ltd.

Supply of products

Advertising Business

- A.T.A. CO., LTD.

Outsourcing of advertising

Transportation Business

- Takashimaya Logistics Co., Ltd.

Outsourcing of advertising

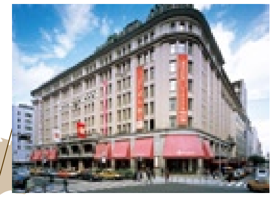
Various Service Businesses

- Takashimaya Company, Limited, Direct Marketing Division
- Century & Co., Ltd.
- Takashimaya Building Maintenance Co., Ltd.
- Takashimaya Business Service Co., Ltd.
- Takashimaya Insurance & Telecom Co., Ltd.
- Tees International Co., Ltd.
- Tamagawa Institute Ltd.

Outsourcing of human resource management and cleaning

TAKASHIMAYA GROUP NETWORK

JR Nagoya Takashimaya store



Tokyo store

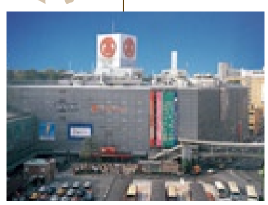
Singapore Takashimaya store

Kyoto store

Shinjuku store

New York Takashimaya store

Osaka store



Yokohama store

Dayeh Takashimaya store

Domestic Department Stores

Osaka
1-5, Namba 5-chome, Chuo-ku, Osaka 542-8510

Sakai
59, Miyukidori, Mikunigaoka, Sakai 590-0028

Wakayama
3-6, Higashikuramaecho, Wakayama 640-8203

Kyoto
52, Shinmachi Nishiiru, Kawaramachi Shijodori,
Shimogyo-ku, Kyoto 600-8520

Rakusai
5-5, Oharano-Higashisakaidanicho 2-chome,
Nishikyo-ku, Kyoto 610-1143

Tokyo
4-1, Nihombashi 2-chome, Chuo-ku,
Tokyo 103-8265

Yokohama
6-31, Minamisaiwai 1-chome, Nishi-ku,
Yokohama 220-8601

Konandai
1-3, Konandai 3-chome, Konan-ku, Yokohama 234-8501

Shinjuku
24-2, Sendagaya 5-chome, Shibuya-ku, Tokyo 151-8580

Semboku
3-1, Chayamadai 1-cho, Sakai 590-0115

Tamagawa
17-1, Tamagawa 3-chome, Setagaya-ku, Tokyo 158-8701

Tachikawa
39-3, Akebonocho 2-chome, Tachikawa 190-8507

Omiya
1-32, Daimoncho, Omiya 330-8511

Kashiwa
3-16, Suehirocho, Kashiwa 277-8666

Okayama
6-40, Honmachi, Okayama 700-8520

Gifu
25, Hinodemachi 2-chome, Gifu 500-8525

Yonago
1-30, Kakubancho 1-chome, Yonago 683-0812

Takasaki
45, Asahicho, Takasaki 370-8565

JR Nagoya Takashimaya
1-4, Meieki 1-chome, Nakamura-ku, Nagoya 450-6001

Iyotetsu Takashimaya
1-1, Minatocho 5-chome, Matsuyama 790-8587

Overseas Stores

Singapore Takashimaya
391A Orchard Road, #10-01, Singapore 238873

Dayeh Takashimaya
No. 55, Sec. 2, Chung Cheng Road, Shih Lin Dis.,
Taipei, Republic of China

New York Takashimaya
693 Fifth Avenue, New York, NY 10022, U.S.A.

Paris Takashimaya Service Desk
Au Printemps, 64 Boulevard Haussmann,
75009 Paris, France

Takashimaya

Takashimaya Company, Limited
1-5, Namba 5-chome, Chuo-ku, Osaka 542-8510, Japan
URL: http://www.takashimaya.co.jp/

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