TAKASHIMAYA FINANCIAL STATEMENTS

Years ended February 29, 2012 and February 28, 2011

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
February 29, 2012 and February 28, 2011

ASSETS	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
Current assets:			
Cash and deposits (Notes 4, 5 and 12)	**¥ 61,124**	¥ 55,504	**$ 757,610**
Marketable securities (Notes 4, 5, 6 and 12)	**15,000**	15,000	**185,920**
Notes and accounts receivable:			
Trade (Note 5)	**120,591**	120,726	**1,494,683**
Non-consolidated subsidiaries and affiliated companies (Note 5)	**1,004**	718	**12,444**
Other	**7,679**	18,336	**95,178**
Less: Allowance for doubtful accounts (Note 5)	**(878)**	(563)	**(10,882)**
	128,396	139,217	**1,591,423**
Inventories (Note 7)	**37,865**	38,568	**469,323**
Deferred tax assets (Note 13)	**6,989**	5,160	**86,626**
Other current assets (Note 5)	**13,021**	12,429	**161,391**
Total current assets	**262,395**	265,878	**3,252,293**
Investments and advances:			
Investment securities (Notes 5, 6 and 12)	**46,787**	49,680	**579,908**
Investments in and advances to:			
Non-consolidated subsidiaries and affiliated companies	**30,687**	29,849	**380,354**
Other	**7,358**	7,831	**91,200**
Less: Allowance for doubtful accounts	**(4,407)**	(4,791)	**(54,623)**
	33,638	32,889	**416,931**
Total investments and advances	**80,425**	82,569	**996,839**
Property and equipment:			
Land (Notes 11 and 18)	**208,683**	208,773	**2,586,552**
Buildings and structures (Note 11)	**348,238**	341,287	**4,316,286**
Equipment and fixtures	**30,865**	30,660	**382,561**
Lease assets	**3,716**	2,935	**46,058**
Construction in progress	**749**	1,856	**9,284**
	592,251	585,511	**7,340,741**
Less: Accumulated depreciation	**(216,502)**	(203,591)	**(2,683,465)**
Total property and equipment	**375,749**	381,920	**4,657,276**
Leasehold and other deposits (Notes 5, 8 and 12)	**42,083**	43,614	**521,604**
Goodwill (Note 24)	**669**	764	**8,292**
Deferred tax assets (Note 13)	**13,467**	16,656	**166,919**
Other assets	**29,130**	25,687	**361,056**
Total assets (Note 23)	**¥803,918**	¥817,088	**$9,964,279**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:			
Short-term bank loans (Notes 5 and 9)	**¥ 5,800**	¥ 5,800	**$ 71,889**
Current portion of long-term debt (Notes 5 and 9)	**34,012**	8,283	**421,567**
Notes and accounts payable:			
Trade (Note 5)	**83,626**	83,544	**1,036,515**
Non-consolidated subsidiaries and affiliated companies (Note 5)	**3,672**	3,704	**45,513**
Other	**13,559**	11,399	**168,059**
	100,857	98,647	**1,250,087**
Accrued income taxes (Note 13)	**4,178**	3,036	**51,785**
Accrued expenses	**5,417**	5,232	**67,142**
Allowance for directors' and corporate auditors' bonuses	**16**	—	**198**
Gift certificates outstanding	**63,070**	77,174	**781,730**
Advances received	**75,713**	76,872	**938,436**
Employees' saving deposits (Note 5)	**15,653**	15,978	**194,013**
Allowance for Point Gift Certificates	**3,518**	3,828	**43,604**
Allowance for loss on disposal of property and equipment	**—**	341	**—**
Asset retirement obligations (Note 20)	**34**	—	**421**
Other current liabilities (Note 5)	**14,643**	9,007	**181,495**
Total current liabilities	**322,911**	304,198	**4,002,367**
Long-term debt (Notes 5 and 9)	**87,668**	117,679	**1,086,614**
Deposits from tenants	**23,268**	28,443	**288,399**
Allowance for employees' retirement benefits (Note 16)	**49,764**	51,889	**616,807**
Allowance for directors' and corporate auditors' retirement benefits	**242**	244	**3,000**
Deferred tax liabilities (Note 13)	**104**	122	**1,289**
Deferred tax liabilities related to land revaluation (Note 18)	**8,631**	9,839	**106,978**
Long-term accounts payable	**98**	98	**1,215**
Asset retirement obligations (Note 20)	**1,123**	827	**13,919**
Allowance for environmental measures	**660**	694	**8,180**
Other long-term liabilities	**1,968**	1,955	**24,393**
Total liabilities	**496,437**	515,988	**6,153,161**
Contingent liabilities (Note 15)			
Net assets (Note 17)			
Owners' equity:			
Common stock	**56,025**	56,025	**694,410**
Authorized: 600,000 thousand shares			
Issued: 330,827,625 shares in 2012			
330,827,625 shares in 2011			
Capital surplus	**45,085**	45,085	**558,813**
Retained earnings	**193,363**	185,273	**2,396,666**
Less: Treasury stock, at cost: 926,136 shares in 2012			
919,217 shares in 2011	**(532)**	(528)	**(6,594)**
Total owners' equity	**293,941**	285,855	**3,643,295**
Accumulated other comprehensive income:			
Unrealized gains (losses) on available-for-sale securities, net of taxes	**4,800**	6,237	**59,494**
Unrealized gains (losses) on hedging derivatives, net of taxes	**11**	3	**136**
Land revaluation difference, net of taxes (Note 18)	**8,374**	7,999	**103,793**
Foreign currency translation adjustments	**(4,974)**	(3,856)	**(61,651)**
Total accumulated other comprehensive income	**8,211**	10,383	**101,772**
Minority interests in consolidated subsidiaries:	**5,329**	4,862	**66,051**
Total net assets	**307,481**	301,100	**3,811,118**
Total liabilities and net assets	**¥803,918**	¥817,088	**$9,964,279**

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2012 and February 28, 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Sales and other operating revenue (Note 23)**:**			
Net sales	**¥805,757**	¥819,062	**$ 9,987,072**
Other operating revenue	**52,367**	50,414	**649,071**
	858,124	869,476	**10,636,143**
Operating expenses:			
Cost of sales	**597,512**	606,813	**7,405,950**
Selling, general and administrative expenses	**239,512**	244,489	**2,968,666**
	837,024	851,302	**10,374,616**
Operating income (Note 23)	**21,100**	18,174	**261,527**
Other income (expenses):			
Interest and dividend income	**1,213**	1,189	**15,035**
Interest expenses	**(1,551)**	(1,691)	**(19,224)**
Reversal for doubtful accounts	**16**	28	**198**
Loss (gain) on sale and disposal of property and equipment, net	**(1,999)**	6,785	**(24,777)**
Gain on sale of securities, net	**81**	—	**1,004**
Loss on disaster (Note 3)	**(353)**	—	**(4,375)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**(371)**	—	**(4,599)**
Extra retirement bonus	**(1,688)**	(1,588)	**(20,922)**
Gain on revision of retirement benefit plan	**51**	—	**632**
Provision for loss on disposal of property and equipment	**—**	(341)	**—**
Gain on liquidation of gift certificates outstanding, net	**974**	1,361	**12,072**
Write-down of securities	**(505)**	(5)	**(6,259)**
Equity in gain of affiliated companies	**1,944**	1,817	**24,095**
Loss on change of share in a subsidiary	**—**	(448)	**—**
Provision for environmental measures	**—**	(694)	**—**
Exchange loss, net	**(201)**	(162)	**(2,491)**
Other, net	**565**	1,033	**7,003**
	(1,824)	7,284	**(22,608)**
Income before income taxes and minority interests	**19,276**	25,458	**238,919**
Income taxes (Note 13)**:**			
Current	**5,517**	7,945	**68,381**
Deferred	**2,352**	3,256	**29,152**
	7,869	11,201	**97,533**
Income before minority interests	**11,407**	14,257	**141,386**
Minority interests	**(511)**	(407)	**(6,334)**
Net income (Note 22)	**¥ 10,896**	¥ 13,850	**$ 135,052**

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2012 and February 28, 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Income before minority interests	**¥11,407**	¥14,257	**$141,386**
Other comprehensive income			
Unrealized gains (losses) on available-for-sales securities, net of taxes	**(1,175)**	106	**(14,563)**
Unrealized gains (losses) on hedging derivatives, net of taxes	**8**	16	**99**
Land revaluation difference, net of taxes	**869**	—	**10,771**
Foreign currency translation adjustments	**(235)**	(1,250)	**(2,913)**
Share of other comprehensive income of associates accounted for using equity method	**(1,145)**	(549)	**(14,192)**
Total other comprehensive income	**(1,678)**	(1,677)	**(20,798)**
Comprehensive income	**9,729**	12,580	**120,588**
Comprehensive income attributable to:			
Owners of parent	**9,218**	12,173	**114,254**
Minority interests	**511**	407	**6,334**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2012 and February 28, 2011

		Millions of yen				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 28, 2010	330,827,625	¥56,025	¥45,085	¥174,742	¥(515)	¥275,337
Cash dividends paid				(3,299)		(3,299)
Net income for the fiscal year				13,850		13,850
Disposal of treasury stock and acquisition of treasury stock, net			0		(13)	(13)
Change of scope of consolidation				(20)		(20)
Net changes during the year						—
Balance, February 28, 2011	330,827,625	¥56,025	¥45,085	¥185,273	¥(528)	¥285,855
Cash dividends paid				**(3,299)**		**(3,299)**
Net income for the fiscal year				**10,896**		**10,896**
Disposal of treasury stock and acquisition of treasury stock, net			**0**		**(4)**	**(4)**
Reversal of revaluation reserve for land				**493**		**493**
Net changes during the year						**—**
Balance, February 29, 2012	**330,827,625**	**¥56,025**	**¥45,085**	**¥193,363**	**¥(532)**	**¥293,941**

	Millions of yen						
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance, February 28, 2010	¥6,048	¥(13)	¥7,999	¥(1,974)	¥12,060	¥3,842	¥291,239
Cash dividends paid					—		(3,299)
Net income for the fiscal year					—		13,850
Disposal of treasury stock and acquisition of treasury stock, net					—		(13)
Change of scope of consolidation					—		(20)
Net changes during the year	189	16		(1,882)	(1,677)	1,020	(657)
Balance, February 28, 2011	¥6,237	¥ 3	¥7,999	¥(3,856)	¥10,383	¥4,862	¥301,100
Cash dividends paid					**—**		**(3,299)**
Net income for the fiscal year					**—**		**10,896**
Disposal of treasury stock and acquisition of treasury stock, net					**—**		**(4)**
Reversal of revaluation reserve for land					**—**		**493**
Net changes during the year	**(1,437)**	**8**	**375**	**(1,118)**	**(2,172)**	**467**	**(1,705)**
Balance, February 29, 2012	**¥4,800**	**¥ 11**	**¥8,374**	**¥(4,974)**	**¥ 8,211**	**¥5,329**	**¥307,481**

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, 2011	$694,410	$558,813	$2,296,393	$(6,544)	$3,543,072
Cash dividends paid			**(40,890)**		**(40,890)**
Net income for the fiscal year			**135,052**		**135,052**
Disposal of treasury stock and acquisition of treasury stock, net		**0**		**(50)**	**(50)**
Reversal of revaluation reserve for land			**6,111**		**6,111**
Net changes during the year					**—**
Balance, February 29, 2012	**$694,410**	**$558,813**	**$2,396,666**	**$(6,594)**	**$3,643,295**

	Thousands of U.S. dollars (Note 1)						
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance, February 28, 2011	$77,305	$ 37	$ 99,145	$(47,794)	$128,693	$60,263	$3,732,028
Cash dividends paid					**—**		**(40,890)**
Net income for the fiscal year					**—**		**135,052**
Disposal of treasury stock and acquisition of treasury stock, net					**—**		**(50)**
Reversal of revaluation reserve for land					**—**		**6,111**
Net changes during the year	**(17,811)**	**99**	**4,648**	**(13,857)**	**(26,921)**	**5,788**	**(21,133)**
Balance, February 29, 2012	**$59,494**	**$136**	**$103,793**	**$(61,651)**	**$101,772**	**$66,051**	**$3,811,118**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2012 and February 28, 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥19,276**	¥25,458	**$238,919**
Depreciation	**17,305**	16,129	**214,489**
Amortization of goodwill	**95**	95	**1,178**
Decrease (increase) in allowance for doubtful accounts	**(69)**	39	**(855)**
Increase in allowance for directors' and corporate auditors' bonuses	**16**	—	**198**
Decrease in allowance for employees' retirement benefits	**(2,125)**	(3,495)	**(26,339)**
Decrease in allowance for directors' and corporate auditors' retirement benefits	**(2)**	(8)	**(25)**
Decrease (increase) in allowance for point tickets	**(310)**	85	**(3,842)**
Decrease (increase) in allowance for loss on disposal of property and equipment	**(342)**	342	**(4,239)**
Interest and dividend income	**(1,213)**	(1,189)	**(15,035)**
Interest expenses	**1,551**	1,691	**19,224**
Equity in gain of affiliated companies	**(1,944)**	(1,817)	**(24,095)**
Loss (gain) on sale of property and equipment, net	**289**	(10,464)	**3,582**
Loss on disposal of property and equipment	**1,081**	2,537	**13,399**
Loss on adjustment for changes of accounting standard for asset retirement obligations	**371**	—	**4,599**
Write-down of securities	**505**	5	**6,259**
Increase in notes and accounts receivable–trade	**(1,670)**	(19,742)	**(20,699)**
Decrease in inventories	**677**	4,621	**8,391**
Increase in notes and accounts payable	**520**	1,485	**6,445**
Decrease (increase) in accounts receivable–other	**10,196**	(4,208)	**126,376**
Other	**(8,520)**	14,703	**(105,602)**
Subtotal	**35,687**	26,267	**442,328**
Interest and dividend income received	**2,093**	2,015	**25,942**
Interest expenses paid	**(1,637)**	(1,699)	**(20,290)**
Income taxes paid	**(4,448)**	(7,993)	**(55,132)**
Income taxes refunded	**226**	2,056	**2,801**
Net cash provided by operating activities	**31,921**	20,646	**395,649**
Cash flows from investing activities:			
Purchase of time deposits	**(61)**	(59)	**(756)**
Repayment of time deposits	**240**	61	**2,975**
Purchase of securities	**(218)**	(13)	**(2,702)**
Proceeds from sale of securities	**126**	3,003	**1,562**
Purchase of property and equipment	**(16,360)**	(28,961)	**(202,776)**
Proceeds from sale of property and equipment	**651**	12,521	**8,069**
Purchase of stocks of subsidiaries and affiliates	**(759)**	—	**(9,408)**
Increase in long-term advances	**(19)**	(27)	**(236)**
Proceeds from collection of long-term advances	**17**	39	**211**
Other	**26**	196	**322**
Net cash used in investing activities	**(16,357)**	(13,240)	**(202,739)**
Cash flows from financing activities:			
Proceeds from long-term bank loans	**4,000**	30,000	**49,579**
Payment of long-term bank loans	**(8,283)**	(18,793)	**(102,665)**
Proceeds from sale of treasury stock	**0**	—	**0**
Cash dividends paid	**(3,299)**	(3,299)	**(40,890)**
Other	**(629)**	(235)	**(7,796)**
Net cash used in (provided by) financing activities	**(8,211)**	7,673	**(101,772)**
Effect of exchange rate changes on cash and cash equivalents	**(1,555)**	(998)	**(19,274)**
Net increase in cash and cash equivalents	**5,798**	14,081	**71,864**
Cash and cash equivalents at beginning of year	**70,280**	55,963	**871,096**
Increase in cash and cash equivalents due to newly consolidated subsidiaries	**—**	236	**—**
Cash and cash equivalents at end of year (Note 4)	**¥76,078**	¥70,280	**$942,960**

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 consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable. Japanese GAAP requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should be unified for the preparation of the consolidated financial statements. Japanese GAAP, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside of profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
(e) Retrospective application of a change in accounting policies
(f) Accounting for net income attributable to minority interests

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) 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, 2012, which was ¥80.68 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" which arose prior to March 31, 2010) 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.

In the year ended February 28, 2011, Shanghai Takashimaya Co., Ltd. and Toshin Development Singapore Pte., Ltd. were included in the scope of consolidation due to an increase in importance. Takashimaya Building Maintenance Co., Ltd., Takashimaya Business Service Co., Ltd., Takashimaya Logistics Co., Ltd. and Takashimaya Telecom Co., Ltd. were merged to become Takashimaya Service Co., Ltd. T's International Co., Ltd. was excluded from the scope of consolidation due to liquidation.

In the year ended February 29, 2012, Takashimaya fifth avenue Corp. and Takashimaya New York LLC. were excluded from the scope of consolidation due to liquidation.

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 the 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 rates 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 held by the Companies were measured at cost (book value is reduced on the basis of declines in profitability) determined by the following method.

Merchandise:	principally retail method and specific identification method
Products:	principally first-in, first-out method
Work in process:	principally specific identification 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) Lease assets
Lease assets arising from transactions under finance lease contracts that do not transfer ownership to the lessee are amortized to a residual value of zero by the straight-line method using the lease term as the useful life.

Finance leases commencing prior to March 1, 2009, which do not transfer ownership of the leased property to lessees are accounted for in the same manner as operating leases.

(l) 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.

(m) 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 remodelling and construction.

(n) 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.

(o) 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 obliged to pay to directors and corporate auditors subject to the resolution of the shareholders' meeting.

(p) Allowance for directors' and corporate auditors' retirement benefits
An allowance for directors' and corporate auditors' retirement benefits of the consolidated subsidiaries was provided based on the consolidated subsidiaries' 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) Allowance for environmental measures
Allowance for environmental measures is provided based on estimated costs for treatment of Polychlorinated Biphenyl ("PCB") waste, which is obligated to be treated by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(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) Construction Contracts

Prior to the year ended February 28, 2011, the Company and consolidated domestic subsidiaries (the "domestic companies") recognized revenues and costs of construction contracts using the completed-contract method. Effective from the year ended February 28, 2011, the domestic companies adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan ("ASBJ") Statement No. 15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18 issued on December 27, 2007). Accordingly, when the outcome of individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method to work commencing during the year ended February 28, 2011; otherwise, the completed-contract method is applied. The percentage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

As a result of adopting the new standard, sales and other operating revenue increased by ¥1,543 million ($18,884 thousand), and operating income and income before income taxes and minority interests increased by ¥198 million ($2,423 thousand) for the year ended February 28, 2011. Effects of the change on the segment information are described in Note 23.

(2) Asset Retirement Obligations

Effective from the fiscal year ended February 29, 2012, the domestic companies adopted the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and the "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008).

Although the effect of the adoption of this new standard on operating income was immaterial, income before income taxes and minority interests was decreased by ¥369 million ($4,574 thousand) for the year ended February 29, 2012. Further, the change in the amount of asset retirement obligations due to the adoption of this accounting standard was ¥398 million ($4,933 thousand) at the beginning of the fiscal year.

(3) Equity Method

Effective from the fiscal year ended February 29, 2012, the Company adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (Practical Issues Task Force ("PITF") No. 24 issued on March 10, 2008).

This change had no impact on the consolidated financial statements.

(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.

(v) Supplementary information

Comprehensive Income

Effective February 29, 2012, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010).

As a result of the adoption of these standards, the Company presented the statement of comprehensive income in the consolidated financial statements for the fiscal year ended February 29, 2012.

In addition, the Company presented the Consolidated Statements of Comprehensive Income for the fiscal year ended February 28, 2011 as well as that for the fiscal year ended February 29, 2012.

3 LOSS ON DISASTER

The loss was caused by the Great East Japan Earthquake.

The main contents were as follows:

Year ended February 29, 2012	Millions of yen	Thousands of U.S. dollars
Cost to restore damaged facilities	**¥227**	**$2,813**
Loss on inventories	**15**	**186**
Donation of inventories	**10**	**124**
Donations	**101**	**1,252**
Total	**¥353**	**$4,375**

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at February 29, 2012 and February 28, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and deposits	**¥61,124**	¥55,504	**$757,610**
Time deposits with maturities exceeding three months	**(46)**	(224)	**(570)**
Securities with dates of amortization three months or less from the acquisition date	**15,000**	15,000	**185,920**
Cash and cash equivalents at end of year	**¥76,078**	¥70,280	**$942,960**

5 FINANCIAL INSTRUMENTS

Effective from the year ended February 28, 2011, the Group adopted the revised Accounting Standard "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 revised on March 10, 2008).

1. Matters related to financial instruments

(1) Policies for financial instruments

In view of its capital investment plan, the Group raises needed funds (primarily bank loans and issuance of bonds). Temporary surplus funds are invested in highly secure financial assets. Derivative transactions are only used to avoid the risks attributable to fluctuations in foreign currency exchange and interest rates. The Group does not engage in derivative transactions for speculative purposes.

(2) Financial instruments and their risks

Notes and accounts receivable as operating receivables are exposed to credit risk. Securities and investment securities are exposed to market price volatility risk. Guarantee deposits paid are exposed to credit risk of counterparties.

Notes and accounts payable as operating payables are almost all subject to payment deadlines of one year or less. A certain portion of trade obligations is related to the import of goods and as such are denominated in foreign currencies. Long-term debts and corporate bonds are for the purpose of procuring needed funds mainly for capital investment. Some of them are exposed to interest rate risk because of variable interest rates.

Derivative transactions employed in an effort to offset the above-mentioned risk include forward foreign currency exchange rate contracts; interest rate swap transaction agreements, which seek to provide hedges for the risks of fluctuations in the foreign currency exchange rates of trade receivables and trade obligations; and interest rates applicable to loans and bonds payable, respectively. For hedge instruments and hedge targets, hedging policy, the method of assessing the effectiveness of hedges and other details in connection with hedge accounting, refer to Note 2 (e) "Derivatives and hedging transactions".

Moreover, operating payables and long-term debts are exposed to the liquidity risk of the inability to make payment by the payment due date.

(3) Risk management systems relating to financial instruments

(i) Management of credit risk (risk relating to non-performance of a contract obligation by a counterparty, etc.)

With respect to operating receivables, credit risk is guided by its own set of accounting rules and regulations. The Group regularly monitors the status of customers, managing due dates and balances on an individual customer basis. In this manner, every effort is made to ensure early detection and the mitigation of concerns regarding collection due to deterioration in financial standing or other factors.

(ii) Management of market risks (risks associated with fluctuations in foreign currency exchange as well as interest rates, etc.)

The Group utilizes forward foreign currency exchange rate contracts in an effort to offset the risks of movements in foreign currency exchange rates in connection with operating payables denominated in foreign currencies, and interest rate swap transaction agreements aimed at converting floating rates of interest applicable to loans and bonds payable to fixed rate interest.

With respect to investment securities, the Group regularly monitors fair values as well as the financial status of issuers (counterparties), and reviews its holdings on a continuous basis taking into consideration its relationships with counterparties.

(iii) Management of liquidity risks associated with the procurement of funds (the risk of being unable to make payments on due dates)

The Group manages its liquidity risk by concluding the commitment-line and overdraft contracts, along with adequate financial planning.

(iv) Supplementary explanation for fair values, etc. of financial instruments

Fair values of financial instruments are determined by market prices. If no market price is available, the fair value is based on the value that is calculated in a reasonable manner. The determination of such value contains variable factors, and the adoption of wide ranging and differing assumptions may cause values to change.

2. Matters related to fair value of financial instruments

The book values recorded in the Consolidated Balance Sheets for the years ended February 29, 2012 and February 28, 2011, and fair values and their differences are as follows. Figures for which fair value is not readily recognized are not included in the following tables (See Note 2.).

	Millions of yen		
	2012		
	Book value	Fair value	Difference
(1) Cash and deposits	**¥ 61,124**	**¥ 61,124**	**¥ —**
(2) Notes and accounts receivable–trade	**121,415**	**—**	**—**
Allowance for doubtful accounts (*1)	**(790)**	**—**	**—**
	120,625	**122,212**	**1,587**
(3) Securities and investment securities			
1) Securities to be held until maturity	**9,009**	**9,474**	**465**
2) Available-for-sale securities	**51,473**	**51,473**	**—**
	60,482	**60,947**	**465**
(4) Guarantee deposits paid (*2)	**11,742**	**10,989**	**(753)**
Total assets	**¥253,973**	**¥255,272**	**¥1,299**
(1) Notes and accounts payable–trade	**¥ 87,298**	**¥ 87,298**	**¥ —**
(2) Short-term bank loans	**5,800**	**5,800**	**—**
(3) Deposits received	**26,178**	**26,178**	**—**
(4) Long-term debt (*3)	**121,680**	**123,756**	**2,076**
Total liabilities	**¥240,956**	**¥243,032**	**¥2,076**
Derivatives (*4)			
Amounts not subject to hedge accounting	**¥ —**	**¥ —**	**¥ —**
Amount subject to hedge accounting	**14**	**14**	**—**
Total derivatives	**¥ 14**	**¥ 14**	**¥ —**

	Millions of yen		
	2011		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 55,504	¥ 55,504	¥ —
(2) Notes and accounts receivable–trade	121,263	—	—
Allowance for doubtful accounts (*1)	(457)	—	—
	120,806	123,213	2,407
(3) Securities and investment securities			
1) Securities to be held until maturity	9,010	9,456	446
2) Available-for-sale securities	54,569	54,569	—
	63,579	64,025	446
(4) Guarantee deposits paid (*2)	13,534	12,264	(1,270)
Total assets	¥253,423	¥255,006	¥1,583
(1) Notes and accounts payable–trade	¥ 87,248	¥ 87,248	¥ —
(2) Short-term bank loans	5,800	5,800	—
(3) Deposits received	21,249	21,249	—
(4) Long-term debt (*3)	125,962	129,065	3,103
Total liabilities	¥240,259	¥243,362	¥3,103
Derivatives (*4)			
Amounts not subject to hedge accounting	¥ —	¥ —	¥ —
Amount subject to hedge accounting	3	3	—
Total derivatives	¥ 3	¥ 3	¥ —

	Thousands of U.S. dollars		
	2012		
	Book value	Fair value	Difference
(1) Cash and deposits	$ 757,610	$ 757,610	$ —
(2) Notes and accounts receivable–trade	1,504,896	—	—
Allowance for doubtful accounts (*1)	(9,792)	—	—
	1,495,104	1,514,774	19,670
(3) Securities and investment securities			
1) Securities to be held until maturity	111,663	117,427	5,764
2) Available-for-sale securities	637,990	637,990	—
	749,653	755,417	5,764
(4) Guarantee deposits paid (*2)	145,538	136,205	(9,333)
Total assets	$3,147,905	$3,164,006	$16,101
(1) Notes and accounts payable–trade	$1,082,028	$1,082,028	$ —
(2) Short-term bank loans	71,889	71,889	—
(3) Deposits received	324,467	324,467	—
(4) Long-term debt (*3)	1,508,181	1,533,912	25,731
Total liabilities	$2,986,565	$3,012,296	$25,731
Derivatives (*4)			
Amounts not subject to hedge accounting	$ —	$ —	$ —
Amount subject to hedge accounting	174	174	—
Total derivatives	$ 174	$ 174	$ —

*1. Accounts receivable–trade are deducted from the carrying amount.
*2. The figure includes guarantee deposits paid with repayment due dates of one year or less.
*3. The figure includes long-term loans with repayment due dates of one year or less.
*4. Net receivables and payables arising from derivative transactions are shown as a net amount.

Note 1: Fair values of financial instruments and matters pertaining to securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable–trade

As these items have short repayment periods, the fair value approximates the book value; therefore, the said book value shall be the fair value, although the fair value of a portion of accounts receivable–trade is based on the present value of the discounted cash flows using the interest rate determined by the factor of the estimated redemption terms and the government bond interest rate.

(3) Securities and investment securities

The fair value of these securities is measured at their stock market price, while the fair value of bonds is measured at their stock market price or the price submitted by the correspondent financial institutions. Because negotiable certificates of deposit have short repayment periods, the fair value approximates the book value; therefore, said book value shall be the fair value.

(4) Guarantee deposits paid

The fair value of guarantee deposits paid is based on the present value of discounted cash flows using the interest rate determined by the factor of the estimated redemption terms and the government bond interest rates.

Liabilities

(1) Notes and accounts payable, (2) Short-term bank loans and (3) Deposits received

As these items have short payment periods, the fair value approximates the book value; therefore, the said book value shall be the fair value.

(4) Long-term debt

The fair value of long-term bank loans is measured at the present value by discounting expected repayments of principal and interest in the remaining period using an assumed interest rate on an equivalent new loan.

The fair value of these bonds is measured at their market price or the price submitted by the correspondent financial institutions.

The fair value of interest rate swaps for which the special treatment is applied is included in the fair value of long-term bank loans, as such swaps are treated as a single item incorporating the hedged long-term bank loans.

The special treatment under Japanese GAAP may be applied for interest rate swap contracts that meet certain hedging criteria. In the special treatment, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on debts for which the swap contract is executed.

Derivatives

The fair value of interest rate swaps is measured at the price submitted by the correspondent financial institution. The fair value of forward exchange contracts is estimated based on actual cost and other items in the forward foreign exchange market.

Note 2: Items for which obtaining an estimated fair value is deemed to be extremely difficult

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
(a) Stock of subsidiaries	**¥ 2,499**	¥ 2,453	**$ 30,974**
(b) Stock of affiliates	**28,188**	27,396	**349,380**
(c) Unlisted stocks	**1,305**	1,101	**16,175**
(d) Guarantee deposits paid	**31,549**	31,649	**391,039**

(a) Stock of subsidiaries and (b) Stock of affiliates

They have no market value and their fair value is not readily determinable.

(c) Unlisted stocks

They are not included in "(3) Securities and investment securities" in the above tables, as they have no market value and their fair value is not readily determinable.

(d) Guarantee deposits paid

The fair value of a portion of these guarantee deposits paid has not been presented in "(4) Guarantee deposits paid" in the above tables because it is deemed to be extremely difficult to estimate the time when these will be returned and estimate their fair value.

Note 3: Estimated amounts of repayment after the balance sheet date for monetary receivables and securities with maturity dates

	Millions of yen			
	2012			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	**¥ 61,124**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable–trade	**118,627**	**2,708**	**80**	**—**
Securities and investment securities				
Securities to be held until maturity	**4**	**7,005**	**2,000**	**—**
Available-for-sale securities with maturity dates	**15,000**	**15**	**—**	**—**
Guarantee deposits paid	**776**	**3,315**	**4,441**	**3,210**
Total	**¥195,531**	**¥13,043**	**¥6,521**	**¥3,210**

	Millions of yen			
	2011			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥ 55,504	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	116,356	4,681	194	32
Securities and investment securities				
Securities to be held until maturity	—	5,008	4,002	—
Available-for-sale securities with maturity dates	15,000	15	—	—
Guarantee deposits paid	1,569	3,249	4,336	4,380
Total	¥188,429	¥12,953	¥8,532	¥4,412

	Thousands of U.S. dollars			
	2012			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	**$ 757,610**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable–trade	**1,470,339**	**33,565**	**992**	**—**
Securities and investment securities				
Securities to be held until maturity	**50**	**86,824**	**24,789**	**—**
Available-for-sale securities with maturity dates	**185,920**	**185**	**—**	**—**
Guarantee deposits paid	**9,618**	**41,089**	**55,044**	**39,787**
Total	**$2,423,537**	**$161,663**	**$80,825**	**$39,787**

Note 4: Estimated amounts of repayment after the balance sheet date for corporate bonds and long-term loans

	Millions of yen					
	2012					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt—Corporate bonds	**¥ —**	**¥ —**	**¥30,000**	**¥ —**	**¥ —**	**¥—**
Long-term debt—Long-term loans	**34,012**	**13,068**	**11,240**	**31,240**	**2,120**	**—**
Total	**¥34,012**	**¥13,068**	**¥41,240**	**¥31,240**	**¥2,120**	**¥—**

	Millions of yen					
	2011					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt—Corporate bonds	¥ —	¥ —	¥ —	¥30,000	¥ —	¥ —
Long-term debt—Long-term loans	8,283	34,012	12,067	11,240	30,240	120
Total	¥8,283	¥34,012	¥12,067	¥41,240	¥30,240	¥120

	Thousands of U.S. dollars					
	2012					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt—Corporate bonds	**$ —**	**$ —**	**$371,840**	**$ —**	**$ —**	**$—**
Long-term debt—Long-term loans	**421,567**	**161,972**	**139,316**	**387,209**	**26,277**	**—**
Total	**$421,567**	**$161,972**	**$511,156**	**$387,209**	**$26,277**	**$—**

6 SECURITIES

(a) The following tables summarize the acquisition costs, book values and fair values of securities with available fair values as of February 29, 2012 and February 28, 2011:

(1) Held-to-maturity debt securities:

Securities with available fair values exceeding book values:

	Millions of yen					
	2012			2011		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	**¥9,005**	**¥9,470**	**¥465**	¥9,006	¥9,452	¥446

	Thousands of U.S. dollars		
	2012		
Type	Book value	Fair value	Difference
Government bonds	**$111,613**	**$117,377**	**$5,764**

Securities with available fair values not exceeding book values:

	Millions of yen					
	2012			2011		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	**¥4**	**¥4**	**¥—**	¥4	¥4	¥—

	Thousands of U.S. dollars		
	2012		
Type	Book value	Fair value	Difference
Government bonds	**$50**	**$50**	**$—**

(2) Available-for-sale securities:
Securities with book values exceeding acquisition costs:

	Millions of yen					
	2012			2011		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥12,394**	**¥20,392**	**¥7,998**	¥13,434	¥24,179	¥10,745
Government bonds	**15**	**15**	**—**	15	15	—
Total	**¥12,409**	**¥20,407**	**¥7,998**	¥13,449	¥24,194	¥10,745

	Thousands of U.S. dollars		
	2012		
Type	Acquisition cost	Book value	Difference
Equity securities	**$153,620**	**$252,752**	**$99,132**
Government bonds	**186**	**186**	**—**
Total	**$153,806**	**$252,938**	**$99,132**

Securities with book values not exceeding acquisition costs:

	Millions of yen					
	2012			2011		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥17,142**	**¥16,066**	**¥(1,076)**	¥16,623	¥15,375	¥(1,248)
Others	**15,000**	**15,000**	**—**	15,000	15,000	—
Total	**¥32,142**	**¥31,066**	**¥(1,076)**	¥31,623	¥30,375	¥(1,248)

	Thousands of U.S. dollars		
	2012		
Type	Acquisition cost	Book value	Difference
Equity securities	**$212,469**	**$199,132**	**$(13,337)**
Others	**185,920**	**185,920**	**—**
Total	**$398,389**	**$385,052**	**$(13,337)**

Note: Securities without fair value
Please see Note 5. Financial Instruments for information as of February 29, 2012 and February 28, 2011.

(3) Impairment losses on securities
The Companies recognized a loss of ¥505 million ($6,259 thousand) on its securities for the year ended February 29, 2012, and a loss of ¥5 million for the year ended February 28, 2011.

7 INVENTORIES

Inventories at February 29, 2012 and February 28, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Merchandise	**¥36,645**	¥37,029	**$454,202**
Products	**117**	183	**1,450**
Work in process	**513**	772	**6,358**
Raw materials	**61**	99	**756**
Supplies	**529**	485	**6,557**
Total	**¥37,865**	¥38,568	**$469,323**

8 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.

9 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 0.78% and 0.97% at February 29, 2012 and February 28, 2011, respectively.

Long-term debt at February 29, 2012 and February 28, 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
0.0% convertible bonds due 2014	**¥ 20,000**	¥ 20,000	**$ 247,893**
2.03% bonds due 2014	**10,000**	10,000	**123,947**
Loans from banks, insurance companies and others due serially to 2017:			
Secured (bearing interest at rates from 1.35% to 4.75% at February 29, 2012)	**3,780**	6,062	**46,852**
Unsecured (bearing interest at rates from 0.71% to 1.83% at February 29, 2012)	**87,900**	89,900	**1,089,489**
	121,680	125,962	**1,508,181**
Less: Current portion of long-term debt	**(34,012)**	(8,283)	**(421,567)**
Total	**¥ 87,668**	¥117,679	**$1,086,614**

The current conversion price of 0.0% convertible bonds issued by the Company is ¥810 ($10.04). At February 29, 2012, the convertible bonds were convertible into approximately 24,691 thousand shares of common stock.

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2013	**¥ 34,012**	**$ 421,566**
2014	**13,068**	**161,973**
2015	**41,240**	**511,156**
2016	**31,240**	**387,209**
2017	**2,120**	**26,277**
Total	**¥121,680**	**$1,508,181**

10 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, 2012 is summarized below.

	Millions of yen	Thousands of U.S. dollars
Total amount of loan commitment	**¥20,000**	**$247,893**
Exercised loan balance	**—**	**—**
Unused balance	**¥20,000**	**$247,893**

11 PLEDGED ASSETS

The assets pledged as collateral for debts mainly from banks and certain other obligations at February 29, 2012 and February 28, 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Land	**¥29,057**	¥29,057	**$360,151**
Buildings and structures	**13,029**	13,570	**161,490**
Total	**¥42,086**	¥42,627	**$521,641**

12 DEPOSITED ASSETS

The deposited assets required by the Installment Sales Law at February 29, 2012 and February 28, 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and deposits	**¥ 726**	¥ 763	**$ 8,999**
Investment securities	**9,020**	9,066	**111,799**
Leasehold and other deposits	**10**	10	**124**
Total	**¥9,756**	¥9,839	**$120,922**

13 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 year ended February 28, 2011.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the year ended February 28, 2011.

The difference between the statutory tax rate and the Companies' effective tax rate following application of tax effect accounting for the year ended February 29, 2012, is within 5% of the statutory tax rate, so this section has been omitted.

Year ended February 28, 2011	%
Statutory tax rate	40.6%
Permanent differences (including entertainment)	(2.4)
Decrease in valuation allowance	(2.5)
Elimination of dividends received	3.3
Tax effect accompanying liquidation of affiliate	5.6
Equity in gain of affiliated companies	(2.9)
Others	2.3
Effective tax rate	44.0%

Significant components of the Companies' deferred tax assets and liabilities as of February 29, 2012 and February 28, 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets (current):			
Accrued enterprise tax	**¥ 368**	¥ 320	**$ 4,561**
Undeductible allowance for doubtful accounts	**301**	197	**3,731**
Accrued bonuses	**74**	86	**917**
Tax loss carryforward	**670**	—	**8,304**
Undeductible write-down of inventories	**298**	325	**3,694**
Allowance for Point Gift Certificates	**2,074**	2,179	**25,706**
Allowance for disposal of property and equipment	**—**	139	**—**
Adjustment of gift certificates	**4,387**	4,535	**54,375**
Others	**450**	529	**5,578**
Gross deferred tax assets	**8,622**	8,310	**106,866**
Less: Valuation allowance	**(24)**	(65)	**(297)**
Total deferred tax assets	**8,598**	8,245	**106,569**
Net deferred tax liabilities	**(1,609)**	(3,085)	**(19,943)**
Net deferred tax assets	**¥ 6,989**	¥ 5,160	**$ 86,626**
Deferred tax liabilities (current):			
Adjustments of allowance for doubtful accounts	**¥ 46**	¥ 41	**$ 570**
Adjustment of gift certificates	**1,560**	1,607	**19,336**
Tax effect accompanying liquidation of an affiliate	**—**	1,437	**—**
Others	**3**	—	**37**
Total deferred tax liabilities	**1,609**	3,085	**19,943**
Net deferred tax assets	**(1,609)**	(3,085)	**(19,943)**
Net deferred tax liabilities	**¥ —**	¥ —	**$ —**
Deferred tax assets (non current):			
Unrealized intercompany profits	**¥ 592**	¥ 594	**$ 7,338**
Undeductible allowance for employees' retirement benefits	**18,436**	21,074	**228,508**
Undeductible write-down of securities	**839**	1,056	**10,399**
Undeductible amortization of software costs	**511**	431	**6,334**
Loss on impairment of property and equipment	**334**	439	**4,140**
Tax loss carryforward	**2,330**	4,437	**28,879**
Undeductible allowance for doubtful accounts	**1,339**	1,603	**16,596**
Devaluation of property and equipment resulting from spin-off	**1,087**	1,247	**13,473**
Allowance for environmental measures	**275**	282	**3,408**
Others	**1,330**	1,404	**16,485**
Gross deferred tax assets	**27,073**	32,567	**335,560**
Less: Valuation allowance	**(3,069)**	(2,846)	**(38,039)**
Total deferred tax assets	**24,004**	29,721	**297,521**
Net deferred tax liabilities	**(10,537)**	(13,065)	**(130,602)**
Net deferred tax assets	**¥13,467**	¥16,656	**$166,919**
Deferred tax liabilities (non current):			
Reserve for deferred capital gains on property	**¥ 8,053**	¥ 9,196	**$ 99,814**
Unrealized holding gains on securities	**2,468**	3,856	**30,590**
Asset retirement obligations	**7**	—	**87**
Others	**113**	135	**1,400**
Gross deferred tax liabilities	**10,641**	13,187	**131,891**
Net deferred tax assets	**(10,537)**	(13,065)	**(130,602)**
Net deferred tax liabilities	**¥ 104**	¥ 122	**$ 1,289**

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation Systems Responding to Changes in Economic and Social Structure" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), Japanese corporation tax rates will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these revisions, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.6% to 37.9% for temporary differences, which are expected to reverse during the period from the fiscal year beginning on March 1, 2013 to the fiscal year beginning on March 1, 2015. Similarly, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.6% to 35.6% for temporary differences, which are expected to reverse from the fiscal year beginning on or after March 1, 2016. Consequently, the deferred tax assets (current) decreased by ¥233 million ($2,888 thousand) and the deferred tax assets (non current) decreased by ¥743 million ($9,209 thousand). Deferred tax liabilities related to land revaluation decreased by ¥869 million ($10,771 thousand). The land revaluation difference, net of taxes increased by ¥869 million ($10,771 thousand) and unrealized gains on available-for-sale securities, net of taxes increased by ¥347 million ($4,301 thousand).

As the result of these, income taxes–deferred increased by ¥1,330 million ($16,485 thousand) for the year ended February 29, 2012.

14 RENTAL PROPERTY

Effective from the year ended February 28, 2011, the Company adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan ("ASBJ") Statement No. 20 issued on November 28, 2008) and the "Guidance on Accounting Standard for Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008).

The Company and certain of its consolidated subsidiaries own some rental properties, such as office buildings and commercial properties principally in areas where they conduct operations.

Certain domestic commercial properties are not recognized as rental properties but as real estate including spaces used as rental properties since the Company or certain consolidated subsidiaries use some of the floor space of these properties.

The carrying amounts of these properties in the Consolidated Balance Sheets, their changes during the current fiscal year, their fair value, and the method for calculating the fair value at February 29, 2012 and February 28, 2011 are as follows:

Amounts on the Consolidated Balance Sheets

	Millions of yen			
	2012			
	Book value			Fair value
	February 28, 2011	Increase (decrease)	February 29, 2012	February 29, 2012
Rental property	**¥ 45,063**	**¥10,198**	**¥ 55,261**	**¥ 61,451**
Real estate including spaces used as rental properties	**257,696**	**(12,309)**	**245,387**	**353,105**

	Millions of yen			
	2011			
	Book value			Fair value
	February 28, 2010	Increase (decrease)	February 28, 2011	February 28, 2011
Rental property	¥ 40,160	¥4,903	¥ 45,063	¥ 54,009
Real estate including spaces used as rental properties	259,616	(1,920)	257,696	360,238

	Thousands of U.S. dollars			
	2012			
	Book value			Fair value
	February 28, 2011	Increase (decrease)	February 29, 2012	February 29, 2012
Rental property	**$ 558,540**	**$126,401**	**$ 684,941**	**$ 761,663**
Real estate including spaces used as rental properties	**3,194,051**	**(152,566)**	**3,041,485**	**4,376,611**

Notes: 1. The amounts presented on the consolidated balance sheets are the acquisition value minus accumulated depreciation and minus accumulated impairment losses.
2. Rental property: The increase during the year ended February 29, 2012 primarily represents the acquisition and recognition by changing management of rental properties. The decrease primarily represents depreciation.
3. Real estate including spaces used as rental properties: The increase during the year ended February 29, 2012 primarily represents the acquisition, and the decrease primarily represents depreciation and exclusion by changing management.
4. The fair value as of the end of the fiscal year was calculated by the Company, based on Real Estate Appraisal and Valuation Standards (including adjustments made using indicators and other information).

Profit (loss) on rental property and the portion of real estate including spaces used as rental properties during the year ended February 29, 2012 and February 28, 2011 was as follows.

	Millions of yen			
	2012			
	Rental income	Rental expenses	Difference	Other, net
Rental property	**¥13,641**	**¥10,068**	**¥3,573**	**¥—**
Real estate including spaces used as rental properties	**19,290**	**15,718**	**3,572**	**—**

	Millions of yen			
	2011			
	Rental income	Rental expenses	Difference	Other, net
Rental property	¥ 16,922	¥ 12,980	¥ 3,942	¥—
Real estate including spaces used as rental properties	207,098	158,854	48,244	—

	Thousands of U.S. dollars			
	2012			
	Rental income	Rental expenses	Difference	Other, net
Rental property	**$169,075**	**$124,789**	**$44,286**	**$—**
Real estate including spaces used as rental properties	**239,093**	**194,819**	**44,274**	**—**

Note: Since real estate includes spaces used as rental properties by the Company and certain of its subsidiaries for the purposes of providing services and management, a part of the related rental income is not reported. Expenses related to rental properties (depreciation, maintenance, insurance, taxes, etc.) are included in rental expenses.

15 CONTINGENT LIABILITIES

The Company and certain consolidated subsidiaries were contingently liable for loan guarantees made for employees and others of ¥538 million ($6,668 thousand) and ¥671 million at February 29, 2012 and February 28, 2011, respectively.

16 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, 2012 and February 28, 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Projected benefit obligations	**¥103,692**	¥110,809	**$1,285,226**
Plan assets at fair value	**(42,204)**	(45,824)	**(523,104)**
Projected benefit obligations in excess of plan assets	**61,488**	64,985	**762,122**
Unrecognized prior service costs	**1,944**	2,743	**24,095**
Unrecognized actuarial differences	**(13,668)**	(15,839)	**(169,410)**
Allowance for employees' retirement benefits	**¥ 49,764**	¥ 51,889	**$ 616,807**

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, 2012 and February 28, 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service costs	**¥3,259**	¥3,504	**$ 40,394**
Interest cost on projected benefit obligations	**2,178**	2,323	**26,996**
Expected return on plan assets	**(1,129)**	(1,105)	**(13,994)**
Amortization of prior service costs	**(785)**	(772)	**(9,730)**
Amortization of actuarial differences	**3,453**	3,365	**42,799**
Extra retirement bonus	**1,688**	1,588	**20,922**
Defined contribution pension costs and others	**802**	891	**9,941**
Employees' retirement benefit costs	**¥9,466**	¥9,794	**$117,328**

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

	2012	2011
Discount rate	**Mainly 2.00%**	2.00%
Expected return on plan assets	**Mainly 2.5%**	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

17 NET ASSETS

Net assets consist of shareholders' equity, valuation and translation adjustments, and minority interests. Under Japanese laws and regulations, the entire amount paid for new shares must be designated as common stock.

However, by resolution of the Board of Directors, a company can designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is then included in the capital surplus. It is a requirement under Japanese Corporate Law ("the Law") that, in cases where the surplus is distributed among shareholders as a dividend, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and the legal earnings reserve is set aside as additional paid-in capital or the legal earnings reserve.

The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets. Under the Law, appropriations of the legal earnings reserve and additional paid-in capital generally require a resolution by a General Meeting of Shareholders. Although additional paid-in capital and the legal earnings reserve may not be distributed as dividends, the Law allows all additional paid-in capital and all legal earnings reserves to be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can return to shareholders as dividends is calculated based on the non-consolidated financial statements in accordance with the Law.

18 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

19 LEASES

(1) Finance leases

Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at February 29, 2012 and February 28, 2011, which would have been reflected in the balance sheets if finance lease accounting had been applied to finance leases commencing on or before February 28, 2009 other than those deemed to transfer ownership to the lessee:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Acquisition costs: Equipment and fixtures	**¥2,679**	¥3,273	**$33,205**
Accumulated depreciation: Equipment and fixtures	**2,114**	2,200	**26,202**
Accumulated impairment loss: Equipment and fixtures	**—**	—	**—**
Net book value: Equipment and fixtures	**¥ 565**	¥1,073	**$ 7,003**

Lease payments relating to finance leases commencing on or before February 28, 2009 other than those deemed to transfer ownership to the lessee amounted to ¥621 million ($7,600 thousand) and ¥907 million for the years ended February 29, 2012 and February 28, 2011, respectively. Future minimum lease payments (including the interest portion thereon) subsequent to February 28, 2011 for finance leases commencing on or before February 28, 2009 other than those deemed to transfer ownership to the lessee are summarized as follows:

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2012	**¥346**	**$4,289**
2013 and thereafter	**219**	**2,714**
Total	**¥565**	**$7,003**

(2) Operating leases

Future minimum lease payments subsequent to February 28, 2011 for noncancellable operating leases are summarized as follows:

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2012	**¥ 7,516**	**$ 93,158**
2013 and thereafter	**28,415**	**352,194**
Total	**¥35,931**	**$445,352**

20 ASSET RETIREMENT OBLIGATIONS

1. Asset retirement obligations recorded on Consolidated Balance Sheets

(1) Outline of asset retirement obligations

The obligations to remove asbestos from property and equipment of the Companies and to restore property to its original state due to a real estate lease agreement for store property, etc.

(2) Calculation method of asset retirement obligations

The obligations to remove asbestos was based on an estimated cost to remove it. The discount calculation was not applied for the property and equipment since these useful lives in the past years have passed. Concerning the obligations to restore to their original state, an estimated period of use of 3–25 years and a discount rate of 0.2%–2.1% were used to calculate the amount of the asset retirement obligations.

(3) Changes in the total amount of the asset retirement obligations for the fiscal year ended February 29, 2012

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year (*1)	**¥1,225**	**$15,183**
Increase due to acquisition of property and equipment	**3**	**37**
Adjustment with passage of time	**0**	**0**
Decrease due to fulfillment of asset retirement obligations	**(30)**	**(372)**
Others (*2)	**(41)**	**(508)**
Balance at end of year	**¥1,157**	**$14,340**

*1. The balance at the beginning of the year was the result of the domestic Companies' adoption from the fiscal year ended February 29, 2012 of the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18, issued March 31, 2008) and the "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued March 31, 2008).

*2. "Others" included the changes in foreign currency exchange rates.

2. Asset retirement obligations not recorded on Consolidated Balance Sheets

Regarding some properties being used under the real estate leasing agreements, the Companies have obligations related to the cost of restoring the property to its original state at the time of business termination or moving out. However, since periods of lease properties related to such obligations are uncertain, and there is no plan to move out at this time, it is impossible to reasonably estimate the amount of asset retirement obligations. Therefore, no asset retirement obligations are recorded for such obligations.

21 DERIVATIVE TRANSACTIONS

1. Derivatives to which hedge accounting is not applied

There are no derivative transactions to which hedge accounting is not applied.

2. Derivatives to which hedge accounting is applied

(1) Currency related derivatives

			Millions of yen		
			2012		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable–trade			
	To buy U.S. dollars		**¥119**	**¥—**	**¥ 5**
	To buy Euros		**193**	**—**	**8**
	To buy G.B. pounds		**2**	**—**	**1**
Total			**¥314**	**¥—**	**¥14**

			Millions of yen		
			2011		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable–trade			
	To buy U.S. dollars		¥100	¥—	¥(1)
	To buy Euros		371	—	4
Total			¥471	¥—	¥ 3

			Thousands of U.S. dollars		
			2012		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable–trade			
	To buy U.S. dollars		**$1,475**	**$—**	**$ 62**
	To buy Euros		**2,392**	**—**	**99**
	To buy G.B. pounds		**25**	**—**	**13**
Total			**$3,892**	**$—**	**$174**

Note: The fair value is determined based on the quoted price obtained from the financial institutions with which the derivatives are transacted.

(2) Interest rate related derivatives

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen 2012 Contract amount	Millions of yen 2012 Contract amount due after one year	Millions of yen 2012 Fair value
Specified treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Long-term debt	**¥24,500**	**¥24,500**	**¥—**
Total			**¥24,500**	**¥24,500**	**¥—**

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen 2011 Contract amount	Millions of yen 2011 Contract amount due after one year	Millions of yen 2011 Fair value
Specified treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Long-term debt	¥44,500	¥44,500	¥—
Total			¥44,500	¥44,500	¥—

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars 2012 Contract amount	Thousands of U.S. dollars 2012 Contract amount due after one year	Thousands of U.S. dollars 2012 Fair value
Specified treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Long-term debt	**$303,669**	**$303,669**	**$—**
Total			**$303,669**	**$303,669**	**$—**

Note: The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the amount paid or received under the swap agreements is recognized and included in interest expenses of the long-term debt as hedged items. Accordingly, the fair value of the interest rate swaps is considered to be included in the fair value of the long-term debt.

22 PER SHARE INFORMATION

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended February 29, 2012 and February 28, 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Basic net income per share			
Income (numerator):			
Net income	**¥ 10,896**	¥ 13,850	**$135,052**
Amounts not belonging to common stock	**—**	—	**—**
Net income available to common shareholders	**10,896**	13,850	**135,052**
Shares, thousands (denominator):			
Weighted average number of shares	**329,905**	329,918	**—**
Basic EPS (yen and U.S. dollars)	**¥ 33.02**	¥ 41.97	**$ 0.41**
Diluted net income per share			
Income (numerator):			
Net income	**¥ 10,896**	¥ 13,850	**$135,052**
Amounts not belonging to common stock	**—**	—	**—**
Net income available to common shareholders	**10,896**	13,850	**135,052**
Effect of dilutive securities — convertible bonds	**—**	—	**—**
Adjusted net income	**10,896**	13,850	**135,052**
Shares, thousands (denominator):			
Weighted average number of shares	**329,905**	329,918	**—**
Assumed conversion of convertible bonds	**24,691**	24,691	**—**
Adjusted weighted average number of shares	**354,596**	354,609	**—**
Diluted EPS (yen and U.S. dollars)	**¥ 30.72**	¥ 39.05	**$ 0.38**

Net assets per share as of February 29, 2012 and February 28, 2011 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Net assets per share			
Net assets (numerator):			
Total net assets	**¥307,481**	¥301,100	**$3,811,118**
Minority interests in consolidated subsidiaries	**(5,329)**	(4,862)	**(66,051)**
Adjusted net assets	**302,152**	296,238	**3,745,067**
Common stock, thousands (denominator):			
Issued number of shares	**330,828**	330,828	**—**
Treasury stock	**(926)**	(919)	**—**
Outstanding number of shares	**329,902**	329,909	**—**
Net assets per share (yen and U.S. dollars)	**¥ 915.88**	¥ 897.93	**$ 11.35**

23 SEGMENT INFORMATION

Effective from the fiscal year ended February 29, 2012, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

1. General information about reportable segments

The Company Group's reportable segments are components of the Group whose operating results are regularly reviewed by the Board of Directors when making resource allocation and performance assessment decisions, and for which discrete financial information is available. The Companies consist of segments identified by services based on Department store, and the four segments: "Department Store," "Contract & Design," "Real Estate," and "Finance" are identified as reportable segments.

The Department Store segment is engaged in retailing operations of clothing, accessories, home furnishings, foods and others.

The Contract & Design segment is engaged in making plans for furnishings of houses and shops, and carrying out the plans.

The Real Estate segment is engaged in property management and operating shopping malls.

The Finance segment is engaged in credit card and lease business in the Companies.

2. Basis of measurement about reportable segment net sales, segment income or loss, segment assets and other items

The accounting policies for the reportable segments are basically the same as those described in Note 1. Basis of Presenting Consolidated Financial Statements. Income by the reportable segments is presented on an operating income basis. Inter-segment sales and transfers are recognized based on the current market prices.

(a) Business segment information

Business segment information for the years ended February 29, 2012 and February 28, 2011 was as follows:

	Millions of yen								
Year ended February 29, 2012	Department Store	Contract & Design	Real Estate	Finance	Total of reportable segments	Other	Total	Adjustments	Consolidated
Sales and other operating revenue:									
Outside customers	¥762,827	¥17,097	¥ 32,260	¥ 11,515	¥823,699	¥34,425	¥858,124	¥ —	¥858,124
Intersegment	5,935	2,078	4,944	4,027	16,984	30,983	47,967	(47,967)	—
Total	768,762	19,175	37,204	15,542	840,683	65,408	906,091	(47,967)	858,124
Segment income	¥ 9,910	¥ 217	¥ 7,184	¥ 3,229	¥ 20,540	¥ 249	¥ 20,789	¥ 311	¥ 21,100
Segment assets	¥504,221	¥13,193	¥142,404	¥102,070	¥761,888	¥20,330	¥782,218	¥21,700	¥803,918
Amortization of goodwill	—	—	188	—	188	—	188	—	188
Investment expenditures for affiliated company accounted for by the equity method	12,168	—	15,855	—	28,023	11	28,034	—	28,034
Depreciation	12,908	38	3,982	19	16,947	207	17,154	151	17,305
Loss on impairment	—	—	—	—	—	—	—	—	—
Increase in property, plant and equipment and intangibles	12,445	15	4,260	52	16,772	1,162	17,934	(216)	17,718

Year ended February 28, 2011	Millions of yen Department Store	Contract & Design	Real Estate	Finance	Total of reportable segments	Other	Total	Adjustments	Consolidated
Sales and other operating revenue:									
Outside customers	¥777,479	¥17,451	¥ 29,435	¥ 11,689	¥836,054	¥33,422	¥869,476	¥ —	¥869,476
Intersegment	5,893	3,842	5,356	4,205	19,296	30,687	49,983	(49,983)	—
Total	783,372	21,293	34,791	15,894	855,350	64,109	919,459	(49,983)	869,476
Segment income (loss)	¥ 10,729	¥ 121	¥ 6,426	¥ 2,136	¥ 19,412	¥ (1,281)	¥ 18,131	¥ 43	¥ 18,174
Segment assets	¥518,660	¥14,502	¥140,410	¥101,806	¥775,378	¥18,789	¥794,167	¥22,921	¥817,088
Amortization of goodwill	—	—	188	—	188	—	188	—	188
Investment expenditures for affiliated company accounted for by the equity method	10,820	—	16,416	—	27,236	4	27,240	—	27,240
Depreciation	11,879	51	3,922	13	15,865	130	15,995	134	16,129
Loss on impairment	—	—	—	—	—	—	—	—	—
Increase in property, plant and equipment and intangibles	15,054	18	12,276	52	27,400	74	27,474	(480)	26,994

Year ended February 29, 2012	Thousands of U.S. dollars Department Store	Contract & Design	Real Estate	Finance	Total of reportable segments	Other	Total	Adjustments	Consolidated
Sales and other operating revenue:									
Outside customers	**$9,454,970**	**$211,911**	**$ 399,851**	**$ 142,725**	**$10,209,457**	**$426,686**	**$10,636,143**	**$ —**	**$10,636,143**
Intersegment	**73,563**	**25,756**	**61,279**	**49,913**	**210,511**	**384,023**	**594,534**	**(594,534)**	**—**
Total	**9,528,533**	**237,667**	**461,130**	**192,638**	**10,419,968**	**810,709**	**11,230,677**	**(594,534)**	**10,636,143**
Segment income	**$ 122,831**	**$ 2,690**	**$ 89,043**	**$ 40,022**	**$ 254,586**	**$ 3,086**	**$ 257,672**	**$ 3,855**	**$ 261,527**
Segment assets	**$6,249,641**	**$163,523**	**$1,765,047**	**$1,265,121**	**$ 9,443,332**	**$251,983**	**$ 9,695,315**	**$268,964**	**$ 9,964,279**
Amortization of goodwill	**—**	**—**	**2,330**	**—**	**2,330**	**—**	**2,330**	**—**	**2,330**
Investment expenditures for affiliated company accounted for by the equity method	**150,818**	**—**	**196,517**	**—**	**347,335**	**136**	**347,471**	**—**	**347,471**
Depreciation	**159,990**	**471**	**49,355**	**235**	**210,051**	**2,566**	**212,617**	**1,872**	**214,489**
Loss on impairment	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Increase in property, plant and equipment and intangibles	**154,251**	**186**	**52,801**	**645**	**207,883**	**14,402**	**222,285**	**(2,677)**	**219,608**

As explained in Note 2 (t) (1), effective from the year ended February 28, 2011, the consolidated subsidiary adopted the "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan ("ASBJ") Statement No. 15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, issued on December 27, 2007). As a result, sales and other operating revenue and operating income for the year ended February 28, 2011 in the Contract & Design segment were increased by ¥1,543 million ($18,884 thousand) and ¥198 million ($2,423 thousand), respectively.

(b) Related information

Amortization of goodwill and unamortized balance by reportable segment

As of and for the year ended February 29, 2012	Millions of yen						
	Department Store	Contract & Design	Real Estate	Finance	Total of reportable segments	Adjustments	Consolidated
Goodwill:							
Amortization	**¥—**	**¥ —**	**¥ 188**	**¥—**	**¥ 188**	**¥—**	**¥ 188**
Unamortized balance	**—**	**—**	**1,502**	**—**	**1,502**	**—**	**1,502**
Negative goodwill:							
Amortization	**¥—**	**¥ 93**	**¥ —**	**¥—**	**¥ 93**	**¥—**	**¥ 93**
Unamortized balance	**—**	**833**	**—**	**—**	**833**	**—**	**833**

As of and for the year ended February 28, 2011	Millions of yen						
	Department Store	Contract & Design	Real Estate	Finance	Total of reportable segments	Adjustments	Consolidated
Goodwill:							
Amortization	¥—	¥ —	¥ 188	¥—	¥ 188	¥—	¥ 188
Unamortized balance	—	—	1,689	—	1,689	—	1,689
Negative goodwill:							
Amortization	¥—	¥ 93	¥ —	¥—	¥ 93	¥—	¥ 93
Unamortized balance	—	925	—	—	925	—	925

As of and for the year ended February 29, 2012	Thousands of U.S. dollars						
	Department Store	Contract & Design	Real Estate	Finance	Total of reportable segments	Adjustments	Consolidated
Goodwill:							
Amortization	**$—**	**$ —**	**$ 2,330**	**$—**	**$ 2,330**	**$—**	**$ 2,330**
Unamortized balance	**—**	**—**	**18,617**	**—**	**18,617**	**—**	**18,617**
Negative goodwill:							
Amortization	**$—**	**$ 1,152**	**$ —**	**$—**	**$ 1,152**	**$—**	**$ 1,152**
Unamortized balance	**—**	**10,325**	**—**	**—**	**10,325**	**—**	**10,325**

24 PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

The partial offsetting of goodwill by negative goodwill at February 29, 2012 and February 28, 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Goodwill	**¥1,502**	¥1,689	**$18,617**
Negative goodwill	**833**	925	**10,325**
Goodwill, net	**¥ 669**	¥ 764	**$ 8,292**

25 SUBSEQUENT EVENT

Cash dividends

On May 22, 2012, the shareholders of the Company approved the following appropriations:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	**¥1,650**	**$20,451**

KPMG

Independent Auditors' Report

To the Board of Directors of
Takashimaya Company, Limited:

We have audited the accompanying consolidated balance sheets of Takashimaya Company , Limited and its consolidated subsidiaries as of February 29, 2012 and February 28, 2011, and the related consolidated statements of income, comprehensive 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 financial position of Takashimaya Company , Limited and its consolidated subsidiaries as of February 29, 2012 and February 28, 2011, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2012 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 LLC
Tokyo, Japan
May 22, 2012

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