Takashimaya

TAKASHIMAYA FINANCIAL STATEMENTS

Years ended February 28, 2014 and 2013

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
February 28, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2014**	2013	**2014**
Current assets:			
Cash and deposits (Notes 5, 6 and 13)	**¥106,452**	¥ 69,495	**$1,044,261**
Marketable securities (Notes 5, 6 and 13)	**43,100**	—	**422,798**
Notes and accounts receivable:			
Trade (Note 6)	**105,621**	98,460	**1,036,109**
Non-consolidated subsidiaries and affiliated companies (Note 6)	**1,230**	699	**12,066**
Other	**11,062**	11,244	**108,515**
Less: Allowance for doubtful accounts (Note 6)	**(440)**	(578)	**(4,316)**
	117,473	109,825	**1,152,374**
Inventories (Note 8)	**39,240**	38,237	**384,932**
Deferred tax assets (Note 14)	**7,222**	6,601	**70,845**
Other current assets (Note 6)	**18,635**	12,106	**182,804**
Total current assets	**332,122**	236,264	**3,258,014**
Investments and advances:			
Investment securities (Notes 6 and 13)	**64,676**	57,274	**634,452**
Investments in and advances to:			
Non-consolidated subsidiaries and affiliated companies	**41,215**	38,827	**404,306**
Other	**5,029**	4,962	**49,333**
Less: Allowance for doubtful accounts	**(2,768)**	(2,795)	**(27,153)**
	43,476	40,994	**426,486**
Total investments and advances	**108,152**	98,268	**1,060,938**
Property and equipment:			
Land (Notes 12 and 19)	**223,296**	213,057	**2,190,465**
Buildings and structures (Note 12)	**368,160**	356,103	**3,611,537**
Equipment and fixtures	**32,799**	31,742	**321,748**
Lease assets	**5,291**	4,800	**51,903**
Construction in progress	**1,476**	594	**14,479**
	631,022	606,296	**6,190,132**
Less: Accumulated depreciation	**(236,586)**	(227,540)	**(2,320,836)**
Total property and equipment	**394,436**	378,756	**3,869,296**
Leasehold and other deposits (Notes 6, 9 and 13)	**34,420**	41,288	**337,650**
Goodwill (Note 24)	**632**	745	**6,200**
Deferred tax assets (Note 14)	**4,293**	7,132	**42,113**
Other assets	**28,085**	28,234	**275,505**
Total assets (Note 23)	**¥902,140**	¥790,687	**$8,849,716**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 1) 2014
Current liabilities:			
Short-term bank loans (Notes 6 and 10)	**¥ 5,887**	¥ 5,847	**$ 57,750**
Current portion of long-term debt (Notes 6 and 10)	**41,415**	13,325	**406,268**
Notes and accounts payable:			
Trade (Note 6)	**91,228**	83,795	**894,918**
Non-consolidated subsidiaries and affiliated companies (Note 6)	**4,673**	4,088	**45,841**
Other	**15,364**	13,126	**150,716**
	111,265	101,009	**1,091,475**
Accrued income taxes (Note 14)	**7,823**	4,045	**76,741**
Accrued expenses	**3,273**	3,621	**32,107**
Allowance for directors' and corporate auditors' bonuses	**17**	17	**167**
Gift certificates outstanding	**54,498**	57,174	**534,609**
Advances received	**78,126**	77,023	**766,392**
Employees' saving deposits (Note 6)	**15,746**	15,833	**154,463**
Allowance for Point Gift Certificates	**3,260**	3,136	**31,980**
Asset retirement obligations	**12**	—	**118**
Other current liabilities (Note 6)	**14,278**	13,616	**140,063**
Total current liabilities	**335,600**	294,646	**3,292,133**
Long-term debt (Notes 6 and 10)	**120,228**	79,674	**1,179,400**
Deposits from tenants	**24,889**	22,973	**244,153**
Allowance for employees' retirement benefits (Note 17)	**42,098**	43,648	**412,968**
Allowance for directors' and corporate auditors' retirement benefits	**254**	207	**2,492**
Deferred tax liabilities (Note 14)	**360**	110	**3,532**
Deferred tax liabilities related to land revaluation (Note 19)	**8,722**	8,722	**85,560**
Long-term accounts payable	**1,176**	1,202	**11,536**
Asset retirement obligations	**1,515**	1,301	**14,862**
Allowance for environmental measures	**647**	651	**6,347**
Other long-term liabilities	**1,738**	2,110	**17,049**
Total liabilities	**537,227**	455,244	**5,270,032**
Contingent liabilities (Note 16)			
Net assets (Note 18)			
Owners' equity:			
Common stock	**56,025**	56,025	**549,588**
Authorized: 600,000 thousand shares			
Issued: 330,827,625 shares in 2014			
330,827,625 shares in 2013			
Capital surplus	**45,086**	45,085	**442,280**
Retained earnings	**221,857**	206,440	**2,176,349**
Less: Treasury stock, at cost: 946,227 shares in 2014			
933,661 shares in 2013	**(549)**	(536)	**(5,386)**
Total owners' equity	**322,419**	307,014	**3,162,831**
Accumulated other comprehensive income:			
Unrealized gains (losses) on available-for-sale securities, net of taxes	**16,816**	12,106	**164,960**
Unrealized gains (losses) on hedging derivatives, net of taxes	**(1)**	1	**(10)**
Land revaluation difference, net of taxes (Note 19)	**8,538**	8,538	**83,755**
Foreign currency translation adjustments	**10,422**	1,768	**102,237**
Total accumulated other comprehensive income	**35,775**	22,413	**350,942**
Minority interests in consolidated subsidiaries:	**6,719**	6,016	**65,911**
Total net assets	**364,913**	335,443	**3,579,684**
Total liabilities and net assets	**¥902,140**	¥790,687	**$8,849,716**

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Sales and other operating revenue (Note 23)**:**			
Net sales	**¥845,785**	¥815,388	**$8,296,890**
Other operating revenue	**58,395**	54,946	**572,837**
	904,180	870,334	**8,869,727**
Operating expenses:			
Cost of sales	**631,112**	605,687	**6,191,014**
Selling, general and administrative expenses	**243,969**	239,170	**2,393,261**
	875,081	844,857	**8,584,275**
Operating income (Note 23)	**29,099**	25,477	**285,452**
Other income (expenses):			
Interest and dividend income	**1,429**	1,227	**14,018**
Interest expenses	**(1,121)**	(1,263)	**(10,997)**
Reversal for doubtful accounts	**(16)**	(22)	**(157)**
Loss on sale and disposal of property and equipment, net	**(3,543)**	(2,752)	**(34,756)**
Gain on sale of securities, net	**39**	1	**383**
Gain on liquidation of gift certificates outstanding, net	**178**	711	**1,746**
Write-down of securities	**—**	(24)	**—**
Equity in gain of affiliated companies	**2,482**	2,228	**24,348**
Impairment loss (Note 3)	**—**	(877)	**—**
Exchange gain (loss), net	**409**	1,160	**4,012**
Other, net	**565**	314	**5,543**
	422	703	**4,140**
Income before income taxes and minority interests	**29,521**	26,180	**289,592**
Income taxes (Note 14)**:**			
Current	**10,101**	5,890	**99,088**
Deferred	**(71)**	3,059	**(697)**
	10,030	8,949	**98,391**
Income before minority interests	**19,491**	17,231	**191,201**
Minority interests	**(775)**	(690)	**(7,603)**
Net income (Note 22)	**¥ 18,716**	¥ 16,541	**$ 183,598**

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Income before minority interests	**¥19,491**	¥17,231	**$191,201**
Other comprehensive income			
Unrealized gains (losses) on available-for-sale securities, net of taxes	**4,520**	6,772	**44,340**
Unrealized gains (losses) on hedging derivatives, net of taxes	**(2)**	(10)	**(20)**
Foreign currency translation adjustments	**5,272**	3,830	**51,717**
Share of other comprehensive income of associates accounted for using equity method	**3,572**	3,446	**35,040**
Total other comprehensive income (Note 4)	**13,362**	14,038	**131,077**
Comprehensive income	**32,853**	31,269	**322,278**
Comprehensive income attributable to:			
Owners of parent	**32,078**	30,579	**314,675**
Minority interests	**775**	690	**7,603**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2014 and 2013

	Number of shares issued	Millions of yen Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 29, 2012	330,827,625	¥56,025	¥45,085	¥193,363	¥(532)	¥293,941
Cash dividends paid				(3,299)		(3,299)
Net income for the fiscal year				16,541		16,541
Disposal of treasury stock and acquisition of treasury stock, net			0		(4)	(4)
Reversal of revaluation reserve for land				(165)		(165)
Net changes during the year						—
Balance, February 28, 2013	330,827,625	¥56,025	¥45,085	¥206,440	¥(536)	¥307,014
Cash dividends paid				**(3,299)**		**(3,299)**
Net income for the fiscal year				**18,716**		**18,716**
Disposal of treasury stock and acquisition of treasury stock, net			**1**		**(13)**	**(12)**
Reversal of revaluation reserve for land						**—**
Net changes during the year						**—**
Balance, February 28, 2014	**330,827,625**	**¥56,025**	**¥45,086**	**¥221,857**	**¥(549)**	**¥322,419**

	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 29, 2012	¥ 4,800	¥ 11	¥8,374	¥ (4,974)	¥ 8,211	¥5,329	¥307,481
Cash dividends paid					—		(3,299)
Net income for the fiscal year					—		16,541
Disposal of treasury stock and acquisition of treasury stock, net					—		(4)
Reversal of revaluation reserve for land					—		(165)
Net changes during the year	7,306	(10)	164	6,742	14,202	687	14,889
Balance, February 28, 2013	¥12,106	¥ 1	¥8,538	¥ 1,768	¥22,413	¥6,016	¥335,443
Cash dividends paid					**—**		**(3,299)**
Net income for the fiscal year					**—**		**18,716**
Disposal of treasury stock and acquisition of treasury stock, net					**—**		**(12)**
Reversal of revaluation reserve for land					**—**		**—**
Net changes during the year	**4,710**	**(2)**	**—**	**8,654**	**13,362**	**703**	**14,065**
Balance, February 28, 2014	**¥16,816**	**¥(1)**	**¥8,538**	**¥10,422**	**¥35,775**	**¥6,719**	**¥364,913**

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, 2013	$549,588	$442,270	$2,025,113	$(5,258)	$3,011,713
Cash dividends paid			**(32,362)**		**(32,362)**
Net income for the fiscal year			**183,598**		**183,598**
Disposal of treasury stock and acquisition of treasury stock, net		**10**		**(128)**	**(118)**
Reversal of revaluation reserve for land					—
Net changes during the year					—
Balance, February 28, 2014	**$549,588**	**$442,280**	**$2,176,349**	**$(5,386)**	**$3,162,831**

	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, 2013	$118,756	$ 10	$83,755	$ 17,344	$219,865	$59,015	$3,290,593
Cash dividends paid					—		**(32,362)**
Net income for the fiscal year					—		**183,598**
Disposal of treasury stock and acquisition of treasury stock, net					—		**(118)**
Reversal of revaluation reserve for land					—		—
Net changes during the year	**46,204**	**(20)**	—	**84,893**	**131,077**	**6,896**	**137,973**
Balance, February 28, 2014	**$164,960**	**$(10)**	**$83,755**	**$102,237**	**$350,942**	**$65,911**	**$3,579,684**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 29,521**	¥26,180	**$ 289,592**
Depreciation	**18,219**	18,428	**178,723**
Amortization of goodwill	**114**	114	**1,118**
Decrease in allowance for doubtful accounts	**(167)**	(1,912)	**(1,638)**
Decrease in allowance for employees' retirement benefits	**(1,550)**	(6,116)	**(15,205)**
Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	**47**	(35)	**461**
Increase (decrease) in allowance for point tickets	**124**	(381)	**1,216**
Interest and dividend income	**(1,429)**	(1,227)	**(14,018)**
Interest expenses	**1,121**	1,263	**10,997**
Equity in gain of affiliated companies	**(2,482)**	(2,228)	**(24,348)**
Gain on sale of property and equipment, net	**(214)**	—	**(2,099)**
Loss on disposal of property and equipment	**2,297**	1,822	**22,533**
Impairment loss	**—**	877	**—**
Gain on sales of securities, net	**(39)**	—	**(383)**
Write-down of securities	**0**	24	**0**
Increase (decrease) in notes and accounts receivable–trade	**(7,720)**	23,054	**(75,731)**
Increase in inventories	**(862)**	(249)	**(8,456)**
Increase (decrease) in notes and accounts payable	**6,775**	(413)	**66,461**
Other	**1,708**	(9,467)	**16,755**
Subtotal	**45,463**	49,734	**445,978**
Interest and dividend income received	**2,446**	2,002	**23,995**
Interest expenses paid	**(1,116)**	(1,383)	**(10,948)**
Income taxes paid	**(6,211)**	(6,211)	**(60,928)**
Net cash provided by operating activities	**40,582**	44,142	**398,097**
Cash flows from investing activities:			
Purchase of time deposits	**(1,073)**	(4,860)	**(10,526)**
Repayment of time deposits	**5,647**	61	**55,395**
Purchase of securities	**(782)**	(13)	**(7,671)**
Proceeds from sale of securities	**57**	19	**559**
Purchase of property and equipment	**(34,547)**	(20,426)	**(338,895)**
Proceeds from sale of property and equipment	**243**	—	**2,384**
Purchase of stocks of subsidiaries and affiliates	**—**	(3,262)	**—**
Other	**66**	11	**647**
Net cash used in investing activities	**(30,389)**	(28,470)	**(298,107)**
Cash flows from financing activities:			
Net increase in short-term bank loans	**40**	—	**392**
Proceeds from long-term bank loans	**16,500**	5,300	**161,860**
Payment of long-term bank loans	**(13,361)**	(34,116)	**(131,067)**
Proceeds from issuance of bonds	**65,525**	—	**642,780**
Cash dividends paid	**(3,299)**	(3,299)	**(32,362)**
Other	**(1,014)**	(816)	**(9,947)**
Net cash provided by (used in) financing activities	**64,391**	(32,931)	**631,656**
Effect of exchange rate changes on cash and cash equivalents	**6,543**	5,162	**64,185**
Net increase (decrease) in cash and cash equivalents	**81,127**	(12,097)	**795,831**
Cash and cash equivalents at beginning of year	**63,981**	76,078	**627,634**
Cash and cash equivalents at end of year (Note 5)	**¥145,108**	¥63,981	**$1,423,465**

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 28, 2014, which was ¥101.94 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 mainly 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 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:	principally 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 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.

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

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Accounting standards issued but not yet applied

Accounting Standards for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 and the other related guidance.

Under the revised accounting standard, actual gains and losses and past service costs shall be recognized within net assets in the Consolidated Balance Sheet, after adjusting tax effects, and the refunding deficit or surplus shall be recognized as a liability or asset. In addition, the new accounting standard allows a choice for the method of attributing expected benefits to periods of either the straight-line basis or the plan's benefit formula basis. In addition, the determination method of the discount rate was amended.

The Company expects to apply the revised accounting standard from the beginning of the fiscal year ending February 28, 2015.

The effect of adoption of this revised accounting standard is now under assessment at the time of preparation of the accompanying consolidated financial statements.

(t) 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 IMPAIRMENT LOSS

The Company recognized Impairment loss in the year ended February 28, 2013 as follows:

Location	Type of Assets	Use	Millions of yen
Chino city, Nagano Prefecture	Buildings and others Land	Idle properties	¥877

Each idle property is considered as the cash-generating unit. For the year ended February 28, 2013, because of significant decline in the market values, the book value of some idle properties, which were not used for business, was reduced to the recoverable amount. The amount written down of ¥877 million in the year ended February 28, 2013 was recorded as an impairment loss. The impairment loss consisted of Buildings and Others (¥825 million) and Land (¥52 million). The recoverable amount from these properties was measured with the net selling price. The net selling price was estimated based on the roadside land price which was reasonably adjusted.

4 OTHER COMPREHENSIVE INCOME

The recycling and effect of deferred income tax on the other comprehensive income for the years ended at February 28, 2014 and 2013 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gains (losses) on available-for-sale securities, net of taxes			
Occurrence amount	¥ 7,057	¥10,516	$ 69,227
Recycling	(39)	0	(383)
Before tax effect	7,018	10,516	68,844
Tax effect	(2,498)	(3,744)	(24,504)
Unrealized gains (losses) on available-for-sale securities, net of taxes	4,520	6,772	44,340
Unrealized gains (losses) on hedging derivatives, net of taxes			
Occurrence amount	(4)	(11)	(39)
Tax effect	2	1	19
Unrealized gains (losses) on hedging derivatives, net of taxes	(2)	(10)	(20)
Foreign currency translation adjustments realized for the year	5,272	3,830	51,717
Share of other comprehensive income of associates accounted for using equity method for the year	3,572	3,446	35,040
Total other comprehensive income	¥13,362	¥14,038	$131,077

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at February 28, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and deposits	¥106,452	¥69,495	$1,044,261
Time deposits with maturities exceeding three months	(1,444)	(5,514)	(14,165)
Securities with dates of amortization three months or less from the acquisition date	40,100	—	393,369
Cash and cash equivalents at end of year	¥145,108	¥63,981	$1,423,465

6 FINANCIAL INSTRUMENTS

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 28, 2014 and 2013, 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		
	2014		
	Book value	Fair value	Difference
(1) Cash and deposits	**¥106,452**	**¥106,452**	**¥ —**
(2) Notes and accounts receivable–trade	**106,671**	**—**	**—**
Allowance for doubtful accounts (*1)	**(375)**	**—**	**—**
	106,296	**108,386**	**2,090**
(3) Securities and investment securities			
1) Securities to be held until maturity	**9,007**	**9,247**	**240**
2) Available-for-sale securities	**94,307**	**94,307**	**—**
	103,314	**103,554**	**240**
(4) Guarantee deposits paid (*2)	**12,879**	**12,575**	**(304)**
Total assets	**¥328,941**	**¥330,967**	**¥2,026**
(1) Notes and accounts payable–trade	**¥ 95,901**	**¥ 95,901**	**¥ —**
(2) Short-term bank loans	**5,887**	**5,887**	**—**
(3) Deposits received	**24,505**	**24,505**	**—**
(4) Long-term debt (*3)	**161,643**	**166,889**	**5,246**
Total liabilities	**¥287,936**	**¥293,182**	**¥5,246**
Derivatives (*4)			
Amounts not subject to hedge accounting	**¥ —**	**¥ —**	**¥ —**
Amount subject to hedge accounting	**(1)**	**(1)**	**—**
Total derivatives	**¥ (1)**	**¥ (1)**	**¥ —**

	Millions of yen		
	2013		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 69,495	¥ 69,495	¥ —
(2) Notes and accounts receivable–trade	98,979	—	—
Allowance for doubtful accounts (*1)	(487)	—	—
	98,492	100,551	2,059
(3) Securities and investment securities			
1) Securities to be held until maturity	9,008	9,391	383
2) Available-for-sale securities	47,002	47,002	—
	56,010	56,393	383
(4) Guarantee deposits paid (*2)	8,234	7,800	(434)
Total assets	¥232,231	¥234,239	¥2,008
(1) Notes and accounts payable–trade	¥ 87,883	¥ 87,883	¥ —
(2) Short-term bank loans	5,847	5,847	—
(3) Deposits received	25,546	25,546	—
(4) Long-term debt (*3)	92,999	95,667	2,668
Total liabilities	¥212,275	¥214,943	¥2,668
Derivatives (*4)			
Amounts not subject to hedge accounting	¥ —	¥ —	¥ —
Amount subject to hedge accounting	3	3	—
Total derivatives	¥ 3	¥ 3	¥ —

	Thousands of U.S. dollars		
	2014		
	Book value	Fair value	Difference
(1) Cash and deposits	**$1,044,261**	**$1,044,261**	**$ —**
(2) Notes and accounts receivable–trade	**1,046,410**	**—**	**—**
Allowance for doubtful accounts (*1)	**(3,679)**	**—**	**—**
	1,042,731	**1,063,233**	**20,502**
(3) Securities and investment securities			
1) Securities to be held until maturity	**88,356**	**90,710**	**2,354**
2) Available-for-sale securities	**925,123**	**925,123**	**—**
	1,013,479	**1,015,833**	**2,354**
(4) Guarantee deposits paid (*2)	**126,339**	**123,357**	**(2,982)**
Total assets	**$3,226,810**	**$3,246,684**	**$19,874**
(1) Notes and accounts payable–trade	**$ 940,759**	**$ 940,759**	**$ —**
(2) Short-term bank loans	**57,750**	**57,750**	**—**
(3) Deposits received	**240,387**	**240,387**	**—**
(4) Long-term debt (*3)	**1,585,668**	**1,637,130**	**51,462**
Total liabilities	**$2,824,564**	**$2,876,026**	**$51,462**
Derivatives (*4)			
Amounts not subject to hedge accounting	**$ —**	**$ —**	**$ —**
Amount subject to hedge accounting	**(10)**	**(10)**	**—**
Total derivatives	**$ (10)**	**$ (10)**	**$ —**

*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 and corporate bonds 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, the 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–trade, (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
	2014	2013	**2014**
(a) Stock of subsidiaries	**¥ 2,573**	¥ 2,500	**$ 25,240**
(b) Stock of affiliates	**41,215**	36,327	**404,306**
(c) Unlisted stocks	**1,888**	1,264	**18,521**
(d) Guarantee deposits paid	**27,409**	34,013	**268,874**

(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			
	2014			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	**¥106,452**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable–trade	**102,369**	**4,193**	**87**	**22**
Securities and investment securities				
Securities to be held until maturity	**3,000**	**6,007**	**—**	**—**
Available-for-sale securities with maturity dates	**40,100**	**—**	**—**	**—**
Guarantee deposits paid	**5,378**	**2,184**	**3,338**	**1,979**
Total	**¥257,299**	**¥12,384**	**¥3,425**	**¥2,001**

	Millions of yen			
	2013			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥ 69,495	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	95,255	3,596	104	24
Securities and investment securities				
Securities to be held until maturity	—	9,008	—	—
Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits paid	440	1,949	3,251	2,594
Total	¥165,190	¥14,553	¥3,355	¥2,618

	Thousands of U.S. dollars			
	2014			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	**$1,044,261**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable–trade	**1,004,208**	**41,132**	**853**	**216**
Securities and investment securities				
Securities to be held until maturity	**29,429**	**58,927**	**—**	**—**
Available-for-sale securities with maturity dates	**393,369**	**—**	**—**	**—**
Guarantee deposits paid	**52,757**	**21,424**	**32,745**	**19,413**
Total	**$2,524,024**	**$121,483**	**$33,598**	**$19,629**

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

	Millions of yen					
	2014					
	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**	**¥ —**	**¥ —**	**¥ —**	**¥40,000**	**¥25,000**
Long-term debt—Long-term loans	**11,415**	**31,404**	**11,280**	**7,540**	**4,500**	**—**
Total	**¥41,415**	**¥31,404**	**¥11,280**	**¥7,540**	**¥44,500**	**¥25,000**

	Millions of yen					
	2013					
	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	13,325	11,420	31,409	2,285	4,545	15
Total	¥13,325	¥41,420	¥31,409	¥2,285	¥4,545	¥15

	Thousands of U.S. dollars					
	2014					
	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	**$294,291**	**$ —**	**$ —**	**$ —**	**$392,388**	**$245,242**
Long-term debt—Long-term loans	**111,977**	**308,064**	**110,653**	**73,965**	**44,144**	**—**
Total	**$406,268**	**$308,064**	**$110,653**	**$73,965**	**$436,532**	**$245,242**

7 SECURITIES

(a) The following tables summarize the acquisition costs, book values and fair values of securities with available fair values as of February 28, 2014 and 2013:

(1) Held-to-maturity debt securities:

Securities with available fair values exceeding book values:

	Millions of yen					
	2014			2013		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	**¥9,003**	**¥9,243**	**¥240**	¥9,004	¥9,387	¥383

	Thousands of U.S. dollars		
	2014		
Type	Book value	Fair value	Difference
Government bonds	**$88,317**	**$90,671**	**$2,354**

Securities with available fair values not exceeding book values:

	Millions of yen					
	2014			2013		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Corporate bonds	**¥4**	**¥4**	**¥—**	¥4	¥4	¥—

	Thousands of U.S. dollars		
	2014		
Type	Book value	Fair value	Difference
Corporate bonds	**$39**	**$39**	**$—**

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

	Millions of yen					
	2014			2013		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥26,348**	**¥51,030**	**¥24,682**	¥25,639	¥43,497	¥17,858
Government bonds	**—**	**—**	**—**	—	—	—
Others	**200**	**214**	**14**	—	—	—
Total	**¥26,548**	**¥51,244**	**¥24,696**	¥25,639	¥43,497	¥17,858

	Thousands of U.S. dollars		
	2014		
Type	Acquisition cost	Book value	Difference
Equity securities	**$258,466**	**$500,589**	**$242,123**
Government bonds	**—**	**—**	**—**
Others	**1,962**	**2,099**	**137**
Total	**$260,428**	**$502,688**	**$242,260**

Securities with book values not exceeding acquisition costs:

	Millions of yen					
	2014			2013		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥ 3,196**	**¥ 2,963**	**¥(233)**	¥3,912	¥3,505	¥(407)
Others	**40,100**	**40,100**	**—**	—	—	—
Total	**¥43,296**	**¥43,063**	**¥(233)**	¥3,912	¥3,505	¥(407)

	Thousands of U.S. dollars		
	2014		
Type	Acquisition cost	Book value	Difference
Equity securities	**$ 31,352**	**$ 29,066**	**$(2,286)**
Others	**393,369**	**393,369**	**—**
Total	**$424,721**	**$422,435**	**$(2,286)**

Note: Securities without fair value
Please see Note 6. Financial Instruments for information as of February 28, 2014 and 2013.

(3) The total sales for available-for-sale securities sold in the year ended February 28, 2014 amounted to ¥57 million ($559 thousand). The related gains amounted to ¥39 million ($383 thousand) in the year ended February 28, 2014. The related losses amounted to ¥0 million ($0 thousand) in the year ended February 28, 2014.

(4) Impairment losses on securities
The Companies recognized a loss of ¥0 million ($0 thousand) on its securities for the year ended February 28, 2014 and a loss of ¥24 million for the year ended February 28, 2013.

8 INVENTORIES

Inventories at February 28, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Merchandise	**¥38,422**	¥37,186	**$376,908**
Products	**68**	85	**667**
Work in process	**263**	444	**2,580**
Raw materials	**43**	55	**422**
Supplies	**444**	467	**4,355**
Total	**¥39,240**	¥38,237	**$384,932**

9 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.

10 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 0.61% and 0.69% at February 28, 2014 and 2013, respectively.

Long-term debt at February 28, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
0.0% convertible bonds due 2014	**¥ 20,000**	¥20,000	**$ 196,194**
2.03% bonds due 2014	**10,000**	10,000	**98,097**
0.0% convertible bonds due 2018	**40,383**	—	**396,145**
0.0% convertible bonds due 2020	**25,121**	—	**246,429**
Loans from banks, insurance companies and others due serially to 2021:			
Secured (bearing interest at rates from 1.35% to 4.75% at February 28, 2013)	**—**	1,496	**—**
Unsecured (bearing interest at rates from 0.25% to 4.75% at February 28, 2014)	**66,139**	61,503	**648,803**
	161,643	92,999	**1,585,668**
Less: Current portion of long-term debt	**(41,415)**	(13,325)	**(406,268)**
Total	**¥120,228**	¥79,674	**$1,179,400**

The current conversion price of 0.0% convertible bonds due 2014 issued by the Company is ¥810 ($7.95). At February 28, 2014, the convertible bonds were convertible into approximately 24,691 thousand shares of common stock.

The current conversion price of 0.0% convertible bonds due 2018 issued by the Company is ¥1,445 ($14.18). At February 28, 2014, the convertible bonds were convertible into approximately 27,681 thousand shares of common stock.

The current conversion price of 0.0% convertible bonds due 2020 issued by the Company is ¥1,345 ($13.19). At February 28, 2014, the convertible bonds were convertible into approximately 18,587 thousand shares of common stock.

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2015	**¥ 41,415**	**$ 406,268**
2016	**31,404**	**308,064**
2017	**11,280**	**110,653**
2018	**7,540**	**73,965**
2019 and thereafter	**69,500**	**681,774**
Total	**¥161,139**	**$1,580,724**

11 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 28, 2014 is summarized below.

	Millions of yen	Thousands of U.S. dollars
Total amount of loan commitment	**¥20,000**	**$196,194**
Exercised loan balance	**—**	**—**
Unused balance	**¥20,000**	**$196,194**

12 PLEDGED ASSETS

The assets pledged as collateral for debts mainly from banks and certain other obligations at February 28, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Land	**¥—**	¥29,057	**$—**
Buildings and structures	**—**	12,453	**—**
Total	**¥—**	¥41,510	**$—**

13 DEPOSITED ASSETS

The deposited assets required by the Installment Sales Law at February 28, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash and deposits	**¥ 1,270**	¥ 853	**$ 12,458**
Marketable securities	**3,000**	—	**29,429**
Investment securities	**6,003**	9,004	**58,888**
Leasehold and other deposits	**10**	10	**98**
Total	**¥10,283**	¥9,867	**$100,873**

14 INCOME TAXES

The Companies are subject to a number of taxes based on income. The aggregate statutory tax rate in Japan was approximately 37.9% for the year ended February 28, 2014.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended February 28, 2014 and 2013.

	%	
Year ended February 28, 2014	**2014**	2013
Statutory tax rate	**37.9%**	40.6%
Permanent differences (including dividends)	**(2.7)**	(2.5)
Difference in statutory tax rate of foreign subsidiaries	**(4.2)**	(4.4)
Elimination of dividends received	**2.9**	2.7
Foreign currency translation adjustment of dividends	**—**	(1.9)
Increase in valuation allowance	**2.2**	0.1
Equity in gain of affiliated companies	**(3.2)**	(3.5)
Effect arising from change in tax rate	**0.4**	2.3
Others	**0.7**	0.8
Effective tax rate	**34.0%**	34.2%

Significant components of the Companies' deferred tax assets and liabilities as of February 28, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets (current):			
Accrued enterprise tax	**¥ 754**	¥ 515	**$ 7,396**
Undeductible allowance for doubtful accounts	**142**	198	**1,393**
Accrued bonuses	**80**	66	**785**
Tax loss carryforward	**—**	624	**—**
Undeductible write-down of inventories	**399**	277	**3,914**
Allowance for Point Gift Certificates	**1,834**	1,809	**17,991**
Adjustment of gift certificates	**4,741**	4,316	**46,508**
Others	**524**	193	**5,140**
Gross deferred tax assets	**8,474**	7,998	**83,127**
Less: Valuation allowance	**(25)**	(9)	**(245)**
Total deferred tax assets	**8,449**	7,989	**82,882**
Net deferred tax liabilities	**(1,227)**	(1,388)	**(12,037)**
Net deferred tax assets	**¥ 7,222**	¥ 6,601	**$ 70,845**
Deferred tax liabilities (current):			
Adjustments of allowance for doubtful accounts	**¥ 33**	¥ 34	**$ 324**
Adjustment of gift certificates	**1,194**	1,353	**11,713**
Others	**—**	1	**—**
Total deferred tax liabilities	**1,227**	1,388	**12,037**
Net deferred tax assets	**(1,227)**	(1,388)	**(12,037)**
Net deferred tax liabilities	**¥ —**	¥ —	**$ —**
Deferred tax assets (non current):			
Unrealized intercompany profits	**¥ 943**	¥ 772	**$ 9,251**
Undeductible allowance for employees' retirement benefits	**15,172**	15,917	**148,833**
Undeductible write-down of securities	**838**	838	**8,220**
Undeductible amortization of software costs	**401**	454	**3,934**
Loss on impairment of property and equipment	**717**	760	**7,034**
Tax loss carryforward	**1,717**	1,332	**16,843**
Undeductible allowance for doubtful accounts	**755**	792	**7,406**
Devaluation of property and equipment resulting from spin-off	**770**	770	**7,553**
Allowance for environmental measures	**233**	305	**2,286**
Others	**1,885**	1,658	**18,491**
Gross deferred tax assets	**23,431**	23,598	**229,851**
Less: Valuation allowance	**(2,555)**	(2,207)	**(25,064)**
Total deferred tax assets	**20,876**	21,391	**204,787**
Net deferred tax liabilities	**(16,583)**	(14,259)	**(162,674)**
Net deferred tax assets	**¥ 4,293**	¥ 7,132	**$ 42,113**
Deferred tax liabilities (non current):			
Reserve for deferred capital gains of property	**¥ 8,028**	¥ 8,040	**$ 78,752**
Unrealized holding gains on securities	**8,711**	6,213	**85,453**
Others	**204**	116	**2,001**
Gross deferred tax liabilities	**16,943**	14,369	**166,206**
Net deferred tax assets	**(16,583)**	(14,259)	**(162,674)**
Net deferred tax liabilities	**¥ 360**	¥ 110	**$ 3,532**

Following the promulgation on March 31, 2014 of the "Act for Partial Revision of the Income Tax Act" (Act No. 10 of 2014), the special corporate tax for reconstruction from the Great East Japan Earthquake will no longer be imposed from the fiscal year beginning on or after April 1, 2014.

In line with this revision, the Company's statutory tax rate used to calculate deferred tax assets and liabilities for temporary differences expected to be eliminated in the consolidated fiscal year commencing from March 1, 2015 will change from 37.9% to 35.6%.

If the Company takes the above change into consideration and uses it as a basis for recalculating the temporary differences at the end of the current consolidated fiscal year, the deferred tax assets (current) will decrease by ¥33 million ($324 thousand) and the deferred tax assets (non-current) will decrease by ¥232 million ($2,276 thousand) and the deferred tax liabilities (non-current) will increase by ¥99 million ($971 thousand). As the result of these, income taxes-deferred will increase by ¥165 million ($1,619 thousand).

15 RENTAL PROPERTY

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 28, 2014 and 2013 are as follows:

Amounts on the Consolidated Balance Sheets

	Millions of yen			
	2014			
	Book value			Fair value
	March 1, 2013	Increase	February 28, 2014	February 28, 2014
Rental property	**¥ 56,886**	**¥ 1,890**	**¥ 58,776**	**¥ 66,714**
Real estate including spaces used as rental properties	**243,096**	**11,448**	**254,544**	**354,416**

	Millions of yen			
	2013			
	Book value			Fair value
	March 1, 2012	Increase (decrease)	February 28, 2013	February 28, 2013
Rental property	¥ 55,261	¥1,625	¥ 56,886	¥ 62,222
Real estate including spaces used as rental properties	245,387	(2,291)	243,096	349,166

	Thousands of U.S. dollars			
	2014			
	Book value			Fair value
	March 1, 2013	Increase	February 28, 2014	February 28, 2014
Rental property	**$ 558,034**	**$ 18,540**	**$ 576,574**	**$ 654,444**
Real estate including spaces used as rental properties	**2,384,697**	**112,301**	**2,496,998**	**3,476,712**

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 28, 2014 primarily represents the acquisition of rental properties, and the decrease primarily represents depreciation.
3. Real estate including spaces used as rental properties: The increase during the year ended February 28, 2014 primarily represents the acquisition, and the decrease primarily represents depreciation.
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 years ended February 28, 2014 and 2013 was as follows:

	Millions of yen			
	2014			
	Rental income	Rental expenses	Difference	Other, net
Rental property	**¥14,842**	**¥10,760**	**¥4,082**	**¥—**
Real estate including spaces used as rental properties	**19,842**	**14,857**	**4,985**	**—**

	Millions of yen			
	2013			
	Rental income	Rental expenses	Difference	Other, net
Rental property	¥14,333	¥10,520	¥3,813	¥(867)
Real estate including spaces used as rental properties	19,695	15,628	4,067	—

	Thousands of U.S. dollars			
	2014			
	Rental income	Rental expenses	Difference	Other, net
Rental property	**$145,595**	**$105,552**	**$40,043**	**$—**
Real estate including spaces used as rental properties	**194,644**	**145,743**	**48,901**	**—**

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.

16 CONTINGENT LIABILITIES

The Company and certain consolidated subsidiaries were contingently liable for the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Guarantee on loans from financial institutions:			
Keppel Land Watco II Co., Ltd.	**¥1,450**	¥1,316	**$14,224**
Keppel Land Watco III Co., Ltd.	**1,035**	939	**10,153**
Loan guarantees made for employees and others	**285**	388	**2,796**
Total	**¥2,770**	¥2,643	**$27,173**

17 ALLOWANCE FOR EMPLOYEES' RETIREMENT BENEFITS

The Companies have defined benefit pension plans, i.e., corporate 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 28, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Projected benefit obligations	**¥101,010**	¥100,908	**$ 990,877**
Plan assets at fair value	**(53,332)**	(50,930)	**(523,171)**
Projected benefit obligations in excess of plan assets	**47,678**	49,978	**467,706**
Unrecognized prior service costs	**363**	1,103	**3,561**
Unrecognized actuarial differences	**(5,943)**	(7,433)	**(58,299)**
Allowance for employees' retirement benefits	**¥ 42,098**	¥ 43,648	**$ 412,968**

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 28, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Service costs	**¥2,886**	¥2,935	**$28,311**
Interest cost on projected benefit obligations	**1,981**	2,025	**19,433**
Expected return on plan assets	**(1,273)**	(1,051)	**(12,488)**
Amortization of prior service costs	**(740)**	(769)	**(7,259)**
Amortization of actuarial differences	**1,217**	3,183	**11,938**
Defined contribution pension costs and others	**747**	759	**7,328**
Employees' retirement benefit costs	**¥4,818**	¥7,082	**$47,263**

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

	2014	2013
Discount rate	**Mainly 2.00%**	Mainly 2.00%
Expected return on plan assets	**2.5%**	2.5%
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

18 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.

19 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

20 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 28, 2014 and 2013, 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
	2014	2013	**2014**
Acquisition costs: Equipment and fixtures	**¥926**	¥2,104	**$9,084**
Accumulated depreciation: Equipment and fixtures	**867**	1,918	**8,505**
Accumulated impairment loss: Equipment and fixtures	**—**	—	**—**
Net book value: Equipment and fixtures	**¥ 59**	¥ 186	**$ 579**

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 ¥193 million ($1,893 thousand) and ¥296 million for the years ended February 28, 2014 and 2013, respectively. Future minimum lease payments (including the interest portion thereon) subsequent to February 28, 2014 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	Millions of yen	Thousands of U.S. dollars
2014	**¥42**	**$412**
2015 and thereafter	**17**	**167**
Total	**¥59**	**$579**

(2) Operating leases

Future minimum lease payments subsequent to February 28, 2014 for noncancellable operating leases are summarized as follows:

Years ending February 28	Millions of yen	Thousands of U.S. dollars
2014	**¥ 6,633**	**$ 65,068**
2015 and thereafter	**13,820**	**135,570**
Total	**¥20,453**	**$200,638**

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		
			2014		
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		**¥135**	**¥—**	**¥(2)**
	To buy Euros		**193**	**—**	**1**
Total			**¥328**	**¥—**	**¥(1)**

			Millions of yen		
			2013		
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		¥154	¥—	¥3
	To buy Euros		35	—	(0)
	To buy G.B. pounds		1	—	0
	To buy Australian dollars		0	—	0
Total			¥190	¥—	¥3

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2014		
			Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable–trade			
	To buy U.S. dollars		**$1,325**	**$—**	**$(20)**
	To buy Euros		**1,893**	**—**	**10**
Total			**$3,218**	**$—**	**$(10)**

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		
			2014		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Long-term debt			
	Receive floating rate		**¥30,500**	**¥29,000**	**¥—**
	Pay fixed rate				
Total			**¥30,500**	**¥29,000**	**¥—**

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2013		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Long-term debt			
	Receive floating rate		¥24,500	¥24,500	¥—
	Pay fixed rate				
Total			¥24,500	¥24,500	¥—

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2014		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Long-term debt			
	Receive floating rate		**$299,196**	**$284,481**	**$—**
	Pay fixed rate				
Total			**$299,196**	**$284,481**	**$—**

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 28, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Basic net income per share			
Income (numerator):			
Net income	**¥ 18,716**	¥ 16,541	**$183,598**
Amounts not belonging to common stock	**—**	—	**—**
Net income available to common shareholders	**18,716**	16,541	**183,598**
Shares, thousands (denominator):			
Weighted average number of shares	**329,887**	329,897	**—**
Basic EPS (yen and U.S. dollars)	**¥ 56.73**	¥ 50.13	**$ 0.56**
Diluted net income per share			
Income (numerator):			
Net income	**¥ 18,716**	¥ 16,541	**$183,598**
Amounts not belonging to common stock	**—**	—	**—**
Net income available to common shareholders	**18,716**	16,541	**183,598**
Effect of dilutive securities — convertible bonds	**(13)**	—	**(128)**
Adjusted net income	**18,703**	16,541	**183,470**
Shares, thousands (denominator):			
Weighted average number of shares	**329,887**	329,897	**—**
Assumed conversion of convertible bonds	**35,369**	24,691	**—**
Adjusted weighted average number of shares	**365,256**	354,588	**—**
Diluted EPS (yen and U.S. dollars)	**¥ 51.20**	¥ 46.64	**$ 0.50**

Net assets per share as of February 28, 2014 and 2013 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Net assets per share			
Net assets (numerator):			
Total net assets	**¥ 364,913**	¥335,443	**$3,579,684**
Minority interests in consolidated subsidiaries	**(6,719)**	(6,016)	**(65,911)**
Adjusted net assets	**358,194**	329,427	**3,513,773**
Common stock, thousands (denominator):			
Issued number of shares	**330,828**	330,828	**—**
Treasury stock	**(947)**	(934)	**—**
Outstanding number of shares	**329,881**	329,894	**—**
Net assets per share (yen and U.S. dollars)	**¥1,085.82**	¥ 998.58	**$ 10.65**

23 SEGMENT INFORMATION

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 28, 2014 and 2013 was as follows:

	Millions of yen								
Year ended February 28, 2014	Department Store	Contract & Design	Real Estate	Finance	Total of Reportable Segments	Other	Total	Adjustments	Consolidated
Sales and other operating revenue:									
Outside customers	**¥798,079**	**¥20,623**	**¥ 36,804**	**¥11,912**	**¥867,418**	**¥36,762**	**¥904,180**	**¥ —**	**¥904,180**
Intersegment	**6,302**	**4,791**	**4,362**	**4,284**	**19,739**	**30,361**	**50,100**	**(50,100)**	**—**
Total	**804,381**	**25,414**	**41,166**	**16,196**	**887,157**	**67,123**	**954,280**	**(50,100)**	**904,180**
Segment income	**¥ 13,963**	**¥ 1,110**	**¥ 8,381**	**¥ 4,144**	**¥ 27,598**	**¥ 1,651**	**¥ 29,249**	**¥ (150)**	**¥ 29,099**
Segment assets	**¥533,626**	**¥16,225**	**¥160,863**	**¥87,704**	**¥798,418**	**¥21,977**	**¥820,395**	**¥81,745**	**¥902,140**
Amortization of goodwill	**—**	**—**	**188**	**—**	**188**	**18**	**206**	**—**	**206**
Investment expenditures for affiliated company accounted for by the equity method	**14,396**	**—**	**23,522**	**—**	**37,918**	**0**	**37,918**	**—**	**37,918**
Depreciation	**13,547**	**42**	**4,056**	**108**	**17,753**	**395**	**18,148**	**71**	**18,219**
Impairment loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Increase in property, plant and equipment and intangibles	**29,031**	**35**	**6,314**	**96**	**35,476**	**305**	**35,781**	**(389)**	**35,392**

Year ended February 28, 2013	Department Store	Contract & Design	Real Estate	Finance	Total of Reportable Segments	Other	Total	Adjustments	Consolidated
	Millions of yen								
Sales and other operating revenue:									
Outside customers	¥770,090	¥19,010	¥ 33,864	¥11,655	¥834,619	¥35,715	¥870,334	¥ —	¥870,334
Intersegment	5,950	4,637	4,362	4,104	19,053	30,224	49,277	(49,277)	—
Total	776,040	23,647	38,226	15,759	853,672	65,939	919,611	(49,277)	870,334
Segment income	¥ 11,881	¥ 869	¥ 7,757	¥ 3,625	¥ 24,132	¥ 1,262	¥ 25,394	¥ 83	¥ 25,477
Segment assets	¥510,083	¥14,275	¥152,368	¥82,047	¥758,773	¥20,871	¥779,644	¥11,043	¥790,687
Amortization of goodwill	—	—	188	—	188	19	207	—	207
Investment expenditures for affiliated company accounted for by the equity method	13,272	—	19,627	—	32,899	11	32,910	—	32,910
Depreciation	13,628	82	4,044	56	17,810	340	18,150	278	18,428
Impairment loss	877	—	—	—	877	—	877	—	877
Increase in property, plant and equipment and intangibles	15,428	129	6,286	390	22,233	338	22,571	(437)	22,134

Year ended February 28, 2014	Department Store	Contract & Design	Real Estate	Finance	Total of Reportable Segments	Other	Total	Adjustments	Consolidated
	Thousands of U.S. dollars								
Sales and other operating revenue:									
Outside customers	**$7,828,909**	**$202,305**	**$ 361,036**	**$116,853**	**$8,509,103**	**$360,624**	**$8,869,727**	**$ —**	**$8,869,727**
Intersegment	**61,821**	**46,998**	**42,790**	**42,025**	**193,634**	**297,832**	**491,466**	**(491,466)**	**—**
Total	**7,890,730**	**249,303**	**403,826**	**158,878**	**8,702,737**	**658,456**	**9,361,193**	**(491,466)**	**8,869,727**
Segment income	**$ 136,972**	**$ 10,889**	**$ 82,215**	**$ 40,651**	**$ 270,727**	**$ 16,196**	**$ 286,923**	**$ (1,471)**	**$ 285,452**
Segment assets	**$5,234,707**	**$159,162**	**$1,578,017**	**$860,349**	**$7,832,235**	**$215,588**	**$8,047,823**	**$ 801,893**	**$8,849,716**
Amortization of goodwill	**—**	**—**	**1,844**	**—**	**1,844**	**177**	**2,021**	**—**	**2,021**
Investment expenditures for affiliated company accounted for by the equity method	**141,220**	**—**	**230,744**	**—**	**371,964**	**0**	**371,964**	**—**	**371,964**
Depreciation	**132,892**	**412**	**39,788**	**1,060**	**174,152**	**3,875**	**178,027**	**696**	**178,723**
Impairment loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Increase in property, plant and equipment and intangibles	**284,785**	**344**	**61,938**	**942**	**348,009**	**2,992**	**351,001**	**(3,816)**	**347,185**

(b) Related information

Amortization of goodwill and unamortized balance by reportable segment

	Millions of yen							
As of and for the year ended February 28, 2014	Department Store	Contract & Design	Real Estate	Finance	Total of Reportable Segments	Other	Adjustments	Consolidated
Goodwill:								
Amortization	**¥—**	**¥ —**	**¥ 188**	**¥—**	**¥ 188**	**¥ 18**	**¥—**	**¥ 206**
Unamortized balance	**—**	**—**	**1,126**	**—**	**1,126**	**153**	**—**	**1,279**
Negative goodwill:								
Amortization	**¥—**	**¥ 93**	**¥ —**	**¥—**	**¥ 93**	**¥ —**	**¥—**	**¥ 93**
Unamortized balance	**—**	**647**	**—**	**—**	**647**	**—**	**—**	**647**

	Millions of yen							
As of and for the year ended February 28, 2013	Department Store	Contract & Design	Real Estate	Finance	Total of Reportable Segments	Other	Adjustments	Consolidated
Goodwill:								
Amortization	¥—	¥ —	¥ 188	¥—	¥ 188	¥ 19	¥—	¥ 207
Unamortized balance	—	—	1,314	—	1,314	171	—	1,485
Negative goodwill:								
Amortization	¥—	¥ 93	¥ —	¥—	¥ 93	¥ —	¥—	¥ 93
Unamortized balance	—	740	—	—	740	—	—	740

	Thousands of U.S. dollars							
As of and for the year ended February 28, 2014	Department Store	Contract & Design	Real Estate	Finance	Total of Reportable Segments	Other	Adjustments	Consolidated
Goodwill:								
Amortization	**$—**	**$ —**	**$ 1,844**	**$—**	**$ 1,844**	**$ 177**	**$—**	**$ 2,021**
Unamortized balance	**—**	**—**	**11,046**	**—**	**11,046**	**1,501**	**—**	**12,547**
Negative goodwill:								
Amortization	**$—**	**$ 912**	**$ —**	**$—**	**$ 912**	**$ —**	**$—**	**$ 912**
Unamortized balance	**—**	**6,347**	**—**	**—**	**6,347**	**—**	**—**	**6,347**

24 PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

The partial offsetting of goodwill by negative goodwill at February 28, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Goodwill	**¥1,279**	¥1,485	**$12,547**
Negative goodwill	**647**	740	**6,347**
Goodwill, net	**¥ 632**	¥ 745	**$ 6,200**

25 SUBSEQUENT EVENTS

Acquisition of property and equipment

On December 26, 2013, the Board of Directors decided to acquire property and equipment (acquisition of trust beneficiary interests in a leasehold building) as follows, and the Company executed a trust beneficiary interest purchase and sale agreement in connection with such leasehold building on the same date.

As the result, the trust beneficiary interests were handed over to the Company on March 31, 2014.

Name and Address of Property	Acquisition cost	Present situation
Times Square Building (5-24-2 Sendagaya, Shibuya-ku, Tokyo) Land area: 19,281.26 m^2 Total floor area: 160,573.74 m^2 (A Wing) 13,902.70 m^2 (B Wing)	¥105,000 million ($1,030,018 thousand) (excludes consumption tax)	Shopping center

Note: The trust beneficiary interests in 5,254-9,000ths of the co-owned shares of the above-stated land and building were divided into those in the leasehold building and those in the land, and the Company acquired the former.

Notably, the Company raised ¥20,000 million ($196,194 thousand) through a syndicated loan on March 31, 2014 to cover part of the above-stated acquisition cost.

Cash dividends

On May 20, 2014, the shareholders of the Company approved the following appropriations:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	**¥1,649**	**$16,176**

KPMG

Independent Auditor's Report

To the Board of Directors of
Takashimaya Company, Limited:

We have audited the accompanying consolidated financial statements of Takashimaya Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at February 28, 2014 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Takashimaya Company, Limited and its consolidated subsidiaries as at February 28, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter
(1) Without qualifying our opinion, we draw attention to the following:
As discussed in Note 25 to the consolidated financial statements, on December 26, 2013, the Board of Directors decided to acquire property and equipment and the Company made contracts related to the acquisition. As the result, on March 31, 2014, the Company acquired the property and equipment.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2014 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.

May 20, 2014 KPMG AZSA LLC
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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