Takashimaya Company, Limited

Takashimaya Reports Earnings for the Six Months Ended August 31, 2007

Tokyo, Japan; October 9, 2007—Takashimaya Company, Limited (TSE Security Code 8233) announced consolidated sales and other operating revenue of 504,604 million yen for the first half (ended August 31, 2007) of the fiscal year ending February 29, 2008, and net income of 6,802 million yen, or 20.61 yen per share.

Summary of Operating Results

Total consolidated sales and other operating revenue for the Takashimaya Group declined 1.5% from the first half of the previous fiscal year to 504,604 million yen. Operating income increased 11.4% year on year to 16,517 million yen, ordinary income rose 12.7% to 19,746 million yen, and net income for the period fell 30.2% to 6,802 million yen, reflecting an extraordinary loss posted due to changes in the accounting treatment of gift certificates. When adjusted to account for the effects of changes to accounting period dates at consolidated subsidiaries, however, consolidated sales and other revenue actually rose 0.2% year on year.

During the interim period under review, the Japanese economy continued its steady recovery on the back of rising corporate capital expenditures supported by continued improvements in corporate performance. Although personal consumption remained steady due to an improved labor market, it fell short of regaining its former vigor.

Encouraging signs were seen throughout the department stores sector during the first half of the calendar year where positive year-on-year growth in the nationwide aggregate of department store revenues was experienced for the first time in 10 years, despite the effect of changes to start dates for clearance sales. However, the variation in year-on-year revenue comparisons, when examined on a monthly basis, indicates that the department stores sector is yet to enter a full-fledged recovery, and the accelerating trend towards industry reorganization and more intense competition across industry categories is precipitating an increasingly stringent competitive environment.

Under such economic conditions, the Takashimaya Group made efforts to strengthen its marketing capabilities and operating base with a view to fulfilling its long-term business plan, *Strategies for Growth*, which was launched in fiscal 2005. The Group's objective for this fiscal year was to *build the ultimate sales framework*, and, to that end, we worked together on a range of measures with all group employees sharing a constant awareness that they are, at all times, *salespeople*, regardless of whether they have direct contact with customers or not. We placed the task of bolstering sales and marketing capabilities, with a particular focus on enhancing selling capabilities, at the core of all of these efforts.

The Group continued to tackle reforms to the structure of its revenue and expenses, and the managerial resources arising from these efforts were actively plowed into measures aimed at strengthening sales and marketing capabilities.

The Group's objective is to improve all aspects of its operations, including products, services and environments, as seen from the customers' perspective. In addition to placing increased emphasis on Takashimaya brand products, the Group strove to expand and differentiate its product line and to improve store environments by making efforts to improve customer satisfaction and convenience in shopping as well as to create barrier free stores.

In the credit card business, the Group sought to strengthen its alliance with Credit Saison Co., Ltd. The Group also integrated its insurance agency activities, which had been dispersed throughout group companies, into a single entity, Takashimaya Hoken & Telecom, Co., Ltd., thereby strengthening its earnings and marketing capabilities.

Other group companies continued with business structure reforms, working to produce greater consolidated earnings as a step towards realizing the effects of these efforts.

Segment Information

Department Stores

Sales and other operating revenue for the department stores segment increased 0.4% year on year to 456,741 million yen. Operating income surged 24.9% to 11,648 million yen as progress was made in reducing selling, general and administrative expenses through measures such as amending the lease scheme for the Shinjuku store and keeping advertising expenses in check.

The Group set up a Committee on Sales Framework Optimization as a step towards *building the ultimate sales framework* backed by excellent products, high-class service and comfortable environments, the core elements of sales and marketing strength. The Group's overall aim in these efforts is to pursue revenue and earnings growth by creating the classiest stores in each location under the fundamental credo of always serving customers with a smile and heart warming attitude and an awareness among all employees that they are, fundamentally, salespeople.

We worked to ensure that feedback from customers on the sales floor, whether complimentary or critical, was shared throughout all group companies and reflected in our services, lineup and store environments. The Group also conducted objective reviews of service levels at all sales locations on a monthly basis, and successfully improved customer hospitality.

In March, the Group opened the first Takashimaya Food Maison store within the Nagareyama Otakanomori Shopping Center. The concept is to establish department store-style basement food floors in local areas. The Food Maison features the type of product lineup found on department store basement floors along with a modern store environment and comprehensive department store services, such as a concierge desk.

The refurbished Shinjuku store was opened in April, having been transformed into a new, classy, high-quality department store. In addition to locating the men's and ladies' departments on the same floor to allow couples to enjoy shopping together, welcome zones and concierge desks were set up on each floor as part of efforts that enhanced customer services across the board. The transformation ensures that the store will provide something for the entire range of customers, including those seeking a classy, refined lifestyle and customers with high sensibilities. This is apparent in efforts to enrich the store environment with culture and tradition, through the creation of an in-store art gallery and the upgrading of the drapery department, as well as in the opening of a customized Patisserie cake shop and a new section in the food department offering high-quality traditional dishes.

In March, the Group began issuing the new Takashimaya Gold Card, marketing it towards upper-class customers as the premier department store card available. This card joins the existing Takashimaya Card and Takashimaya-Saison Card. By making three cards available that customers can select based on their own shopping style, the Group hopes to be able to capture new customers from a broad range of consumers. Additionally, the Group has established a new CRM framework that will utilize the sales data collected from the use of these cards in sales and marketing strategies. The Group also launched new plastic gift cards that provide customers with greater convenience.

With regard to Internet-based activities, the Group established a new Online Business Department, and is working to expand the available product range and attract greater customer numbers by implementing a comprehensive redesign and upgrade of the Takashimaya Online Shopping site.

To mark the 100th anniversary of the establishment of the Fine Art Department, the Group is holding special events and introducing unique products as part of a three-year program, which began in March this year, entitled "Takashimaya's Centenary: 100 Years of Beauty".

As a result, total sales in the domestic department stores business grew 0.2% year on year, with sales at the Kyoto, Tokyo, Semboku, Gifu, Tamagawa, Omiya and Kashiwa stores all exceeding last year's figures. Sales to corporate customers declined year on year, heavily affected by the discontinuation of beer vouchers used as sales promotion tools.

Overseas, Takashimaya (Singapore) Ltd. achieved substantial gains in sales and operating income, aided by continuing economic expansion in Singapore, which provided for strong sales performances for specialist boutiques and women's accessories where the effects of refurbishments continued to play a role, as well as the positive effects of the introduction of the Takashimaya Platinum Amex Card.

Contract & Design

Sales and other operating revenues for the segment fell 44.6% year on year to 10,998 million yen, whereas operating income surged 229.9% to 518 million yen.

Sales and operating revenue was lower at Takashimaya Space Create Co., Ltd., a Group company, due to a change to accounting period dates that excluded two months worth of figures. However, the success of efforts to raise profit margins by lowering outsourcing expenses and reducing manufacturing costs saw operating income exceed last year's figure.

Real Estate

Sales and other operating revenues for the segment rose 17.5% year on year to 14,108 million yen, and operating income increased 19.9% to 3,733 million yen.

Toshin Development Co., Ltd., a Group company, enjoyed both revenue and net income growth due to increased rent revenue. This reflects brisk sales at the Takashimaya shopping center in Singapore, contributions from newly developed businesses such as the Nagareyama Otakanomori Shopping Center in Chiba Prefecture and T-terrace, located in the Namba Parks complex in Osaka, and the renewal of the Restaurant Parks store in Shinjuku.

Finance & Leasing

Sales and other operating revenues for the segment rose 5.7% year on year to 4,227 million yen, whereas operating income fell 80.9% to 229 million yen.

Takashimaya Credit Co., Ltd. posted increased revenue due to growth in billings on the new Takashimaya Gold Card launched in March of this year. However, operating income fell due to an increase in incentive point expenses, resulting from rising membership numbers for the card, and increased development expenses for systems aimed at reducing costs.

Other Segments

Sales and other operating revenues for other segments declined 12.3% year on year to 18,527 million yen, and operating income fell 26.3% to 823 million yen.

Although the electronic and mail-order business produced a number of successes, such as strong sales from certain direct marketing projects, sales fell short of last year's levels overall, reflecting sluggish performance from the businesses main catalogs.

Structural reforms at ATA Co., Ltd., a group company, resulted in reduced revenue and net income. These reforms saw the body responsible for sales promotion at department stores transferred to the Takashimaya parent entity in an effort to strengthen department store marketing capabilities.

The insurance agency business, which was formerly dispersed among three Group companies, including Takashimaya Credit Co., Ltd., was integrated into a single consolidated group entity, Takashimaya Hoken & Telecom Co., Ltd., from February of this year. This new company produced increased revenue and net income. R.T. Corporation, which operates restaurant businesses, experienced lower revenues due to sluggish performance at existing stores, but sales and marketing expenses were successfully reigned in through the implementation of business structure reforms, and the company posted growth in net income.

Financial Condition

Assets, Liabilities, and Shareholders' Equity

Consolidated total assets at the end of the interim period totaled 754,070 million yen, a decline of 28,925 million yen from the end of the previous fiscal year. This mainly reflects a fall in guarantee deposits, although tangible and intangible fixed assets increased as a result of aggressive investment activities in conjunction with the new long-term business plan, *Strategies for Growth*. Total liabilities decreased 30,567 million yen to 465,599 million yen. This was mainly due to a decrease in short-term loans (including the portion of long-term debt repayable within a year). Total shareholders' equity rose 1,641 million yen to 288,471 million yen.

Cash Flows

Consolidated net cash and cash equivalents at the end of the interim period stood at 35,289 million yen, representing a decline of 19,672 million yen from the end of the previous fiscal year.

Net cash provided by operating activities amounted to 52,000 million yen, an increase of 47,263 million yen over that generated for last year's interim period. This primarily reflects the return of guarantee deposits.

Net cash used in investment activities amounted to 38,953 million yen, an increase of 27,475 million yen compared with last year's interim period. This mainly reflects a 35,549 million yen outflow for the purchase of property and equipment, a rise of 17,716 million yen, and a 4,010 million yen outflow for the purchase of securities, a 2,999 million yen increase.

Net cash used in financing activities amounted to 33,035 million yen, effectively representing a 37,477 million yen increase in net outflow compared with last year's interim period. This mainly reflects a 42,319 million yen outflow for the repayment of long-term debt, 21,124 million yen higher than the same figure last year, and a 30,055 million yen decline in financing proceeds compared with last year when the Group procured funds through a public offering and the allocation of shares to third parties.

Outlook for the Coming Year

Overview

For the full year ending February 29, 2008, the Group expects consolidated sales and other operating revenue of 1,047,000 million yen, a 0.2% year-on-year decline, operating income of 37,000 million yen, a 9.3% increase, ordinary income of 41,000 million yen, a 3.7% rise, and net income of 18,500 million yen, a 26.9% decline.

Although concerns exist regarding what paths the U.S. economy and oil prices will follow, the Japanese economy, supported by domestic demand, should continue on its course to recovery, and strong levels of individual consumption are also anticipated. However, the future operating environment facing the department stores industry cannot yet be viewed with outright optimism as competition is intensifying across business segment and category lines and industry restructuring is accelerating. In this environment, the Group will pursue zero-based earnings structure reforms that are unbounded by conventional thinking and make efforts to increase sales by allocating the managerial resources generated through these reforms to measures aimed at improving customer satisfaction.

Outlook by Segment

Department Stores

The Group is working to *build the ultimate sales framework* to respond and adapt rapidly to customer needs while striving to provide high-class service and comfortable environments based on the philosophy that "the customer is No. 1".

In Osaka, progress is being made with works to completely renovate and significantly expand the new main building of the Osaka store. With regard to the Yokohama store, the Group is pushing forward with plans for a complete renovation that comprehensively revises merchandising, environmental and service aspects of store operations in order to cement Takashimaya's unparalleled position as the premier department store in the region. The Group is also working towards opening the second Takashimaya Food Maison store, modeled on department store-style basement food floors, within the JR Tokai Shin-Yokohama Station Building "Cubic Plaza Shin-Yokohama".

The Group will also add new semi-customized gift cards to the selection of plastic gift cards launched in Spring this year, providing customers with greater convenience, while striving to further differentiate merchandise through efforts such as the Voice File, a lineup of products that incorporate valuable customer feedback, and the Style & Edit store, which offers a customized range of selected fashion items.

In an effort to expand Takashimaya's customer base and encourage store visits, the Group will be conducting a cultural program entitled "Takashimaya's Centenary: 100 Years of Beauty" and holding a Spanish exhibition and other interesting events. The Group will also be working to satisfy customer demands and foster loyalty through the three incentive cards it issues: the Takashimaya Card, the Takashimaya-Saison Card, and the new Takashimaya Gold Card launched in March of this year.

In an effort to further enhance the level of services provided, the Group will continue to develop additional sales specialists and assign sales concierges, who provide shopping and other advice to customers, to small and medium-sized stores, and, in addition, service level checks will be implemented on a continuous basis at all stores.

Overseas, the Group is seeking to expand earnings at Takashimaya (Singapore) while further enhancing the quality of the establishment through efforts including the renovation of the men's and ladies' clothing sales floors to create an even classier feel.

Contract & Design

Takashimaya Space Create will be working to strengthen the level of orders received, with a focus on orders from luxury brands, in an effort to expand revenues and income, and the company will also be engaged in earnings reform by implementing efficient factory production systems, narrowing down suppliers and pursuing other cost reduction measures.

Real Estate

In August, Toshin Development Co., Ltd. acquired half of the trust beneficiary rights in eeny meeny miny mo (Hakata Riverain), a large commercial facility in Fukuoka City, and began working jointly on the project. The company plans to utilize the experience it has cultivated as a commercial developer to further bolster the earnings potential of the facility.

Finance & Leasing

Takashimaya Credit will be working to strengthen sales and marketing capabilities at the Group's department stores by acquiring new customers with the Takashimaya Gold Card and enhancing services provided to existing customers. The company is aiming to achieve further growth in revenue and income by leveraging the alliance with Credit Saison Co., Ltd. to lower costs and bolster its operating base.

Dividend Policy

Takashimaya's basic policy on profit distribution is to consistently provide a stable dividend stream by reinforcing its operating base, with a view towards future business expansions, while giving due consideration to earnings performance and the foundations of the Group's operations. The Group returns profits to shareholders at a target dividend payout ratio of 30% of both consolidated and non-consolidated earnings. On the basis of this policy, the Group has set an interim dividend of 5 yen per share, a 0.5 yen increase over the 4.5 yen interim dividend paid last year. The Group expects to pay a total annual dividend of 10 yen per share.

The Group makes effective use of retained earnings to further enhance sales capabilities through store renovations and to strengthen its financial position.

The Group also periodically considers the possibility of making changes to the articles of incorporation to introduce quarterly dividends.

Business Risks

The Group makes efforts to manage business risks in a systematic manner throughout the organization. Major risk factors that could affect the Group's future performance and financial situation include, but are not limited to, the following:

a) Domestic and overseas economic conditions as well as seasonal factors such as unusually cool or unusually warm summers/winters.
b) Competition:
  (i) Competition with other department chain operators, particularly with regard to the five department stores located in major cities which face strong competitive pressure from other department stores.
  (ii) Competition with alternative store formats, such as commercial complexes in urban and suburban areas.
c) Natural disasters and accidents, such as earthquakes, floods, typhoons and fires, which may cause damage to the Group's department stores and floors leased by the Group's real estate business.
d) Risks associated with the merchandise assortment of Takashimaya department stores, including defective merchandise and food poisoning risk, which may lead to regulatory action and liability payments which could damage the Group brand.
e) Risk associated with laws and regulations, such as the Large-Scale Retail Stores Act and the Anti-Monopoly Act, as well as regulations regarding food safety management, consumer protection, taxation, environmental concerns, and recycling.
f) Risks associated with customer information management, such as information leakage incidents which may lead to compensation payments and damage to the Group's reputation.
g) Systems risk which may affect the Group's business continuity in the event of extreme natural disasters, crimes, system failures, and other occurrences which cannot be prevented by safety measures the Group has in place, including the highest level-7 earthquake resistance at the central security center, back-up power sources and communication lines, and security systems.

Forward-Looking Statements

This news release contains various forward-looking statements based on current expectations and assumptions regarding future events as well as on information available to the Group at the time the release was prepared. Although the Group believes its expectations and assumptions are reasonable, actual results and trends in the Group's performance could differ materially from those expressed or implied by figures or statements presented in this release due to risks and uncertainties, including but not limited to economic conditions, market trends, and foreign exchange fluctuations.

Takashimaya

Consolidated Financial Statements

Balance Sheets

(In million yen)

	As of August 31, 2007 (A)	As of August 31, 2006 (B)	(A – B)	As of February 28, 2007 (C)	(A – C)
	Amount	Amount	Amount	Amount	Amount
Assets					
Current assets	202,025	193,309	8,715	258,857	(56,832)
Cash and deposits	35,529	49,462	(13,933)	55,009	(19,480)
Notes and accounts receivable	88,217	70,417	17,799	72,622	15,594
Marketable securities	599	899	(299)	599	0
Inventories	44,045	40,287	3,757	41,494	2,551
Short-term loans	0	–	0	0	(0)
Deferred tax assets	6,967	3,751	3,216	6,210	756
Guarantee deposits	2,759	7,611	(4,851)	63,757	(60,998)
Other	24,803	21,490	3,313	19,773	5,029
Allowance for doubtful accounts	(896)	(610)	(286)	(611)	(285)
Fixed assets	552,045	578,776	(26,731)	524,138	27,906
Tangible fixed assets	382,569	276,386	106,183	281,394	101,175
Buildings and structures	157,647	113,792	43,855	114,850	42,797
Machinery, equipment and vehicles	181	147	33	185	(4)
Furniture and fixtures	10,518	8,436	2,081	8,770	1,747
Land	202,054	143,911	58,143	142,229	59,824
Construction in progress	12,167	10,098	2,069	15,357	(3,189)
Intangible fixed assets	16,052	16,138	(85)	15,894	157
Leasehold	11,354	11,354	–	11,354	–
Consolidation difference	–	1,192	(1,192)	1,145	(1,145)
Goodwill	1,097	–	1,097	–	1,097
Other	3,600	3,591	9	3,395	205
Investments and other assets	153,422	286,252	(132,829)	226,849	(73,426)
Investment securities	97,874	102,778	(4,903)	100,162	(2,287)
Long-term loans	96	82,831	(82,735)	82,821	(82,725)
Long-term guarantee deposits	43,499	98,919	(55,419)	36,875	6,623
Deferred tax assets	7,300	7,051	248	3,738	3,562
Other	7,602	6,257	1,344	6,330	1,272
Allowance for doubtful accounts	(2,950)	(11,585)	8,635	(3,078)	127
Total assets	754,070	772,086	(18,016)	782,996	(28,925)

(In million yen)

	As of August 31, 2007 (A)	As of August 31, 2006 (B)	(A – B)	As of February 28, 2007 (C)	(A – C)
	Amount	Amount	Amount	Amount	Amount
Liabilities					
Current liabilities	303,478	338,058	(34,580)	341,057	(37,579)
Notes and account payable	103,658	100,039	3,619	99,020	4,637
Short-term bank loans	11,396	65,830	(54,434)	50,898	(39,502)
Current portion of long-term debt	10,000	3,000	7,000	10,000	–
Accrued income taxes	6,837	6,682	154	9,959	(3,121)
Accrued consumption tax	–	1,469	(1,469)	1,312	(1,312)
Accrued expenses	6,923	7,362	(438)	9,038	(2,115)
Advances received	71,968	64,454	7,513	67,876	4,091
Gift certificates outstanding	50,118	45,453	4,665	44,637	5,481
Deposits received	22,845	22,974	(128)	23,538	(692)
Reserve for directors' bonuses	15	16	(0)	91	(75)
Allowance for point gift certificates	4,160	3,140	1,019	3,731	428
Allowance for loss on disposal of buildings and structures	–	–	–	2,379	(2,379)
Other	15,553	17,634	(2,080)	18,571	(3,018)
Fixed liabilities	162,121	168,866	(6,744)	155,109	7,012
Corporate bonds	21,231	24,850	(3,619)	11,231	10,000
Long-term debt	42,545	45,191	(2,646)	44,361	(1,816)
Allowance for employees' retirement benefits	55,244	56,917	(1,673)	56,824	(1,580)
Allowance for directors' and corporate auditors' retirement benefits	246	523	(277)	606	(359)
Liabilities resulting from application of equity method	317	317	–	317	–
Deferred tax liabilities	128	140	(11)	124	4
Deferred tax liabilities related to revaluation	10,134	8,053	2,081	10,184	(49)
Other	32,273	32,873	(599)	31,460	813
Total liabilities	465,599	506,924	(41,324)	496,166	(30,567)
Net assets					
Common stock	56,025	54,194	1,830	56,025	–
Additional paid-in capital	45,078	43,251	1,827	45,076	1
Retained earnings	151,200	134,984	16,215	145,975	5,224
Treasury stock	(449)	(364)	(85)	(425)	(24)
Total shareholders' capital	251,854	232,065	19,788	246,652	5,202
Net unrealized gains/losses on other securities	21,206	25,721	(4,514)	25,631	(4,424)
Net deferred gains/losses on hedge contracts	6	2	3	(0)	7
Land revaluation difference	8,433	5,388	3,045	8,505	(72)
Foreign currency translation adjustments	3,726	1,391	2,334	2,803	922
Total valuation and translation adjustments	33,372	32,503	869	36,939	(3,567)
Minority interests	3,244	593	2,651	3,237	6
Total net assets	288,471	265,162	23,308	286,829	1,641
Total liabilities and net assets	754,070	772,086	(18,016)	782,996	(28,925)

Takashimaya

Statements of Operations

(In million yen)

	Six months ended August 31, 2007 (A)	Six months ended August 31, 2006 (B)	(A – B)		Year ended February 28, 2007
	Amount	Amount	Amount	%	Amount
Net sales	480,927	490,713	(9,786)	(2.0)	1,007,476
Cost of sales	351,251	357,881	(6,629)	(1.9)	734,083
Gross profit	129,675	132,832	(3,156)	(2.4)	273,392
Other operating revenue	23,676	21,340	2,335	10.9	41,929
Total sales and operating revenue	*504,604*	*512,054*	*(7,450)*	*(1.5)*	*1,049,405*
Gross operating income	153,352	154,172	(820)	(0.5)	315,322
Selling, general and administrative expenses	136,835	139,350	(2,515)	(1.8)	281,461
Operating income	16,517	14,821	1,695	11.4	33,860
Interest and dividend income	873	1,984	(1,111)	(56.0)	3,549
Equity in gains of affiliated companies	1,279	907	371	40.9	2,151
Other non-operating income	2,690	3,319	(629)	(19.0)	6,680
Total non-operating income	4,842	6,211	(1,369)	(22.0)	12,381
Interest expense	815	1,513	(697)	(46.1)	2,851
Other non-operating expense	797	2,001	(1,203)	(60.1)	3,846
Total non-operating expense	1,613	3,515	(1,901)	(54.1)	6,698
Ordinary income	19,746	17,518	2,227	12.7	39,543
Extraordinary gains	1,572	2,226	(653)	(29.4)	15,362
Extraordinary losses	9,246	2,504	6,742	269.2	11,970
Net income before income taxes	12,071	17,239	(5,167)	(30.0)	42,936
Income taxes, inhabitants' tax, and enterprise taxes	5,981	5,950	31	0.5	12,063
Income tax, inhabitants' tax, and enterprise tax for past year	567	–	567	–	755
Income tax adjustments	(1,330)	1,472	(2,803)	–	4,665
Minority interests in earnings of consolidated subsidiaries	50	75	(24)	(32.9)	131
Net income	6,802	9,741	(2,938)	(30.2)	25,319

Takashimaya

Statement of Changes in Shareholders' Capital

(March 1, 2007 to August 31, 2007)

(In million yen)

	Shareholders' capital				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' capital
Balance as of February 28, 2007	56,025	45,076	145,975	(425)	246,652
Changes during period					
Cash dividends			(1,650)		(1,650)
Net income			6,802		6,802
Purchase/disposition of treasury stock		1		(24)	(22)
Reversal of land revaluation difference			72		72
Net change in items other than shareholders' capital during period					
Total changes during period		1	5,224	(24)	5,202
Balance as of August 31, 2007	56,025	45,078	151,200	(449)	251,854

	Valuation and translation adjustments					Minority interests	Total net assets
	Net unrealized gains/losses on other securities	Net deferred gains/losses on hedge contracts	Land revaluation difference	Foreign currency adjustments	Total valuation and adjustments		
Balance as of February 28, 2007	25,631	(0)	8,505	2,803	36,939	3,237	286,829
Changes during period							
Cash dividends							(1,650)
Net income							6,802
Purchase/disposition of treasury stock							(22)
Reversal of land revaluation difference							72
Net change in items other than shareholders' capital during period	(4,424)	7	(72)	922	(3,567)	6	(3,560)
Total changes during period	(4,424)	7	(72)	922	(3,567)	6	1,641
Balance as of August 31, 2007	21,206	6	8,433	3,726	33,372	3,244	288,471

Takashimaya

Statements of Cash Flows

(In million yen)

	Six months ended August 31, 2007	Six months ended August 31, 2006	Year ended February 28, 2007
	Amount	Amount	Amount
I Cash flows from operating activities:			
Income before income taxes and minority interests	12,071	17,239	42,936
Depreciation	7,329	6,242	12,226
Loss on impairment of property and equipment	–	–	43
Amortization of consolidation difference	–	47	95
Amortization of goodwill	47	–	–
Increase (decrease) in allowance for doubtful accounts	157	(530)	(9,036)
Decrease in allowance for directors' and corporate auditors' bonuses	(75)	(83)	(7)
Decrease in allowance for employees' retirement benefits	(1,580)	(452)	(545)
Increase (decrease) in allowance for directors' and corporate auditors' retirement benefits	(359)	(12)	69
Increase (decrease) in allowance for point gift certificates	423	(56)	527
Loss on adjustments of gift coupons, etc.	5,465		–
Increase (decrease) in allowance for loss on disposal of buildings and structures	(2,379)	–	2,379
Interest and dividend income	(873)	(1,984)	(3,549)
Interest expenses	815	1,513	2,851
Equity in gain of affiliated companies	(1,279)	(907)	(2,151)
Gain (loss) on sale of property and equipment, net	(44)	(1,309)	(3,567)
Loss on disposal of property and equipment	2,760	669	3,018
Gain (loss) on sale of securities, net	1	(579)	(832)
Write-down of investment securities	18	0	2
Gain on sale of consolidated subsidiaries	–	–	(1,417)
Increase in notes and accounts receivable	(15,022)	(8,082)	(9,989)
(Increase) decrease in inventories	(2,533)	869	(284)
Increase in notes and accounts payable	4,242	3,081	1,921
Decrease in guarantee deposits	54,374	922	6,819
Other	(3,345)	(8,502)	(4,819)
Subtotal	60,215	8,084	36,689
Interest and dividend income received	2,563	2,637	4,165
Interest expense paid	(1,291)	(1,491)	(3,745)
Income taxes paid	(9,486)	(4,493)	(8,347)
Net cash provided by operating activities	52,000	4,737	28,762

II Cash flows from investing activities:			
Purchase of time deposits maturing after three months	(43)	(48)	(60)
Repayment of time deposits maturing after three months	31	36	60
Purchase of securities	(4,010)	(1,011)	(2,025)
Proceeds from sale of securities	2	1,151	11,056
Purchase of property and equipment	(35,549)	(17,832)	(29,543)
Proceeds from sale of property and equipment	618	3,612	7,812
Increase in long-term advances	(34)	(8)	(29)
Proceeds from collection of long-term advances	29	1,028	1,059
Other	0	1,593	1,593
Net cash used in investing activities	(38,953)	(11,478)	(10,075)

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Ⅲ Cash flows from financing activities			
Net decrease in short-term bank loans	–	–	(50)
Proceeds from long-term bank loans	1,000	2,000	4,000
Repayment of long-term bank loans	(42,319)	(21,195)	(38,906)
Proceeds from issuance of bonds	10,000	–	–
Redemption of bonds	–	(5,000)	(8,000)
Proceeds from sale of treasury stock	2	1	3
Cash dividends paid	(1,650)	(1,387)	(2,856)
Proceeds from capital increase	–	30,055	30,055
Other	(68)	(33)	(94)
Net cash provided by (used in) financing activities	(33,035)	4,441	(15,848)
Ⅳ Effect of exchange rate changes on cash and cash equivalents	316	105	527
Ⅴ Increase (decrease) in cash and cash equivalents	(19,672)	(2,193)	3,365
Ⅵ Cash and cash equivalents at beginning of period	54,961	51,595	51,595
Ⅷ Cash and cash equivalents at end of period	35,289	49,402	54,961