TAKASHIMAYA

FINANCIAL STATEMENTS 2023

Years ended February 28, 2023 and February 28, 2022

Takashimaya Co., Ltd., and Toshin Development Co., Ltd., a consolidated subsidiary, will open “Kyoto Takashimaya Shopping Center” at the birthplace of Takashimaya, which is Kyoto, in October 2023.
“Kyoto Takashimaya Shopping Center” consists of Takashimaya Kyoto Store, which has offered high-quality goods and services, and a new specialty store zone “T8” accommodating stores that proudly present Japanese contemporary art and subcultures to the world. Through this shopping center, in addition to local customers, we will cater to diverse needs of customers who visit the city for a variety of purposes.

Takashimaya

Contents

Company Information

Independent Auditor’s Report

Part 1 Overview of the Company

1. History

Year	Takashimaya Events
1831	Takashimaya founded. Shinshichi I started a used clothing business on the west side of Matsubara-agaru, Karasuma, Kyoto
1876	Men from American company, Smith, Baker & Co. visited the shop (first major sales to foreigners)
1888	Exhibited at the Barcelona World Expo, won Silver Medal
1898	Osaka store opened (Shinsaibashi-suji, Minami-ku)
1899	Opened Lyon office (Also opened offices in Tianjin, London, Sydney, New York, and other cities by the early 1990s)
1900	Nihombashi store opened (Nishi-konyamachi, Kyobashi-ku)
1904	made a registered trademark
1912	Karasuma store opened (Yakushimae-cho, Takatsuji-sagaru, Karasuma)
1916	New Minami-Demma-cho store (Minami-Denma-cho, Kyobashi-ku) opened in Tokyo
1919	Takashimaya Dry Goods Store Co., Ltd. founded (Name changed to Takashimaya Co., Ltd. in Dec. 1930)
1922	New Nagahori store opened (Nagahori-bashi-suji, Minami-ku)
1932	Full opening of Nankai store (Namba-shinchi, Minami-ku)
1933	New Nihombashi store opened (Nihombashi Street) 
1952	The rose-patterned wrapping paper made its debut (since this time roses have been the Takashimaya symbol)
1958	Takashimaya New York opened (Closes Jun. 2010)
1959	Yokohama store opened
	Licensing contract with Pierre Cardin signed
1969	Toshin Development's Tamagawa Takashimaya SC, Tamagawa store opened 
1973	Kashiwa store opened
	Takashimaya Paris store opened (inside Printemps) (Closes Aug. 2011)
1992	Toshin Development's Kashiwa Station Mall opens (Apr.)
1993	Takashimaya Singapore SC grand opening (Oct.)
1996	Shinjuku store opened (Oct.)
2000	JR Nagoya Takashimaya opened (Mar.)
2002	Iyotetsu Takashimaya opened in Matsuyama, Ehime Prefecture (Mar.)

Year	Takashimaya Events	
2007	Toshin Development's Nagareyama Otakanomori SC opened (Mar.)	
2012	Shanghai Takashimaya opened (Dec.)	
2016	Saigon Centre, Ho Chi Minh City Takashimaya opened (Jul.)	
2018	Nihombashi Takashimaya S.C. opened	
	Siam Takashimaya （Bangkok,Thailand） opened	

2. Subsidiaries and Other Affiliated Companies

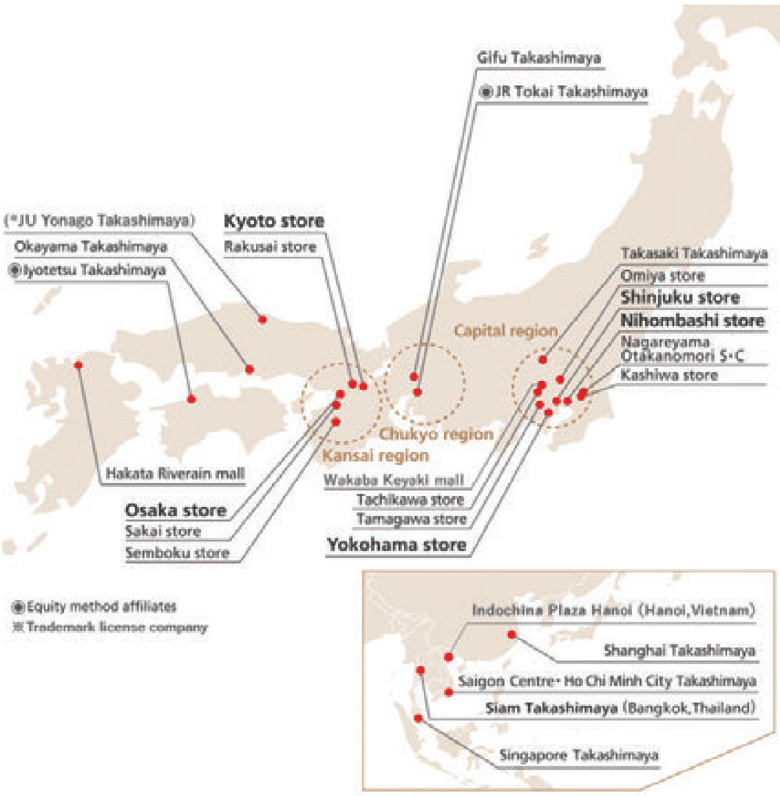
	Company	Country	Capital Millions of yen	Segment	Voting rights ownership ratio （%）
Consolidated subsidiaries	Okayama Takashimaya Co., Ltd.	Japan	90	Department store	100.0
	Gifu Takashimaya Co., Ltd.	Japan	50		100.0
	Takasaki Takashimaya Co., Ltd.	Japan	50		100.0
	Takashimaya Singapore Ltd.	Republic of Singapore	Thousands of SGD 100,000		100.0
	Shanghai Takashimaya Co., Ltd.	People's Republic of China	Thousands of RMB 610,000		100.0 (66.8)
	Takashimaya Vietnam Ltd.	Socialist Republic of Viet Nam	Hundreds of USD 320,000		100.0 (100.0)
	Siam Takashimaya (Thailand) Co.,Ltd.	Kingdom of Thailand	Millions of THB 2,200		51.0 (51.0)
	Takashimaya Tomonokai Co., Ltd.	Japan	50		100.0
	R.T. Corporation Ltd.	Japan	470		100.0
	Toshin Development Co., Ltd.	Japan	2,140	Commercial property development	100.0
	Toshin Development Singapore Pte. Ltd.	Republic of Singapore	Thousands of SGD 8,526		100.0 (100.0)
	Fashion Plaza Sunroser Co., Ltd.	Japan	96		100.0 (100.0)
	A&B Development CORP.	Socialist Republic of Viet Nam	Millions of VND 23,375		70.0 (70.0)

	Company	Country	Capital Millions of yen	Segment	Voting rights ownership ratio (%)
Consolidated subsidiaries	Gateway Vietnam Education Joint Stock Company	Socialist Republic of Viet Nam	Millions of VND 168,320	Commercial property development	75.0 (75.0)
	Globaland Ltd.	British Virgin Islands	Hundreds of USD 100		60.0 (60.0)
	Hanoi Residential and Commercial Centre - HRCC Ltd.	Socialist Republic of Viet Nam	Millions of VND 441,102		100.0 (100.0)
	SLUC Co., Ltd.	Socialist Republic of Viet Nam	Millions of VND 827,460		100.0 (100.0)
	Toshin Development Vietnam Ltd.	Socialist Republic of Viet Nam	Millions of VND 38,390		100.0 (100.0)
	Takashimaya Financial Partners Co., Ltd.	Japan	100	Finance	69.5
	Takashimaya Space Create Co., Ltd.	Japan	100	Construction & Design	100.0
	Good Live Co., Ltd.	Japan	100	Other	100.0
	RTD Co., Ltd.	Japan	10		60.0 (60.0)
	TAKASHIMAYA TRANSCOSMOS INTERNATIONAL COMMERCE PTE. LTD.	Republic of Singapore	Hundreds of USD 129,426		51.0
	ATA CO., LTD.	Japan	80		100.0
	Century & Co., Ltd.	Japan	90		100.0
	Takashimaya Facilities Co., Ltd.	Japan	30		100.0 (100.0)
	The Tamagawa Institute., Ltd.	Japan	15		100.0 (100.0)
	Select Square Co., Ltd.	Japan	100		100.0
Equity-method affiliates	JR Tokai Takashimaya Co,Ltd.	Japan	10,000	Department store	33.4
	Iyotetsu Takashimaya co., ltd.	Japan	100		33.6
	Ngee Ann Development PTE.LTD.	Republic of Singapore	Thousands of SGD 376,471	Commercial property development	26.3
	5 other companies	—	—	—	—

*The figures in parentheses in the “Voting rights ownership ratio” column are the indirect holding ratios.

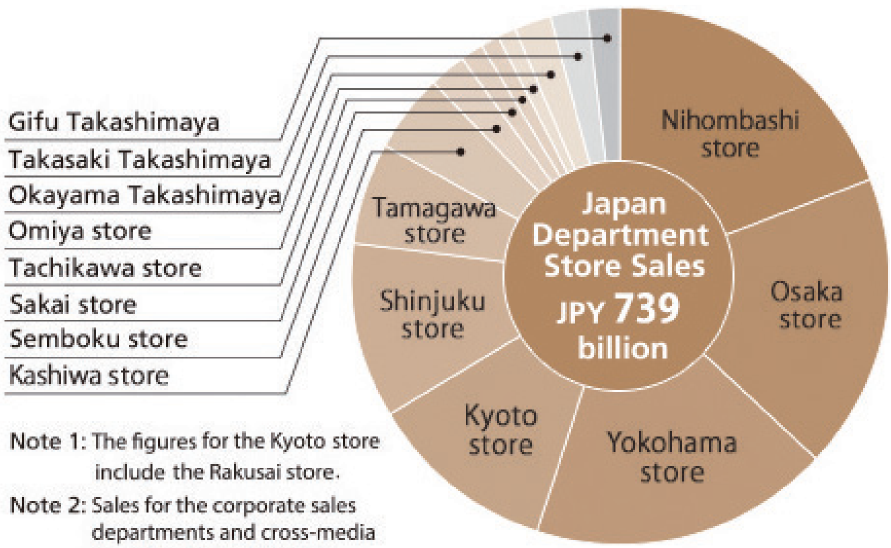
3. Store Network and Japan Department Store Sales

Store Network



Japan Department Store Sales

Nihombashi store	JPY 143B
Osaka store	JPY 132B
Yokohama store	JPY 132B
Kyoto store	JPY 84B
Shinjuku store	JPY 80B
Tamagawa store	JPY 45B
Kashiwa store	JPY 35B
Semboku store	JPY 15B
Sakai store	JPY 11B
Tachikawa store	JPY 8B
Omiya store	JPY 8B
Okayama Takashimaya	JPY 18B
Takasaki Takashimaya	JPY 16B
Gifu Takashimaya	JPY 13B



Note 1: The figures for the Kyoto store include the Rakusai store.

Note 2: Sales for the corporate sales departments and cross-media departments include the stores for each region.

Note 3: The Tachikawa store terminated operations on January 31, 2023.

Note 4: The company has applied the Accounting Standard for Revenue Recognition and relevant regulations since the fiscal year ending February 28, 2023. Store sales have been calculated according to the previous standard.

Part 2 Business Overview

1. Business Policies, Business Environment, Issues to be Addressed

(1) Business Policies

In FY2022, we set our strategic objectives as transforming department stores' revenue structure to maximize earnings for the whole group. To achieve these goals, we implemented structural reforms for domestic department stores while working to strengthen the profitability of Group companies and promote our Group ESG strategy.

Structural reforms aimed at strengthening our sales and marketing capabilities and reducing costs for domestic department stores involve measures such as reevaluating and optimizing our storefront operations structure and reassigning the personnel to operations that we previously outsourced. These cost reduction measures produced a certain level of benefits as our SG&A to total operating revenue ratio improved significantly compared to FY2019.

As a result of those efforts, FY2022 consolidated performance resulted in a significant increase in revenue and profit. Profit was up even compared to FY2019, which was prior to the COVID-19 pandemic. Total operating revenue was up for both domestic department stores and Group companies due to consumer sentiment driven by the waning impact of COVID-19. Earnings were also higher due to major orders received at domestic department stores and improved results for overseas Group companies thanks to foreign currency gains.

SG&A expenses were down by 400 million yen from the previous year thanks to steady progress in cost-optimization program and the impact of changing accounting standards, despite cost increase factors such as higher utility bills. This represents an improvement of 1,400 million yen above plans. For operating profit, we achieved the FY2023 target of 30,000 million yen one year ahead of plans. We also recorded extraordinary income from gains on the sales of non-current assets. Overall, we achieved recorded high profit exceeding the 25,300 million yen mark set in FY2006.

As the final year of the Takashimaya Group Three-Year Plan (FY2021 to FY2023), FY2023 will be an incredibly important period for our Group. We will apply bold thinking and undertake new challenges to further strengthen Group profitability, and work to build a foundation that will support continuous growth as we approach 2031, the year of Takashimaya's 200th anniversary, and beyond.

Accordingly, next fiscal year we will work to our strategic priorities: Make department stores more profitable, Maximize human capital, Group companies to build competitive advantage, and Take ESG strategy further.

All employees of the Takashimaya Group share the common understanding that compliance represents the foundation of all operations related to our corporate activities. Each member of the Takashimaya Group strives to ensure an accurate understanding of the intent of all relevant laws and rules, and acts immediately in response to any changes. We continuously work to increase our effectiveness by supporting and promoting an open and transparent corporate culture.

[Strategic objectives]

Lay foundations for high and sustainable growth

Prepare for growth as we approach our second centenary in 2031

[Strategic priorities]

1. Make department stores more profitable
2. Maximize human capital
3. Group companies to build competitive advantage
4. Take ESG strategy further

(2) Business Strategy

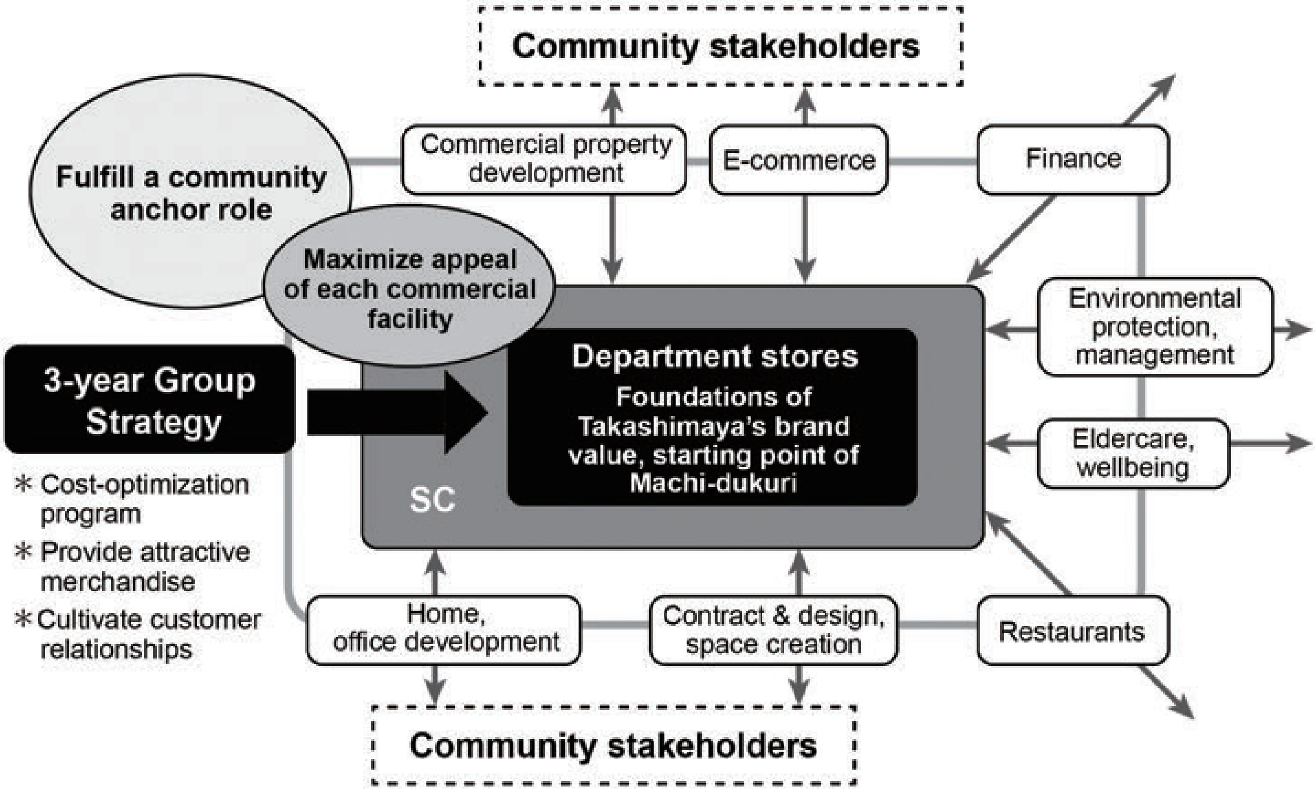
(2.1) Group business strategy

Our Group will continue to position Group-wide Machi-dukuri Strategy, as our basic approach to generate a synergy effect between domestic department stores, our domestic group, and overseas businesses.

There are two approaches to Machi-dukuri Strategy. One approach is to fulfill a community anchor role that creates an overall flow for communities through hub development. The other approach is to maximize the attractiveness of our commercial facilities through business development.

●Machi-dukuri Strategy Concept Diagram

Expand growth domains through machi-dukuri centering on department stores



(2.2) Sustainability initiatives

Our Group management philosophy of "Putting People First" is strongly linked to the realization of a society that leaves no one behind, the central mission of the Sustainable Development Goals (SDGs). In 2006, we formulated our CSR activity domains based on this management philosophy. Today, we continue to promote our business management and disclose information aligned with this philosophy. Our activity domains include basic activities, such as ensuring compliance and making economic contributions by distributing profits earned through business activities to various people. We also engage in activities aimed at making social contributions by ensuring that we act in accordance with corporate ethics, work to create new value, and help resolve societal issues.

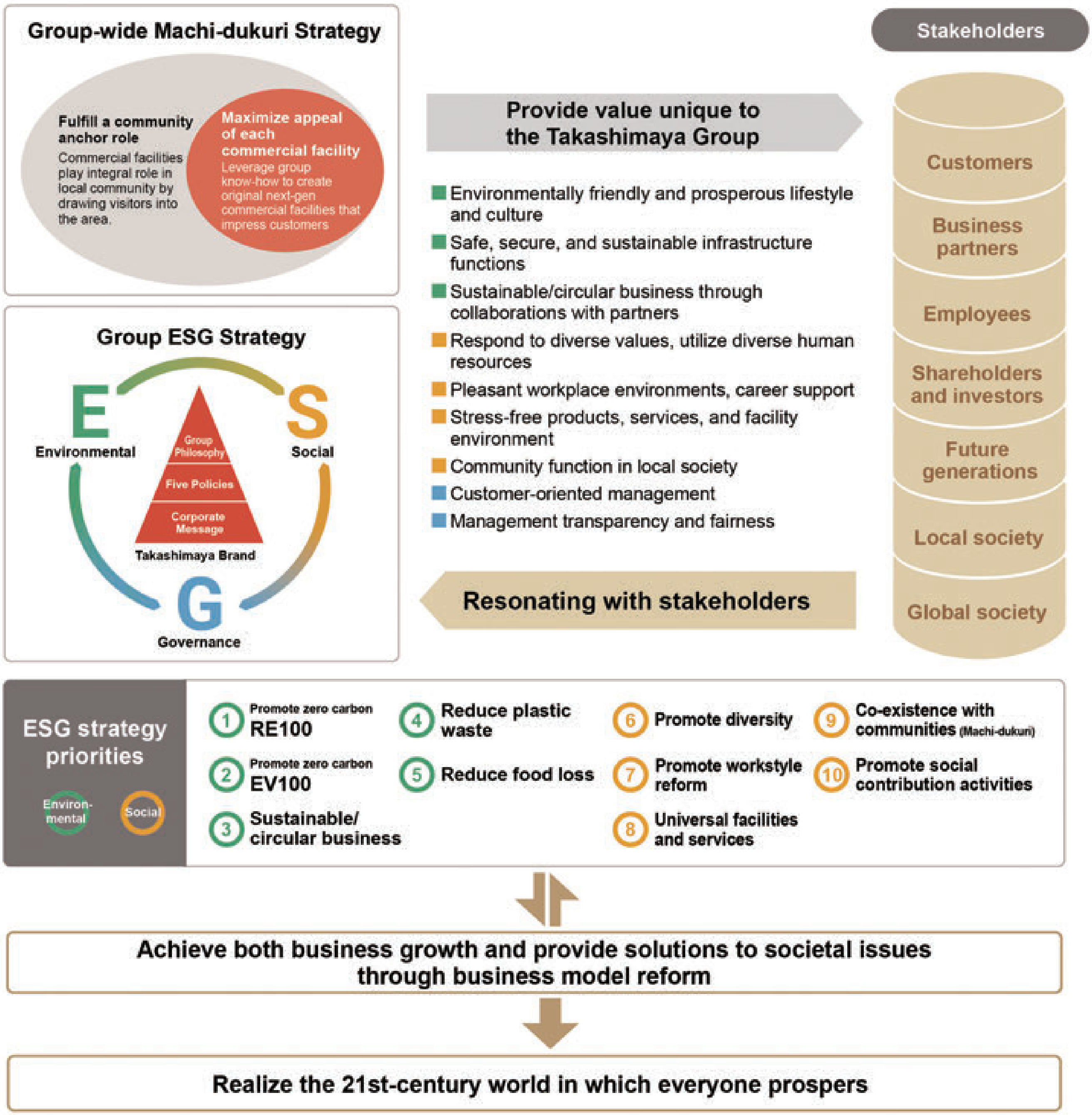
Our Group ESG Strategy promotes a fusion of these conventional CSR management activities and the concepts of the SDGs. We strive to contribute to the realization of a 21st-century world in which everyone prospers by connecting with our stakeholders through value provision unique to the Takashimaya Group. We will create this value by proposing environmentally friendly and prosperous lifestyles and culture, by responding to diverse values and utilizing diverse human resources, and by engaging in management that reflects the perspectives of our customers.

The Takashimaya Group has identified 10 items as core issues of ESG Strategy, including supporting the RE100 renewable energy initiative towards achieving zero carbon and promoting diversity. To promote carbon transition, we switched to LED lighting to reduce electricity consumption and are converting to electricity derived from renewable energy. To promote diversity, we are engaging in initiatives related to increasing women's opportunities and increasing gender equality, and promoting acceptance of foreign workers. We are working to create and promote an environment of diversity and inclusion in which everyone respects diverse values and capabilities, and all individuals are able to maximize their potential.

It is important that we promote Group ESG Strategy in order to break away from conventional business models and transform ourselves to meet the demands of the times and modern society. We believe that promotion of this strategy will not only enable us to help resolve societal issues, but also will create favorable opportunities for business growth.

We position Machi-dukuri (hereinafter, referred to as the Machi-dukuri Strategy) as our general group-wide strategy. From the perspective of community and sustainability, this strategy is also closely related to ESG strategy. We strive to create energetic cities while coexisting within the community. We also work to propose and offer new value through our merchandising, environments, and services. We believe that these activities work towards resolving various societal issues and help promote the development of society. The Takashimaya Group operates businesses in Japan and around the world centered on department stores. Our Group has a superb customer base and store locations, and a solid network of business partners. These attributes give the Takashimaya Group the strength and potential to approach various issues across the world. Through the promotion of our Machi-dukuri Strategy, we will work to resolve societal issues from both short-term and medium- to long-term perspective, aiming for further Group growth and the realization of a sustainable society.

Group ESG strategy concept diagram



ESG Priorities and KPI

	Priorities	KPI	Numerical targets 2021	2023	2025	2030	2050	Key points of initiatives
E Environmental	1 Promote zero carbon RE100	Renewable energy (RE) conversion rate	1.8%	5.5%	8.6%	30% or more	100%	· Renewable energy conversion · Reduce electricity consumption
		Rate of reduction for GHG emissions from electricity consumption (vs. 2019)	-3.0%	-5.6%	-10.5%	-35%	-100%	
	2 Promote zero carbon EV100	Electric vehicle (EV) conversion rate	0.3%	0.3%	3.1%	100%		· Switch to EV · Review and reduce the number of business vehicles · Develop EV charging facilities
		Reduction in number of vehicles owned (vs. 2019)	17 vehicles	17 vehicles	52 vehicles	115 vehicles		
	3 Sustainable/ circular business	Recycled polyester usage rate (limited products developed in-house)	–	–	100%			· Expand environmentally-friendly products · Build sustainable/circular platform
	4 Reduce plastic waste	Percentage of waste plastic recycled	97%	98%	99%	100%		· Plastic use reduction · Switch food containers to biodegradable or non-plastic materials · 100% use of recycled materials and more
		Total waste reduction (vs. 2019)	-3.6%	-24.8%	-26.3%	-30%		
	5 Reduce food loss	Recycling rate of food waste	68%	75%	80%	100%		· Expand secondary processing · Utilize external organizations · Review sales methods and more
		Food waste reduction (vs. 2019)	-3.6%	-15%	-16.7%	-20%		
S Social	6 Promote diversity	Percentage of women in management roles	31.3%	33.3%	35.4%	40% or more		· Fair human resource management that leaves no one behind · Gender equality · Acceptance of foreigners (acceptance as workers, support as residents)
		Rate of hiring of persons with disabilities, number of foreign employees						
	7 Promote workstyle reform	Take-up rate of paid leave	55%	65%	80%	100%		· Increase productivity by supporting multitasking · Establish environment for enabling diverse workstyles · Promote employee enlightenment
		Increase per capita productivity (amount of operating income per employee, 2x vs. 2019)	1.7 million yen	3.9 million yen	4.7 million yen	6.6 million yen		
		Employee turnover rate						
		Status of use of work-life balance system						
	8 Universal facilities and services	Rate of employees with credentials	10.1%	11.7%	14.5%	20%		· Universal facilities · Permeate understanding of universal hospitality
		Create barrier-free facilities						
	9 Co-existence with local communities (Machi-dukuri)	Partnership with local communities where we operate stores and shopping centers						· Promote partnerships with municipalities to establish disaster relief hubs for use in emergency situations · Provide community for gathering and spending quality time
	10 Promote social contribution activities	No. of vacation days taken for volunteer activities						· Increase opportunities for volunteer activities · Promote cultural activities
G Governance	· Management structure	· Internal controls	· Assumed risks and response measures		· Privacy policy and disclosure policy			

Support for TCFD recommendations

The Takashimaya Group outlines unceasing efforts to protect the global environment as one of the Five Policies of our Group Management Philosophy Structure. In the Takashima Group Environmental Policy, we also prioritize the prevention of global warming and the reduction of CO2 emissions as part of our mission to contribute to the realization of a sustainable society.

This Group Environmental Policy is also our fundamental stance for linking business activities to the resolution of environmental issues undertaken through ESG strategy. We engage in various activities in line with our environmental policy while applying unique trait of our business, including our direct connections with many customers, business partners, and local communities.

At the same time, however, environmental issues such as climate change, resource depletion, and a decline in biodiversity have seen worsening in recent years, increasing the importance and urgency for initiatives to address environmental issues. Particularly with department store operations, our mainstay business, our current business model is based on the assumption of an environmental load, including the large-scale consumption of electricity generated from fossil fuels and other underground resources, large-volumes of plastic and food waste, and the overstocking of clothing. This is something we recognize as risk.

To address this situation, the Takashimaya Group will transform our conventional business model to a business model that regenerates and repairs the earth’s resources. Our Group will work towards both resolving environmental issues and achieving business growth. As part of this mission, we have declared our support for TCFD recommendations, and will further enhance our information disclosure for the four disclosure items recommended by the TCFD: governance, strategy, risk management, and metrics and targets.

Information disclosure aligned with TCFD recommendations

Our Group implements climate-related information disclosure based on the four disclosure items outlined in TCFD recommendations (governance, strategy, risk management, and metrics and targets) and the specific disclosure content outlined for each item.

a) Governance (climate-related governance)

1. Process for the Board of Directors to receive reports on climate-related issues, frequency of inclusion as a discussion item, matters subject to monitoring

The Takashimaya Group works to improve our corporate value and achieve sustainable growth by implementing initiatives related to the environmental issues outlined in Group ESG management. We recognize that strengthening corporate governance is a critical management issues in terms of responding to the expectations of our stakeholders, including customers, shareholders, and investors.

We believe that internal controls are the key to permeating Group ESG strategy throughout our organization, strengthening relationships with our customers, shareholders, and other stakeholders, and engaging in sustainable business operations focused on our corporate social responsibilities. Our main committees related to internal controls are the Takashimaya Group CSR Committee and the Takashimaya Group Risk Management Committee. Our President serves as committee chair on both these committees.

Since FY2022, the Group CSR Committee convenes semiannually. In addition to reinforcing compliance management, the Committee confirms the status of Group-wide internal controls while working to validate and strengthen CSR initiatives to address new societal issues.

Through the Group Risk Management Committee, we are working to establish a risk management structure for the entire Takashimaya Group. The Committee convenes as necessary and works to strengthen internal controls by coordinating with relevant departments to establish response networks for each issue. We have established a group-wide structure for preventing and minimizing compliance risks and risks related to natural disasters. In response to risks related to our business strategy, we have established a group-wide risk management structure for appropriately evaluating risk-return balance for risks associated with efforts in new business domains.

We also have established a system for more effectively and uniformly promoting ESG strategy within our organization. The Takashimaya Group Environmental and Social Contribution Subcommittee holds quarterly meetings to promote the steady advancement of initiatives related to core issues.

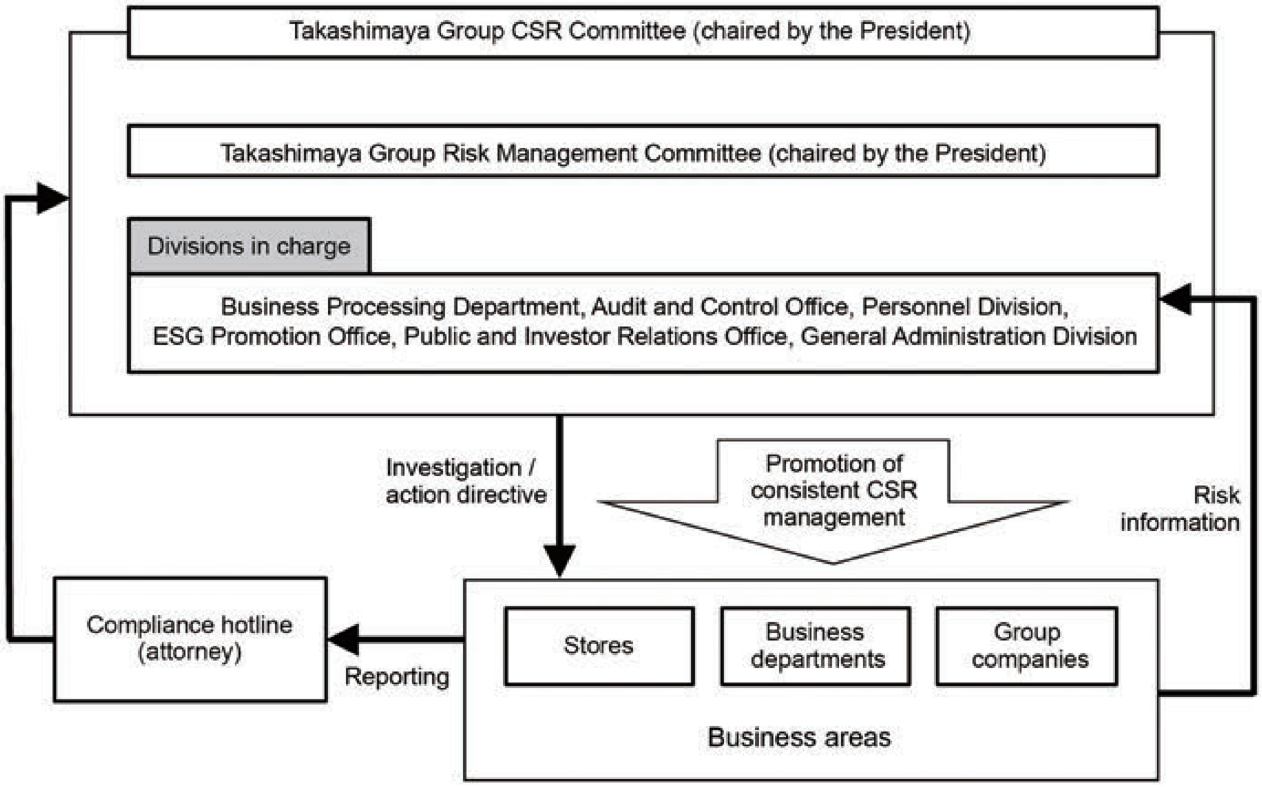
2. Management's responsibility to climate-related issues, process for receiving reports (committees, etc.), monitoring methods

To ensure appropriate and sound business execution throughout the Group, the Board of Directors appropriately supervises the performance of directors' duties and regularly confirms the status of operations and issues related to the basic policies outlined to ensure effective group-wide internal controls.

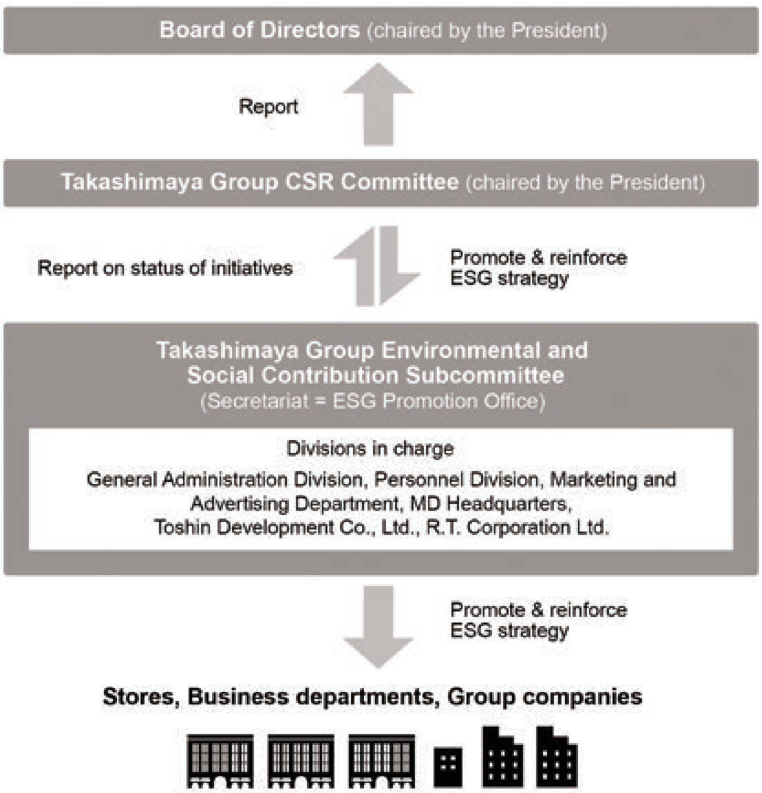
We work to strengthen governance for initiatives related to environmental issues through a supervisory structure overseen by the Board of Directors. The Group CSR Committee, which is chaired by the President, reports on the status of progress for ESG priorities. For issues requiring improvement, the Committee reinforces the implementation of PDCA cycle and conducts monitoring each fiscal year to ensure that improvements are reflected in activities for the following fiscal year. The details of those activities are then reported to the Board of Directors.

The Group Risk Management Committee, which is also chaired by the President, identifies various risks associated with our business activities. The Committee reports to the Board of Directors on matters discussed, including measures to minimize losses in the event of a risk occurrence.

●Internal controls structure diagram



●ESG priorities promotion structure diagram



b) Strategy (climate-related scenario analysis)

1. Details on short, medium, and long-term risks and opportunities

To ascertain the financial impact of the risks and opportunities that future climate change will present to our business activities, Takashimaya held workshops for selected employees. In the workshop, participants used the scenario analysis methods based on frameworks recommended by the TCDF to predict and analyze changes in our external environmental that we can expect to see in 2050. Issues such as changes in our natural environment caused by climate change and resource depletion will have a significant, long-term impact on our business activities. As such, we recognize the need to transform from our existing business to a business that helps regenerate the earth's resources. This transformation must go beyond our department stores to encompass the business of our entire Group. Based on our vision for a future society, we set achievement goals for 2030 (medium to long-term) and annual numerical targets (roadmap) for the 10 ESG priorities related to the environmental and social domains, and are implementing a PDCA cycle to manage progress.

2. Details and extent of impact from risks and opportunities related to Group business, strategy, and financial plans

The Takashimaya Group separates climate-related risks recommended by the TCFD into two categories, transition risks and physical risks, and then identify major risk items with the potential to have a significant impact on our business activities. To conduct evaluations based on various climate-related scenarios, including the 2 degrees scenario, we reference existing scenarios such as IPCC and IEA to analyze the impact on our business activities and financial health. We then evaluate and implement response measures designed to support sustainable growth. For our scenario analysis, we used the 2 degrees scenario outlined as a goal in the Paris Agreement and the 4 degrees scenario, which assumes insufficient CO_2 emission reductions. During our analysis, we also referenced the typical climate-related risks and opportunities recommended by the TCFD.

Assumed scenario	
2 degrees scenario	Increase in business operating costs due to the enforcement of strict laws and rules related to climate change response Increased product procurement risks due to soaring energy costs and product prices Capturing new markets created by increase in consumer environmental awareness
4 degrees scenario	Loss of business opportunities caused by increasing intensity/frequency of natural disasters, including store damages and supply chain disruption. Soaring energy prices and increasing product procurement risks due to lack of resources Market elimination of companies that are unable to break away from business models that assume causing an environmental load

Summary of Takashimaya Group risks & opportunities, impact on business and finance position

Risk/opportunity category			Summary of climate-related risks & opportunities for the Takashimaya Group	Impact on business and finances	
				+2°C	+4°C
Risks	Transition risks	Market and technology	*Increased procurement costs associated with conversion to renewable energy *Decline in competitiveness due to delays in capturing environmental market demand	○ **Significant**	⬈ **Will increase**
		Reputation	*Loss of trust from stakeholders, damage to brand value, decline in Takashimaya cardholders, some of our most loyal customers, due to delays in responding to environmental issues	◎ **Incredibly significant**	⬆ **Will increase greatly**
		Policies and laws	*Increased business operating costs associated with enhanced regulations, including adoption of carbon tax and response to the Act on Promotion of Resource Circulation for Plastics.	○	➡ **Minor**
	Physical risks		*Store closures due to occurrence of large-scale natural disaster, lost sales opportunities due to supply chain disruption	◎	⬆
Opportunities	Energy sources		*Reduced utility bills associated with promotion of energy conservation *Secure resilience for business activities through disaster preparation	○	⬈
	Markets		*Resonate with stakeholders and increase corporate value through promotion of ESG strategy *Capture markets by offering products and services aligned with increasing environmental awareness	○	⬈

3. Scenario-based risks & opportunities, financial impact, and relevant response strategy and resilience

We assume that the adoption of a carbon tax as part of regulatory enhancements and the costs of procuring electricity derived from renewable energy could have an impact on our financial position. As such, when evaluating the impact of the two scenarios for 2030 on our business and finances, we estimated the financial impact of the 2 degrees scenario.

Financial impact on our Group

Estimated financial impact in 2030		
Carbon tax adoption	Increase of approx. 2,500 million yen	*Calculated based on our CO2 emissions from FY2019 (approx. 230,516 t) using the EU carbon tax price (approx. 11,000 yen/t-CO2)
Renewable energy procurement	Increase of approx. 1,600 million yen	*Calculated based on our electricity use from FY2019 (approx. 392,824mwh) using the current price difference for procured electricity (approx. 4 yen/kwh)

In response to the impact which climate-related risks could have on our business activities and financial position, and to contribute towards the realization of a sustainable society, we promote Group ESG strategy that strives to both resolve societal issues and achieve business growth. As part of these management practices, in 2019 we joined the RE100, an international initiative aiming for the use of 100% renewable energy for the electricity used in business activities. We are promoting initiatives to achieve a zero-carbon society and the goal of switching to 100% renewable energy by 2050. The Takashimaya Group is also working to reduce power consumption and CO2 by gradually upgrading the facilities of each store to highly energy efficient equipment, and by switching existing lighting fixtures to LED lighting. At domestic department stores, between 2011 and 2021 we reduced electricity consumption by roughly 22,500 Mwh and reduced CO2 emissions by roughly 10,000 t-CO2.

Through our Machi-dukuri strategy, we work to fulfill a community anchor role and to maximize the attractiveness of our commercial facilities. The Takashimaya Group is working to capture new markets by offering environmentally-friendly products, services, and storefront facilities, and promoting the development of next-generation commercial facilities that propose new value. Our Group management pursues the effective utilization of internal business assets previously concentrated in department stores to strengthen the profitability of existing businesses and promote business expansion and new business development that will support future growth. By working to constrain risks related to climate change while proactively responding to market changes, we will capture new business opportunities.

c) Risk management (and initiatives)

1. Details of process for identifying and evaluating climate-related risks, method of determining importance

We have identified climate-related risks with the potential to have a serious impact on investor decision-making as business and other operational risks such as natural disasters (earthquakes, typhoons, floods, etc.), delays in implementing ESG strategy initiatives, and supply chain disruption. To ensure our appropriate response to these risks, we have established the Takashimaya Group CSR Committee and the Takashimaya Group Risk Management Committee, both of which are chaired by the President. In addition to reinforcing compliance management, these committees confirm and validate the status of group-wide internal controls and the status initiatives to address new societal issues.

The Takashimaya Group Risk Management Committee defines events that could interfere with the Group's growth strategy and events that could interfere with business activity continuity and sustainable growth as serious risks. The Committee then identifies serious risks associated with climate change and reports on these risks to the Board of Directors.

2. Details on management processes for serious climate-related risks and method of prioritization

Climate-related risks and opportunities can have a significant impact on our business activities. For environmental issues identified as Group ESG strategy priorities, the Takashimaya Group Environmental and Social Contribution Subcommittee and the Takashimaya Group CSR Committee confirm the status and progress of initiatives implemented based on annual plans, and issue reports to the Board of Directors. For climate-related risks identified by the Takashimaya Group Risk Management Committee, we use the frequency and possibility of occurrence and the business impact level as assessment criteria to create risk maps and evaluate importance.

In addition to creating internal controls, which includes our risk management structure, as part of a group-wide system for preventing and minimizing climate-related risks, we are establishing a structure for overall group risk management that will also enable us to accurately control the balance of risks and returns associated with challenging ourselves in new business domains and other risks related to business strategy.

3. Status of integration of framework into group-wide risk management

Risks related to climate change can have a significant impact on our business activities. Through the Takashimaya Group CSR Committee and the Takashimaya Group Risk Management Committee, we are working to strengthen our risk occurrence response and risk management structure. As part of our risk initiatives, we are promoting RE100 and EV100, which work towards the realization of a zero-carbon society, working to reduce waste plastic and food loss, and striving to build a circular business structure. At the same time, to minimize loss of business opportunities associated with the intensifying and increasing frequency of natural disasters, we are conducting capital investments to increase the resilience of our stores and facilities while also strengthening the EC business and overall Group management.

d) Metrics and targets

1. Metrics used to manage climate-related risks and opportunities

As metrics to manage climate-related risks and opportunities, we defined Scope 1, 2, and 3 greenhouse gas (GHG) emissions volume and the ratio of renewable energy within power used during business activities.

2. GHG emissions (Scope 1, 2, and 3)

With department stores as our mainstay business, we position our current business model, which assumes an environmental load, as a risk. As such, we are working towards resolving environmental issues. In 2019, we joined RE100, an international initiative that aims to supply 100% renewable energy for the electricity consumed in business activities to promote the realization of a zero-carbon society. In FY2021, our Scope 1 and Scope 2 GHG emissions were roughly 203,000 t-CO2 and Scope 3 GHG emissions for department stores were roughly 2,772,000 t-CO2.

●GHG emissions

		Scope		2018	2019	2020	2021
GHG emissions	CO2 *1	Consolidated	Scope 1 emissions (t)	**12,153**	**24,953**	**21,055**	**20,197**
			Scope 2 emissions (t)	**119,468**	**205,563**	**178,090**	**183,301**
			Scope 1 - 2 emissions (t)	**131,621**	**230,516**	**199,145**	**203,497**
		Domestic department stores	Scope 3 emissions (t)	**3,449,427**	**3,382,417**	**2,495,547**	**2,772,244**
	Fluorocarbon emissions *2	Consolidated (excludes overseas)	CO2-t	**1,353**	**1,552**	**1,609**	**1,580**

*1: Figures for CO2 emissions (Scope 1 – 2) through FY2018 are for domestic department stores (including Takashimaya Co., Ltd. and subsidiaries) .

From FY2019, we calculate figures on a consolidated basis, which includes both domestic and overseas Group companies.

*2: Figure indicates volume of fluorocarbon leakage from freezers and refrigerators used in stores, expressed as CO2.

Figures through FY2018 are for domestic department stores (including Takashimaya Co., Ltd. and subsidiaries) .

3 Targets used in climate risk and opportunity management, and results

We joined the RE100 in 2019. As a target, we set the goal of reducing Scope 1 and Scope 2 GHG emissions by 30% or more by FY2030, and achieving zero Scope 1 and Scope 2 GHG emissions by 2050. Based on a roadmap outlining numerical targets for each fiscal year, we are working towards the realization of a zero-carbon society. We used Scope 1 and Scope 2 GHG emissions from FY2019 as the basis for setting medium and long-term GHG emission reduction targets and RE achievement targets, and are promoting zero carbon initiatives based on these targets.

In FY2021, ahead of the plan, we switched to electricity derived from renewable energy sources at five Group facilities (three facilities at the Nagareyama-Otakanomori, Takashimaya Omiya Store, and Nihombashi San-chome Square). In FY2022, we further accelerated our zero carbon initiatives, having switched to electricity from renewable energy at five other facilities including Annex 2 and the Komorebi Terrace at the Nagareyama-Otakanomori Shopping Center.

Scope1・2	Unit	FY2019	FY2025	FY2030	FY2050
GHG emissions	t-CO2	230,516	208,961	161,361	0
Reduction (vs. FY2019)		—	-21,555	-69,155	-230,516
GHG reduction target	%	—	-9.4%	-30% or more	-100%
RE achievement rate		0%	8.6%	30% or more	100%

(3) Objective metrics for judging the status of target achievement

FY2023 consolidate operating targets are as follows.

- Total operating revenue: 940 billion yen (up 20.9 billion yen vs. FY2019)
- SG&A to total operating revenue ratio: 25.2% (-3.1%)
- Operating profit: 35 billion yen (+9.4 billion yen)
- Equity ratio: 36.3% (-0.9%)
- ROE (profit/equity): 5.5% (+1.9%)
- EBITDA- Total assets ratio: 5.0% (+0.9%)
- Net interest-bearing debt to EBITDA ratio: 2.0 times (-0.2 times)
- ROIC (return on invested capital): 4.5% (+1.4%)

(4) Business Environment, Issues to be Addressed

In the next fiscal year, inbound tourism demand is likely to recover given the easing of COVID-related border controls. On the other hand, the outlook for consumer spending in Japan is unfavorable, with consumer confidence dented by inflation. To achieve long-term success in this environment, we must address the following tasks. In general, we must make sustained efforts to radically improve earning power while adapting to social and economic changes and changes in the demand landscape. These sustained efforts must begin with our department store talent—the people involved in sales space curation, customer service, marketing, discernment, and purchasing—and must be underpinned by a program of structural reform that delivers an improvement in SG&A to total operating revenue ratio.

We must build our human capital given that intangible assets such as our talent and know-how are the source of our competitive advantage and drive efforts to build the value of our brand. We will invest in a talent development strategy that emphasizes attracting and cultivating both professional expertise and a diverse pool of talent.

To attract and retain talent, we must provide an attractive, employee-friendly workplace. To that end, we will work on initiatives to improve the working environment for our own employees and those of our supply chain partners. For example, beginning from the next fiscal year, we will specify days on which our shopping facilities are closed.

With the growing climate crisis, sustainability is another area requiring action. Our Group Philosophy includes a pledge to make “unceasing efforts to protect the global environment.” One way in which we protect the global environment is to follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).*1 Having endorsed the TCFD recommendations, we now analyze how climate change impacts our business activities and financial status and develop measures in a way that contributes to a more sustainable world. One such measure is to recycle more and waste less. Working with companies across our corporate group, we are building a circular business model and cutting food waste. This measure is also intended to improve our prospects for long-term success by creating emotional resonance and earning the trust of our stakeholders and improve the value of our brand.

On the matter of stakeholders, one of our strengths is that we have connections with a broad spectrum of stakeholders. Therefore, from the next fiscal year, we will concentrate our efforts in areas where we can leverage this strength. As part of this, the next fiscal year will see the full launch of TSUNAGU ACTION,*2 a program for developing eco-friendly and ethical products and services that support sustainable lifestyles. TSUNAGU ACTION will encourage greater customer engagement with our brand.

<Department Stores>

In our Department Stores segment, we will focus on improving our department stores’ sales and marketing capabilities and stabilizing their revenue. For the five large department stores, where our structural reform program is underway, we will urgently rectify issues in merchandising and services. For merchandising, we will improve interdepartmental collaboration with a view to purchasing goods and doing promotions from a lifestyle perspective. As for customer-facing operations, we will simplify sales procedures and use digital streamlining to improve the quality of customer interactions in sales and in customer services.

Alongside these actions, we will further increase revenue opportunities by organizing events and programs that offer experiences unique to department stores. For example, we will organize timely events that promote products in new ways and revive our old forte in importing overseas goods.

Success in merchandising and sales space curation depends on customer strategy. To resonate better with customers, we will adopt a more nuanced approach to marketing by adapting better to diversified and individualized customer segments and lifestyles.

For e-commerce, we will diversify the online store's gift options and expand its lineup. We will also improve customer touchpoints and expand the online store's user base.

For our restaurants, the following measures will be taken to improve the revenue base and earnings. R.T. Corporation Ltd., will reduce sales costs by insourcing food purchasing. As part of this, they will make greater use of central kitchens. Meanwhile, our core restaurant brands such as Din Tai Fung and LINA STORES will improve the service quality in their outlets and cut operating costs.

For overseas department stores, the following measures will be taken. We will continue investing in promising ASEAN markets. For Takashimaya Singapore, the store's 30th anniversary will serve as an impetus to improve sales and marketing capabilities. Ho Chi Minh City Takashimaya will revamp its popular merchandise to increase the store's top-line growth. Shanghai Takashimaya has an improved outlook, with the Chinese economy returning to normal following the shift away from the zero-COVID policy. To capitalize on this shift, and to mark its 10th anniversary, the store will focus on new sales channels, including online sales and B2B sales. Siam Takashimaya, in line with government policy, will capitalize on the growth in tourism demand and expanding its merchandise and services to meet customers' needs.

<Commercial Property Development>

In our Commercial Property Development segment, we will take the following actions. For our shopping centers in Japan, we will introduce a low-cost model that will accelerate the shift to next-generation shopping centers. Autumn 2023 will see the opening of Kyoto Takashimaya Shopping Center and the re-opening of Tachikawa Takashimaya Shopping Center. Both shopping centers will base their appeal on their locally rooted character. We will also take steps to expand our customer base. For example, with our loyalty program, we will build a community and create new incentives for visiting our shopping facilities.

To further stabilize the segment's revenue base, we will diversify our assets by increasing the relative share of our non-commercial properties and nurture new business ideas that tap into new demand.

Overseas, we will continue investing in Vietnam and other promising markets. In Vietnam, we will proceed with our plans for zone B of the Starlake project, which involves developing commercial properties and running school services. We hope to launch the services in 2025.

<Finance>

The Finance segment plays a central role in our efforts to strengthen our customer base. We will develop the segment into a new growth driver. In the Card business, we will restore card membership levels as soon as possible, having experienced a number of cancelations in the pandemic. To that end, we will prepare organizational infrastructure for attracting new members while also making our cards more attractive.

In the Life Partner business, which covers our financial counters and insurance businesses, we will deploy dedicated staff and take other steps to improve sales and marketing capabilities so that the business becomes a second source of revenue growth after cards. We ultimately want to establish in this business a business model covering life planning and asset management. This business model will strengthen the expertise of the dedicated staff and enhance the quality of our pitching and service delivery.

In the previous fiscal year, we launched SUGO-TSUMI. Users' savings will mature in July 2023. In that month, members will start using the service in stores. In conjunction with this, we will run a promotional campaign to increase awareness of SUGO-TSUMI and attract new users, thereby bolstering the user base.

<Construction & Design>

In the Construction & Design segment, we will take the following actions. Leveraging our sales and marketing capabilities, we will establish a model of proactive pitching that taps into latent demand. We will also build competitive edge through a talent strategy that emphasizes expertise and diversity. Other actions to be taken in this segment include strengthening our network of affiliates to facilitate the transfer and development of our technology, using digital technology to boost productivity, taking steps to retain expert talent, and improving diversity and inclusion.

<Others>

Actions to be taken in the Others segment include the following. In the advertising business, we will improve outside sales. Specifically, ATA Co., Ltd., will improve its competitiveness by nurturing, and developing the expertise of, teams with skills in digital creativity and digital sales planning. We will also improve marketing, respond to customer needs better, and enlarge our portfolio.

*1. Task Force on Climate-related Financial Disclosures (TCFD):
The TCFD is an international body that researches how companies disclose information about climate change and how financial institutes mitigate the risks of such. It encourages companies to disclose financial information about climate change so that investors can be better informed in their investment decisions.

*2. TSUNAGU ACTION:
TSUNAGU ACTION is a program for engaging customers in sustainability efforts. It involves pitching ideas for eco-friendly and ethical lifestyles throughout the year so that customers join with us in thinking about how to build a 21st-century world in which everyone prospers.

2. Business Risks

Of the matters related to the status of operations and accounting indicated in our financial statements, the following are risks with the potential to have a serious impact on investor decisions.

Forward-looking statements indicated in this document are judgments made by our Group at the end of the current consolidated fiscal year. Furthermore, please note that the following information is not intended to be a comprehensive representation of all risks associated with our Group's business.

The risk of damage to our reputation due to incidents such as a legal violation related to business expansion into a new growth domain, an information leak, or an accident that causes customers to incur losses, is something that is inherent to all the risks indicated below. Our Group prioritizes reinforcing compliance over all other matters, and senior management takes a strong-willed approach to strengthening the risk management system for the entire Group and working to enhance our internal controls and the functions of our Board of Directors.

(1) Risks associated with our external environment

1. Risk of a new pandemic: Impact level = Particularly major

<Risks and opportunities>

Risks	*Loss of business opportunities due to store closures or reduced operating hours *Decline in consumer sentiment and decrease in frequency of store visits
Opportunities	*Business developments in response to new social environment and consumer behavior *Asset diversification, Group business growth driven effective utilization of business assets

<Response measures>

To stabilize management, we will revitalize department stores, the source of our brand value, while also aggressively expanding into growth domains such as commercial property development and finance businesses to optimize our business portfolio in a way that adapts to changes in our social environment and consumer behavior. We will also strengthen and expand EC and other sales channels that do not depend on brick-and-mortar sites. At our brick-and-mortar sites, we will adapt to changes in consumer behavior by using digital technology to proactively incorporate remote customer service systems and other methods of non-contact sales.

2. Natural disasters (earthquakes, typhoons, floods, etc.), war, terrorism: Impact level = Particularly major

<Risks and opportunities>

Risks	*Loss of business opportunities due to damage to stores and other operating assets *Loss of business opportunities due to disruption to transportation and communication networks *Negative impact on funding due to financial market turmoil
Opportunities	*Contributions to community safety and security initiatives

<Response measures>

Our Group has hubs in both West Japan and East Japan. Even in the event of a large-scale, wide-spread disaster, we have established a system for quickly establishing a crisis management headquarters in either West Japan or East Japan to coordinate information and provide direction without impairments to the chain of command. We also are thoroughly implementing BCP measures, such as preparing a relief system for damaged stores, promoting a transition to cloud computing to prevent the loss of important data, and preparing various infrastructures and equipment to ensure a minimum level of business continuity.

From the perspective of fulfilling the social missions required of a company with hubs in major cities, in addition to securing spaces in store facilities in advance to accommodate people who are unable to return home following a large-scale disaster, we have also established a system to enable immediate relief activities for disaster victims, including coordinating with our suppliers in advance to enable donations of over-the-counter products centered on lifestyle-related goods.

Furthermore, events such as wars and terrorism could cause turmoil in various markets on a global scale, hinder proper pricing, and cause unexpected losses. If this impact reaches the financial markets, there is a risk that the Group will not be able to procure funds under the conditions we normally seek. While we currently have secured necessary capital, we will also ensure sufficient liquidity on hand through various funding methods in anticipation of future risk scenarios.

3. Domestic population decline and depopulation of regional cities due to changes in social structures

<Risks and opportunities> Impact level = Particularly major

Risks	*Market contraction due to declining birthrates, aging population, and the depopulation of regional cities *Difficulty securing necessary human resources due to worker population decline
Opportunities	*Promote effective utilization of human resources through reskilling

<Response measures>

To respond to the inevitable changes occurring in our external environment, department stores will continue to reorganize sales floors in line with customer interests and preferences, strengthen sales of unique products aligned with ethical consumption trends, and strive to offer an attractive product selection. We will also strive to create a sales structure that responds to diversifying needs and increases motivation and opportunities to visit our stores by providing products that contribute to overall improvement in lifetime value (LTV). Beyond mere product sales, these also includes services such as financial services and nursing care services. Furthermore, we will increase contact points with customers by strengthening EC channels that do not depend on brick-and-mortar sites and distribute mail-order catalogs to areas where there are no department stores.

We will develop hubs that enhance our function as an anchor for cities, develop new content for non-commercial segments by forming alliances with other industries and external companies, and aggressively work to increase store visits by promoting the appeal of each hub as a dynamic spaces for various functions and services.

To address the declining working population, in addition to actively promoting recruitment activities that do not focus solely on new graduates, we will also hire specialists, proactively recruit foreign workers. We will also work to enhance our buying skills to strengthen our product selections and develop human resources within the company by promoting reskilling.

(2) Risks related to Group management

1. Delays in promoting reforms

<Risks and opportunities> Impact level = Particularly major

Risks	*Decline in Group revenue *Deterioration of the department store business
Opportunities	*Establish revenue structure not influenced by the business environment

<Response measures>

We recognize that the department store business recorded losses not only because of the impact of COVID-19, but also because we did not sufficiently transform our organization and awareness so that we could accurately grasp the changing times and consumer needs, quickly review our product selection, or utilize the strengths and characteristics of department stores. Generate profits even in a harsh market environment, we will increase employee awareness of profits and establish an organization in which the people pursue profitability. In all business execution, we will continuously clarify numerical targets and promote the mutual visualization of metrics related to progress confirmation and problem resolution sharing. We will shift to an open organizational culture that enables monitoring at all times.

2. Delays in ESG strategy initiatives

<Risks and opportunities> Impact level = Particularly major

Risks	*Loss of trust from stakeholders *Damage to brand value, the backbone of Group revenues *Decline in reputation due to legal violations or information leaks
Opportunities	*Establish our social reputation and purpose

<Response measures>

Through our Group ESG strategy, we aim to resonate with our stakeholders by providing environmental, social, and governance value that is unique to the Takashimaya Group. While working to resolve social issues and achieve business growth, we are aiming to realize a sustainable 21st-century world in which everyone prospers.

To steadily promote ESG strategy, we have established a Group Environmental and Social Contribution Subcommittee to enhance policy and progress management from a group perspective to enable more uniform and effective management activities.

As our main environmental initiatives, we will promote decarbonization through energy conservation measures and the conversion to renewable energy. Our Group will create a new culture and play a leading role in driving the trends of the next generation through product development and space creation that achieves both design & convenience and environmental load mitigation & inclusiveness (respect for diversity).

As our social initiatives, we have outlined basic guidelines for establishing employment relationships based on respect for human rights and providing equal wages, educational opportunities, and welfare benefits regardless of differences such as nationality, race, or LGBT identity. We will promote acceptance and cultivate awareness of diverse perspectives.

In relation to governance, to ensure that the Board of Directors is fulfilling its required roles and responsibilities, and to confirm that we are developing the necessary structures and that the Board of Directors is exerting the functionality, once a year we evaluate the effectiveness of the Board of Directors by surveying all directors and Audit & Supervisory Board members. Based on those results, we then conduct surveys and hold individual interviews with outside directors and auditors. We will strive to improve the effectiveness of the Board of Directors by thoroughly implementing the PDCA cycle, including promptly reflecting points for improvement obtained from the above evaluation results to the Board of Directors for the following fiscal year.

The Takashimaya Group has also established the Takashimaya Group CSR Committee, which is chaired by the President. In addition to reinforcing compliance management, the committee confirms and validates the status of group-wide internal controls and the status initiatives to address new societal issues. We also established a Takashimaya Group Compliance Hotline, both inside and outside the company, to accept anonymous reports of misconduct and other reporting as a mechanism to receive internal reports and enhance self-action. We will further strengthen the monitoring and the three lines of defense to cover the entire group, including subsidiaries and sub-subsidiaries, which are increasing in line with business expansion both in Japan and overseas.

3. Delays in responding to digital transformation

<Risks and opportunities> Impact level = Major

Risks	*Interference with identifying new needs and developing new customer segments *Interference with Group cost structure reforms *Information leaks *Increased costs for IT maintenance
Opportunities	*Improved business efficiency from steadily promoting digital transformation *Accurately appeal to targets via new information dissemination methods

<Response measures>

We will strive to improve the IT literacy of Group employees and each organization in order to steadily promote digital transformation and maximize its effects. We will also develop measures to respond to new customer needs, such as an online reservation system that utilizes digital technology and remote customer service. For cost structure reform, we will promote the simplification of sales procedures and business procedures using digital technology to improve operational efficiency and optimize our human resources. For information security, we will regularly review our security policy from the perspective of information security and engage in strict system management based on that policy. As part of our management plan, we will work to control IT system maintenance costs by optimizing IT-related long-term investment plans and budgets.

4. Risks related to businesses we are working to grow

a) Delays in implementing EC business expansion strategy initiatives

<Risks and opportunities> Impact level = Particularly major

Risks	*Delays in diverging from business model dependent on brick-and-mortar stores *Delays in improving logistics expenses and other high-cost structures
Opportunities	*Business developments aligned with new lifestyles and consumer trends

<Response measures>

To rapidly strengthen EC sales and establish a strong revenue base, instead of initiatives based on simple sales strategies, we will build a promotion project directly overseen by the President to proactively promote company-wide and group-wide evaluations. Through this project, we will distinguish ourselves from our competitors by promoting OMO (Online Merges with Offline), which aims to create synergy by eliminating the barriers between physical stores and online stores to offer attractive products and original products and services unique to department stores that cannot be provided by businesses only conducting e-commerce.

In anticipation of increased logistics costs due to revisions to the Labor Standards Act (upper limit on overtime hours for automobile driving) set to take effect from April 1, 2024, we will prepare an EC shipping warehouse and improve the efficiency of our delivery scheme. We will work to establish a profit base by streamlining operations and reducing costs.

b) Delays in implementing finance business expansion strategy initiatives

<Risks and opportunities> Impact level = Particularly major

Risks	*Delays in Group business expansion
Opportunities	*Develop new customer segments

<Response measures>

In order for the finance business to contribute to the formation of a solid customer base for the entire Group, we will continue working to increase customer satisfaction by developing new services, strengthening consulting, and enhancing product selections by promoting closer cooperation between department store sales staff and VIP customer sales staff.

We will continue to collaborate with partner companies to develop new finance services that respond to the digitization of finance and cashless payments, etc., which will lead to growth in a new generation of customers.

c) Overseas business expansion

<Risks and opportunities> Impact level = Major

Risks	*Fluctuations in asset value and delays in investment recovery due to sudden changes in political and economic conditions and foreign currency fluctuations *Disruptions in governance due to cultural and religious differences with local employees
Opportunities	*Establishment of a strong business base and overseas business expansion through business development that accounts for country risks

<Response measures>

To enable prompt management decisions and course corrections, we have established local subsidiaries and provide initiatives for those companies. We will strive to ensure thorough global governance by strengthening the three lines of defense including timely information sharing with the group headquarters through remote meetings and using self-inspection sheets to check operating status. We will also establish employment relationships with local employees based on respect for human rights, and provide equal wages, educational opportunities, and welfare benefits regardless of nationality, race, religion, or LGBT identity. We will also actively promote skill development towards appointing local employees to executive positions, and work to share common goals and awareness as members of the same Takashimaya Group.

5. Supply chain disruption and human rights issues along the supply chain

<Risks and opportunities> Impact level = Particularly major

Risks	*Failure to procure products for department stores due to the bankruptcy of business partners and the termination of business, and the decline in the attractiveness of product lineups * Decline in reputation due to human rights issues, boycotts by customers, etc. *Decrease in rental income due to a decline in tenants' ability to pay rent *Loss of attractiveness of sales floor space due to collapse of sales floor layout
Opportunities	*Improve attractiveness of product selections and secure stable profits by building strong relationships with business partners

<Response measures>

To build win-win relationships with our business partners, our group will share goals with our major vendors and work together to promote concrete measures towards achievement. We will work to maintain and improve the freshness of our product selection by developing new business partners, and improve our product procurement capabilities by expanding direct transactions with upstream companies.

We will promote human rights due diligence to address any human rights issues along our supply chain. We will identify business relationships, ascertain the outline of our value chain, and gather collect information on risk factors.

For the commercial property development business, we will further strengthen joint sales promotion activities with specialty store tenants. For tenants in difficult financial situations, we will provide financial support, including allowing temporary rent payments from security deposits and temporary rent payment deferment. We will continue to work on initiatives based on the principle of coexistence and co-prosperity.

3. Management Discussion and Analysis: Financial Position, Operating Results, and Cash Flows

(1) Summary of operating results

The status of our Group's financial position, operating results, and cash flows for the current consolidated fiscal year are as detailed below.

Furthermore, we apply the Accounting Standard for Revenue Recognition (FASB Statement No. 29, March 31, 2020) as of the beginning of the current consolidated fiscal year.

1. Status of financial position and operating results

a. Financial position

	Millions of yen			YoY (%)	Thousands of U.S. dollars
	Current consolidated fiscal year	Previous consolidated fiscal year	YoY change		Current consolidated fiscal year
Total assets	¥1,178,201	¥1,144,336	¥33,865	3.0%	$8,642,272
Liabilities	¥741,719	¥723,846	¥17,873	2.5%	$5,440,614
Net assets	¥436,482	¥420,490	¥15,993	3.8%	$3,201,658
Equity ratio	35.1%	34.8%	—	0.3%	—

b. Operating results

	Millions of yen			YoY (%)	Thousands of U.S. dollars
	Current consolidated fiscal year	Previous consolidated fiscal year	YoY change		Current consolidated fiscal year
Operating revenue	¥443,443	¥761,125	¥(317,681)	-41.7%	$3,252,718
Operating profit	¥32,520	¥4,111	¥28,409	691.1%	$238,539
Ordinary profit	¥34,521	¥6,904	¥27,617	400.0%	$253,216
Profit attributable to owners of parent	¥27,839	¥5,360	¥22,479	419.4%	$204,203

* As a result of applying the Accounting Standard for Revenue Recognition, operating revenue decreased 438,320 million yen, operating profit increased 1,526 million yen, and ordinary profit increased 2,469 million yen.

(Segment-specific results)

	Millions of yen			YoY (%)	Thousands of U.S. dollars
	Current consolidated fiscal year	Previous consolidated fiscal year	YoY change		Current consolidated fiscal year
Consolidated operating revenue	¥443,443	¥761,125	¥(317,681)	-41.7%	$3,252,718
Department Store	¥321,220	¥648,362	¥(327,141)	-50.5%	$2,356,195
Commercial Property Development	¥47,513	¥41,186	¥6,327	15.4%	$348,515
Finance	¥17,206	¥16,516	¥690	4.2%	$126,208
Construction &Design	¥22,692	¥16,332	¥6,360	38.9%	$166,449
Others	¥34,812	¥38,729	¥(3,917)	-10.1%	$255,351
Consolidated operating profit (losses)	¥32,520	¥4,111	¥28,409	691.1%	$238,539
Department Store	¥18,410	¥(6,562)	¥24,972	—	$135,040
Commercial Property Development	¥9,267	¥7,279	¥1,987	27.3%	$67,975
Finance	¥4,513	¥4,359	¥155	3.5%	$33,104
Construction &Design	¥16	¥(504)	¥521	—	$117
Others	¥1,419	¥1,613	¥(195)	-12.1%	$10,408

* As a result of applying the Accounting Standard for Revenue Recognition, the “Department Store” segment saw a decrease in operating revenue by ¥436,344 million and an increase in segment profit by ¥1,522 million in the current fiscal year. In the “Commercial Property Development” segment, effects on operating revenue were insignificant, and there was no effect on segment profit. In addition, effects on operating revenue and segment profit in the “Finance” segment were insignificant, and there was no effect on operating revenue and segment profit in the “Construction & Design” segment. In the “Others” segment, operating revenue decreased by ¥1,951 million, and effects on segment profit were insignificant.

2. Cash flows

	Millions of yen			YoY (%)	Thousands of U.S. dollars
	Current consolidated fiscal year	Previous consolidated fiscal year	YoY change		Current consolidated fiscal year
Cash flows from operating activities	¥36,498	¥21,044	¥15,454	73.4%	$267,718
Cash flows from investing activities	¥(10,707)	¥(37,120)	¥26,413	—	$(78,537)
Cash flows from financing activities	¥(32,429)	¥(4,759)	¥(27,670)	—	$(237,871)
Cash and cash equivalents	¥88,631	¥88,997	¥(366)	-0.4%	$650,121

3. Production, orders received, and net sales

a. Production results

Segment-specific production results for the current consolidated fiscal year are as follows.

	Millions of yen	YoY (%)	Thousands of U.S. dollars
Segment name	Net production		Net production
Construction & Design	¥22,232	40.6%	$163,075
Total	¥22,232	40.6%	$163,075

(Notes)

1. We conduct offsetting for intersegment transactions.
2. Amount is based on sales prices.
3. No applicable information for the segment other than the above.

b. Orders received

Segment-specific orders received for the current consolidated fiscal year are as follows.

	Millions of yen	YoY (%)	Thousands of U.S. dollars	Millions of yen	YoY (%)	Thousands of U.S. dollars
Segment name	Net orders received		Net orders received	Net orders balance		Net orders balance
Construction & Design	¥29,213	87.7%	$214,282	¥15,159	85.4%	$111,193
Total	¥29,213	87.7%	$214,282	¥15,159	85.4%	$111,193

(Notes)

1. We conduct offsetting for intersegment transactions.
2. No applicable information for the segment other than the above.

c. Net sales

Segment-specific net sales for the current consolidated fiscal year are as follows.

	Millions of yen	YoY (%)	Thousands of U.S. dollars
Segment name	Current consolidated fiscal year		Current consolidated fiscal year
Department Store	¥321,220	-50.5%	$2,356,195
Commercial Property Development	¥47,513	15.4%	$348,515
Finance	¥17,206	4.2%	$126,208
Construction & Design	¥22,692	38.9%	$166,449
Others	¥34,812	-10.1%	$255,351
Total	¥443,443	-41.7%	$3,252,718

(Notes)

1. We conduct offsetting for intersegment transactions.
2. Net sales include sales revenue from other operating revenue.

(2) Operating Results, Financial Position, and Cash Flows Subjected to Management Discussion and Analysis

Disclosed below is the management discussion and analysis (MD&A) for the operating results, financial position, and cash flows.

All forward-looking statements in the MD&A are based on assumptions considered reasonable as of the end of the consolidated fiscal year under review.

(i) MD&A: Accounting Standard, Financial Position, Operating Results, and Cash Flow in the Consolidated Fiscal year Under Review

a. Recognition of Financial Position, Operating Results, and Cash Flows

During the consolidated fiscal year under review (March 1, 2022, to February 28, 2023), the Japanese economy showed signs of normalization, as illustrated by the lifting of the COVID-19 quasi-emergency measures in March 2022. As part of this trend, consumer spending started returning to the pre-pandemic level. Additionally, the number of inbound tourists rose following the easing of border controls. However, economic uncertainties persisted; in particular, a government survey on consumer attitudes revealed that consumer confidence was dented by rising prices.

Against that backdrop, we (Takashimaya Group) worked on four tasks designed to ensure that our businesses can survive the adverse conditions and achieve future growth: 1) making the department stores more profitable, 2) transforming business processes and workplace culture, 3) laying the foundations for boosting earnings and expanding the business portfolio, and 4) integrating ESG into business strategies.

Performance in the Department Store segment was as follows. Total sales grew significantly from the previous year’s level amid a rise in footfall and inbound tourists. Meanwhile, the Osaka Store, followed by our other large stores, prioritized efforts to place the store on a business footing that delivers stable profits. Thanks to these efforts, the segment posted an SG&A to total operating revenue ratio of 22.6%, compared to last year’s ratio of 25.1%.

Performance in the Commercial Property Development segment was as follows. In the Nagareyama-Otakanomori area (Chiba Prefecture), Toshin Development Co., Ltd. (“Toshin”) worked on ongoing development projects around commercial facilities such as Nagareyama-Otakanomori Shopping Center. To accelerate the diversification of our asset portfolio, Toshin also worked on non-commercial development projects, such as obtaining residential properties. In Vietnam, Toshin continued its hub development and business development projects in Hanoi as a follow-up to Saigon Centre, which houses Ho Chi Minh City Takashimaya.

Performance in the Finance segment was as follows. In June 2022, we launched Takashimaya NEOBANK, a financial services app based on SBI Sumishin Net Bank, Ltd.’s NEOBANK®. The app features SUGO-TSUMI,*1 a money saving service that can be used when customers shopping at Takashimaya department stores. In September, we launched another service, Takashimaya Investment Trust. This service allows users to invest their Takashimaya loyalty points in various investment trusts. The service is creating more opportunities for our customers to use Takashimaya loyalty points, stimulating both our department store business and our finance business.

Regarding ESG management, we have committed to sustainable corporate development, balancing business growth with engagement in social issues, to realize a sustainable 21st-century world in which everyone prospers. As well as switching to renewable energy in five group facilities, we worked on environmental initiatives with our supply chain partners. These initiatives included introducing material recycling*2 for PVC clothing covers and using reusable packaging during deliveries. In October, which was the Food Loss Reduction Month, ten of our facilities (seven department stores and three shopping centers) organized a food drive.*3

As part of our engagement in social issues, we updated our childcare leave program following the amendment in October 2022 to Japan’s Child Care and Family Care Leave Act. Our updated program exceeds the requirements in the amended law. Its purpose is to create a diverse and inclusive workplace, where individual differences are respected and where new value is created. We also decided to stop using the store uniform for sales staff in order to make the workplace more employee-friendly.

To support sustainability on the financial front, we signed an agreement for a sustainability-linked loan.*4 In these and other ways, we continue to improve our ESG management.

b. Financial Position

As of the end of the consolidated fiscal year under review, assets and liabilities were as follows. Total assets amounted to 1,178,201 million yen, 33,865 million yen up from the end of the previous consolidated fiscal year. The main increases were in notes and accounts receivable - trade and in contract assets. Liabilities amounted to 741,719 million yen, up 17,873 million yen from the end of the previous consolidated fiscal year. The main increase was in notes and accounts payable – trade. Net assets amounted to 436,482 million yen, up 15,993 million yen from the end of the previous consolidated fiscal year. The main factor was an increase in retained earnings.

Consequently, equity ratio amounted to 35.1% (compared to 34.8% in the previous fiscal year) and net assets per share amounted to 2,620.43 yen (compared to 2,390.47 yen in the previous fiscal year).

c. Operating Results

In the operating results, we have omitted inter-year numerical and percentage changes. We did so because we adopted the Accounting Standards Board of Japan's Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) 29, March 31, 2020) from the start of the consolidated fiscal year under review, meaning that the accounting processes differ between the consolidated fiscal year under review and previous consolidated fiscal year.

Looking at the current consolidated fiscal year, our consolidated performance was as follows: We recorded a consolidated operating revenue of 443,443 million yen (compared to 761,125 million yen in the previous fiscal year), a consolidated operating profit of 32,520 million yen (compared to 4,111 million yen in the previous fiscal year), a consolidated ordinary profit of 34,521 million yen (compared to 6,904 million yen in the previous fiscal year), and a profit attributable to owners of parent of 27,839 million yen (compared to 5,360 million yen in the previous fiscal year). As a result of applying the Accounting Standard for Revenue Recognition, operating revenue decreased 438,320 million yen, operating profit increased 1,526 million yen, and ordinary profit and a profit before income taxes increased 2,469 million yen.

ROE was 6.9%, EBITDA*5 to total assets ratio was 4.8%, and ratio of net interest-bearing debt to EBITDA was 2.2. In these three items, we achieved our three-year targets one year ahead of the end-year of 2023. Equity ratio was 35.1% and the SG&A to total operating revenue ratio was 25.9%.

Furthermore, looking at nonconsolidated results for the current fiscal year, our non-consolidated performance was as follows: We recorded net sales of 284,068 million yen (compared to 597,951 million yen in the previous fiscal year), an operating profit of 10,292 million yen (compared to an operating loss of 7,760 million yen in the previous fiscal year), an ordinary profit of 15,909 million yen (compared to 2,621 million yen in the previous fiscal year), and a profit of 17,037 million yen (compared to 6,950 million yen in the previous fiscal year). As a result of applying the Accounting Standard for Revenue Recognition, net sales decreased 407,753 million yen, operating profit increased 892 million yen, and ordinary profit and a profit before income taxes increased 2,032 million yen.

The described below are the results for each segment.

<Department Stores>

The Department Stores segment posted an operating revenue of 321,220 million yen (compared to 648,362 million yen in the previous fiscal year) and an operating profit of 18,410 million yen (compared to an operating loss of 6,562 million yen in the previous fiscal year). As a result of applying the Accounting Standard for Revenue Recognition, operating revenue decreased 436,344 million yen and operating profit increased 1,522 million yen.

In our domestic department stores, footfall and sales increased significantly from the previous fiscal year. Sales from non-inbound customers returned to pre-pandemic levels following a rise in footfall, with the public venturing outdoors more often. The exhibitions held in department stores, such as the Great Hokkaido Fair, proved popular. The department stores also enjoyed brisk trade during the Christmas and New Year marketing campaigns. High-ticket items (luxury brands, jewelry) continued selling well. Moreover, sales among inbound tourists recovered following the easing of COVID-related border controls.

In January 2023, Tachikawa Store, the department store component of Tachikawa Takashimaya Shopping Center, ceased trading. Tachikawa Takashimaya Shopping Center will continue operating as a commercial facility and will reopen in autumn 2023 as a facility consisting entirely of specialty stores. Similarly, February 2023 saw the closure of Takashimaya Food Maison Shin Yokohama (situated in JR Shin-Yokohama Station). Customers' needs will continue to be met in Takashimaya Yokohama Store, with its enlarged food sales area and expanded lineup of merchandise.

On the e-commerce front, our online store struggled amid the recovery in in-store sales. We worked to give the online store a more nuanced and differentiated lineup of goods and services. Alongside this, we worked with external partners to expand the store's user base and improve the user experience by offering a greater variety of payment options.

Our MD&A of the operating results of overseas department stores (January–December 2022) is as follows: Following the easing of Singapore's COVID-related restrictions in April 2022, Takashimaya Singapore experienced a recovery in inbound sales and capitalized on brisk demand in general. A similar sales recovery occurred in Ho Chi Minh City Takashimaya and Siam Takashimaya. All three stores posted bottom-line, as well as top-line, growth. On the other hand, Shanghai Takashimaya experienced a decline in revenue and profit because of protracted store closures amid a wave of infections and anti-infection restrictions.

<Commercial Property Development>

The Commercial Property Development segment posted an operating revenue of 47,513 million yen (compared to 41,186 million yen in the previous fiscal year) and an operating profit of 9,267 million yen (compared to 7,279 million yen in the previous fiscal year). Applying the Accounting Standard for Revenue Recognition had only a negligible impact on the segment's operating revenue and no impact at all on its operating profit.

In its domestic operations, the segment posted revenue and profit growth thanks to a recovery in rental income following an increase in footfall. Nagareyama-Otakanomori Shopping Center, which celebrated its 15th anniversary in March 2022, saw the opening of two new sections in June 2022: Annex 2 and GREEN PATH. Tamagawa Takashimaya Shopping Center continued efforts to establish a model of a locally rooted community hub that contributes to a sustainable local community. For example, it signed an agreement with Setagaya City pledging to support the municipality's anti-disaster efforts by serving as a local safety center. To build a more stable asset portfolio, we have started developing non-commercial assets in this segment. In Nipponbashi, Osaka, we put our landholding to greater use by developing them into rental apartments. We also acquired rental properties in the suburbs of Tokyo.

As for the segment's overseas operations, Toshin Development Singapore Pte. Ltd., the operator of Singapore Takashimaya Shopping Centre, posted revenue and profit growth thanks in large part to higher sales of high-ticket items in the shopping center. In Vietnam, we further expanded our business assets. In particular, we proceeded with zone A of Starlake project, which involves the operation of a school, and Lancaster Luminaire, a complex that includes apartments, offices, and retail/commercial amenities.

<Finance>

The Finance segment posted an operating revenue of 17,206 million yen (compared to 16,516 million yen in the previous fiscal year) and an operating profit of 4,513 million yen (compared to 4,359 million yen in the previous fiscal year). Applying the Accounting Standard for Revenue Recognition had only a negligible impact on the segment's operating revenue and operating profit.

In the Card business, we worked to attract new card members via in-store channels (specialty and department stores) and online channels. In view of a recovery in demand, we also ran promotional campaigns to encourage greater use of our credit cards, both in our own stores and in allied stores.

In the Financial Counter business, we continued to develop the three-hub system—Nihombashi, Yokohama, and Osaka. With the support of customer-facing teams, we worked to raise awareness of the financial services and attract more customers. As well as using the financial counters themselves, we started holding seminars on investment trusts, inheritance planning, and other wealth management matters. By increasing customer touchpoints in this way, we gained more new customers and won more contracts.

Compared to Takashimaya Tomonokai, Takashimaya NEOBANK®'s SUGO-TSUMI has a higher share of under 50-year-olds and men in its user base and a larger average deposit.

<Construction & Design>

The Construction & Design segment posted an operating revenue of 22,692 million yen (compared to 16,332 million yen in the previous fiscal year) and an operating profit of 16 million yen (compared to an operating loss of 504 million yen in the previous fiscal year). Applying the Accounting Standard for Revenue Recognition had no impact on the segment's operating revenue and operating profit.

Amid the post-COVID recovery, Takashimaya Space Create Co., Ltd. experienced higher orders from luxury-brand shopping facilities and big hotels. This revenue growth pushed the segment back into profit. We will continue to improve proactive pitching to build a stable stream of revenue for the segment.

<Others>

The miscellaneous businesses grouped under the Others segment posted an operating revenue of 34,812 million yen (compared to 38,729 million yen in the previous fiscal year) and an operating profit of 1,419 million yen (compared to 1,613 million yen in the previous fiscal year). As a result of applying the Accounting Standard for Revenue Recognition, operating revenue decreased 1,951 million yen and operating profit was only negligibly affected.

In the Cross Media Division, revenue decreased as department stores saw a recovery in in-store sales. In the staffing business, Century & Co., Ltd. posted revenue and profit growth following an increase in staffing and outsourcing orders. Overall, the segment posted a decline in revenue and profit.

*1 SUGO-TSUMI

Shorthand for Takashimaya no Sugoi Tsumitate (“Takashimaya’s amazing savings scheme”), SUGO-TSUMI is one of the financial services included in Takashimaya NEOBANK, a financial services app. Users who deposit fixed monthly amounts for a whole year receive a one-month bonus to their Shopping Balance, which can be spent at Takashimaya stores.

*2 Material recycling

Material recycling, often known as mechanical recycling, involves processing waste so that it can easily be reused as new materials in products.

*3 Food drive

In a food drive, consumers donate their unused, unexpired food. The donated food is then distributed to nonprofits and local welfare centers so that the food does not go to waste.

*4 Sustainability-linked loans

A sustainability-linked loan requires the borrower to commit to sustainability performance targets (SPTs). The interest rate and other loan terms are tied to the borrower’s performance in the SPTs. This linkage incentivizes the borrower to achieve the SPTs, thereby stimulating socially and environmentally sustainable business activities and economic development.

*5 EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) measures a company’s capacity to generate cash. As used in our financial reporting, EBITDA adds back consolidated depreciation (other than depreciation of overseas subsidiaries’ right-of-use assets recognized under the IFRS 16 requirements) to consolidated operating profit.

d. Cash Flows

Cash flows from operating activities: We recorded a positive cash flow of 36,498 million yen, up 15,454 million yen from the positive cash flow of 21,044 million yen in the previous fiscal year. The main factor was a 31,240 million yen increase in profit before income taxes.

Cash flows from investing activities: We recorded a negative cash flow of 10,707 million yen, 26,413 million yen less than the negative cash flow of 37,120 million yen in the previous fiscal year. One factor was an increase of 10,191 million yen in proceeds from sales and redemption of short-term and long-term investment securities. Another was a decrease of 6,926 million yen in purchase of property, plant and equipment and intangible assets.

Cash flows from financing activities: We recorded a negative cash flow of 32,429 million yen, 27,670 million yen more than the negative cash flow of 4,759 million yen in the previous fiscal year. One factor was a decrease of 20,000 million yen in proceeds from issuance of bonds. Another was an increase of 16,695 million yen in purchase of treasury shares.

When exchange differences are added to the above cash flows, cash and cash equivalents at the end of the consolidated fiscal year under review amounted to 88,631 million yen, down 366 million yen from the end of the previous consolidated fiscal year.

(ii) Capital resources and liquidity

Concerning capital resources and liquidity, necessary operating capital and facility capital for the Group is procured through internal capital, capital from the liquidation of receivables, or external procurement (loans or corporate bonds). Of this capital, external procurement mainly consists of long-term, stable capital.

We also maintain lines of credit established through negotiations with financial institutions in Japan. We increase capital efficiency by using treasury management services (TMS, a framework for conducting centralized capital management for Group companies) to conduct capital lending to domestic Group companies. For overseas Group companies, we ensure operational liquidity by retaining sufficient cash on hand.

Furthermore, our interest-bearing debt balance (not including lease liabilities) as of the end of the consolidated fiscal year was 213,583 million yen.

(iii) Significant Accounting Policies, Significant Accounting Estimates, Basis of Calculation

We prepare consolidated financial statements in line with Japan's Generally Accepted Accounting Principles (J-GAAP). In preparing the statements, it is necessary for the management to choose an accounting method to apply and to make estimates that will influence the figures for assets/liabilities and profit/expenses that get reported and influence the way this information is presented. The management's estimates are reasonable, being informed by past results and other data. Nonetheless, estimates remain, by their nature, uncertain, and so there remains a possibility that actual results may differ from what estimates suggest.

Furthermore, significant accounting policies, etc., used in Group consolidated financial statements are indicated in 3. Financial Information under Notes to Consolidated Financial Statements, 2. Summary of Significant Accounting Policies.

(iv) Objective metrics for judging the status of achievement for business policy, business strategy, and management targets

(Unit: 100 million yen)

Metric	FY2022	Management targets	Change
Total operating revenue	8,817	9,400	582
SG&A to total operating revenue	25.9%	25.2%	-0.7%
Operating profit	325	350	25
Equity ratio	35.1%	36.3%	1.2%
ROE (Profit attributable to owners of parent/equity)	6.9%	5.5%	-1.4%
EBITDA-Total assets ratio	4.8%	5.0%	0.2%
Ratio of net interest-bearing debt to EBITDA	2.2 times	2.0 times	-0.2 pts
ROIC (return on invested capital)	4.4%	4.5%	0.1%

As objective metrics for analyzing operating results, our Group uses total operating revenue, SG&A to total operating revenue, operating profit, equity ratio, ROE, EBITDA- Total assets ratio, ratio of net interest-bearing debt to EBITDA, and ROIC.

To judge the status of achievement, we conduct comparisons with the results of the current consolidated fiscal year. For information on the process of setting targets, refer to "(2) Business Strategy" and "(3) Objective metrics for judging the status of target achievement" under "1. Business Policies, Business Environment, Issues to be Addressed".

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
February 28, 2023 and February 28 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2023**	2022	**2023**
Current assets:			
Cash and deposits (Notes 3, 4 and 5)	**¥90,841**	¥90,672	**$666,332**
Notes and accounts receivable - trade, and contract assets			
Trade (Notes 4 and 8)	**142,259**	95,118	**1,043,490**
Non-consolidated subsidiaries and affiliated companies (Note 4)	**1,219**	1,002	**8,942**
Other (Note 8)	**11,182**	17,973	**82,021**
Less: Allowance for doubtful accounts (Note 4)	**(771)**	(688)	**(5,655)**
	153,889	113,405	**1,128,798**
Inventories (Note 7)	**36,356**	39,299	**266,676**
Other	**20,444**	26,452	**149,960**
Total current assets	**301,530**	269,828	**2,211,766**
Property, plant and equipment:			
Land (Notes 11 and 12)	**419,939**	418,388	**3,080,312**
Buildings and structures (Notes 9 and 13)	**459,069**	449,411	**3,367,337**
Equipment and fixtures (Note 9)	**46,819**	44,909	**343,424**
Leased assets	**7,316**	7,651	**53,664**
Construction in progress	**10,895**	8,864	**79,916**
Right-of-use assets	**118,948**	103,698	**872,501**
	1,062,986	1,032,921	**7,797,154**
Less: Accumulated depreciation	**(357,469)**	(326,614)	**(2,622,086)**
Total property, plant and equipment	**705,517**	706,307	**5,175,068**
Intangible assets:			
Goodwill (Note 16)	**2,394**	2,381	**17,560**
Leasehold interests in land (Note 9)	**11,126**	10,603	**81,611**
Right-of-use assets	**6,478**	5,974	**47,517**
Other	**17,086**	16,974	**125,328**
Total intangible assets	**37,084**	35,932	**272,016**
Investments and other assets:			
Investment securities (Notes 4 and 6)	**21,301**	23,407	**156,246**
Investments in non-consolidated subsidiaries and affiliated companies (Note 4)	**57,518**	51,626	**421,903**
Guarantee deposits (Notes 4, 5 and 14)	**27,076**	27,926	**198,606**
Deferred tax assets (Note 10)	**23,746**	26,375	**174,180**
Other	**6,790**	5,145	**49,805**
Less: Allowance for doubtful accounts	**(2,361)**	(2,210)	**(17,318)**
Total investments and other assets	**134,070**	132,269	**983,422**
Total assets (Note 16)	**¥1,178,201**	¥1,144,336	**$8,642,272**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
LIABILITIES AND NET ASSETS	**2023**	2022	**2023**
Current liabilities:			
Short-term bank loans (Notes 4 and 17)	¥5,000	¥15,000	$36,676
Current portion of long-term debt (Notes 4, 9, 17 and 18)	4,660	3,215	34,182
Lease obligations (Note 4)	10,369	8,942	76,058
Notes and accounts payable:			
Trade (Notes 4 and 18)	103,384	87,697	758,336
Non-consolidated subsidiaries and affiliated companies (Note 4)	7,280	6,002	53,400
Other	25,720	22,369	188,660
	136,384	116,068	1,000,396
Income taxes payable	3,220	1,041	23,619
Accrued expenses	2,380	2,171	17,458
Provision for bonuses for directors and other officers	48	—	352
Gift certificates	43,571	58,207	319,599
Advances received	—	118,105	—
Contract liabilities	96,912	—	710,863
Deposits received (Note 4)	55,544	23,937	407,423
Provision for point card certificates	2,202	944	16,152
Other	5,442	5,186	39,918
Total current liabilities	365,732	352,816	2,682,696
Non-current liabilities:			
Long-term debt (Notes 4, 9, 17 and 18)	203,923	196,548	1,495,804
Lease obligations (Notes 3 and 4)	79,857	78,530	585,762
Retirement benefit liability (Note 19)	50,206	51,556	368,268
Provision for retirement benefits for directors and other officers	248	257	1,819
Deferred tax liabilities (Note 10)	2,219	2,056	16,277
Deferred tax liabilities related to land revaluation (Note 12)	9,050	9,050	66,383
Asset retirement obligations	5,873	5,452	43,079
Provision for environmental measures	17	82	125
Other	24,594	27,499	180,401
Total non-current liabilities	375,987	371,030	2,757,918
Total liabilities	741,719	723,846	5,440,614
Contingent liabilities (Note 20)			
Net assets			
Shareholders' equity (Note 21):			
Common stock	66,025	66,025	484,303
Authorized: 300,000 thousand shares			
Issued: 177,759,481 shares in 2023 and 2022			
Capital surplus	54,791	54,791	401,900
Retained earnings	294,130	271,974	2,157,485
Less: Treasury shares	(32,690)	(15,994)	(239,786)
At cost:20,27,587 shares in 2023			
11,027,076 shares in 2022			
Total shareholders' equity	382,256	376,796	2,803,902
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	8,366	7,430	61,366
Deferred gains or losses on hedges	(1)	(0)	(7)
Revaluation reserve for land (Note 12)	3,972	2,945	29,135
Foreign currency translation adjustment	19,812	10,996	145,324
Remeasurements of defined benefit plans	(1,079)	403	(7,915)
Total accumulated other comprehensive income	31,070	21,774	227,903
Non-controlling interests:	23,156	21,920	169,853
Total net assets	436,482	420,490	3,201,658
Total liabilities and net assets	¥1,178,201	¥1,144,336	$8,642,272

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2023 and February 28, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Operating revenue (Note 16):			
Net sales	¥368,864	¥695,694	$2,705,670
Other operating revenue	74,579	65,431	547,048
	443,443	761,125	3,252,718
Operating expenses:			
Cost of sales	182,262	527,981	1,336,918
Selling, general and administrative expenses	228,661	229,033	1,677,261
	410,923	757,014	3,014,179
Operating profit (Note 16)	32,520	4,111	238,539
Other income (expenses):			
Interest and dividend income	1,952	1,607	14,318
Interest expenses (Note 18)	(5,177)	(4,651)	(37,974)
Loss on retirement of non-current assets (Note 23)	(1,907)	(2,884)	(13,988)
Gain （loss） on sales of investment securities, net (Note 6)	2,858	2,501	20,964
Gain on adjustment of unused certificates	1,421	—	10,423
Share of profit of entities accounted for using the equity method	2,689	1,462	19,724
Impairment loss (Notes 16 and 24)	(5,019)	(2,619)	(36,815)
Exchange gain （loss）, net	614	1,023	4,504
Subsidy income (Note 25)	473	4,188	3,469
Gain on forgiveness of lease obligations	14	467	103
Loss related to Covid-19 (Note 25)	(46)	(2,208)	(337)
Gain on sale of non-current assets(Note 23)	4,806	126	35,252
Gain on forgiveness of debts	—	314	—
Other, net (Note 11)	(290)	231	(2,127)
	2,388	(443)	17,516
Profit before income taxes	34,908	3,668	256,055
Income taxes (Note 10):			
Current	3,483	2,645	25,548
Deferred	2,533	(5,029)	18,580
	6,016	(2,384)	44,128
Profit	28,892	6,052	211,927
Profit attributable to non-controlling interests	(1,053)	(692)	(7,724)
Profit attributable to owners of parent	¥27,839	¥5,360	$204,203

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2023 and February 28, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Profit (Loss)	¥28,892	¥6,052	$211,927
Other comprehensive income			
Valuation difference on available-for-sale securities	1,424	(1,622)	10,445
Deferred gains or losses on hedges	(1)	(1)	(7)
Foreign currency translation adjustment	5,976	3,990	43,834
Remeasurements of defined benefit plans, net of tax	(1,368)	(790)	(10,034)
Share of other comprehensive income of entities accounted for using the equity method	3,255	2,121	23,876
Total other comprehensive income (Note 26)	9,286	3,698	68,114
Comprehensive income	¥38,178	¥9,750	$280,041
Comprehensive income attributable to:			
Owners of parent	36,109	8,254	264,865
Non-controlling interests	2,069	1,496	15,176

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2023 and February 28, 2022

		Millions of yen				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, February 28, 2021	177,759,481	¥66,025	¥54,791	¥270,615	¥(15,993)	¥375,438
Cumulative effects of changes in accounting policies						—
Restated balance	177,759,481	66,025	54,791	270,615	(15,993)	375,438
Dividends of surplus				(4,001)		(4,001)
Profit attributable to owners of parent				5,360		5,360
Purchase of treasury shares and disposal of treasury shares			0		(1)	(1)
Reversal of revaluation reserve for land						—
Change of scope of consolidation						—
Net changes of items other than shareholders' equity						—
Balance, February 28, 2022	177,759,481	¥66,025	¥54,791	¥271,974	¥(15,994)	¥376,796
Cumulative effects of changes in accounting policies				(515)		(515)
Restated balance	177,759,481	66,025	54,791	271,459	(15,994)	376,281
Dividends of surplus				(4,001)		(4,001)
Profit attributable to owners of parent				27,839		27,839
Purchase of treasury shares and disposal of treasury shares			0		(16,696)	(16,696)
Reversal of revaluation reserve for land				(1,027)		(1,027)
Change of scope of consolidation				(140)		(140)
Net changes of items other than shareholders' equity						—
Balance, February 28, 2023	177,759,481	¥66,025	¥54,791	¥294,130	¥(32,690)	¥382,256

				Millions of yen				
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive Income	Non-controlling interests	Total net assets
Balance, February 28, 2021	¥8,874	¥1	¥2,945	¥5,970	¥1,090	¥18,880	¥20,794	¥415,112
Cumulative effects of changes in accounting policies						—		—
Restated balance	8,874	1	2,945	5,970	1,090	18,880	20,794	415,112
Dividends of surplus						—		(4,001)
Profit attributable to owners of parent						—		5,360
Purchase of treasury shares and disposal of treasury shares						—		(1)
Reversal of revaluation reserve for land						—		—
Change of scope of consolidation						—		—
Net changes of items other than shareholders' equity	(1,444)	(1)		5,026	(687)	2,894	1,126	4,020
Balance, February 28, 2022	¥7,430	¥(0)	¥2,945	¥10,996	¥403	¥21,774	¥21,920	¥420,490
Cumulative effects of changes in accounting policies						—		(515)
Restated balance	7,430	(0)	2,945	10,996	403	21,774	21,920	419,975
Dividends of surplus						—		(4,001)
Profit attributable to owners of parent						—		27,839
Purchase of treasury shares and disposal of treasury shares						—		(16,696)
Reversal of revaluation reserve for land						—		(1,027)
Change of scope of consolidation						—		(140)
Net changes of items other than shareholders' equity	936	(1)	1,027	8,816	(1,482)	9,296	1,236	10,532
Balance, February 28, 2023	¥8,366	¥(1)	¥3,972	¥19,812	¥(1,079)	¥31,070	¥23,156	¥436,482

The accompanying notes are an integral part of these statements.

	Number of shares issued	Thousands of U.S. dollars (Note 1)				
		Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, February 28, 2022	177,759,481	$484,303	$401,900	$1,994,968	$(117,317)	$2,763,854
Cumulative effects of changes in accounting policies	—			(3,778)		(3,778)
Restated balance	177,759,481	484,303	401,900	1,991,190	(117,317)	2,760,076
Dividends of surplus				(29,348)		(29,348)
Profit attributable to owners of parent				204,203		204,203
Purchase of treasury shares and disposal of treasury shares			0		(122,469)	(122,469)
Reversal of revaluation reserve for land				(7,533)		(7,533)
Change of scope of consolidation				(1,027)		(1,027)
Net changes of items other than shareholders' equity						—
Balance, February 28, 2023	177,759,481	$484,303	$401,900	$2,157,485	$(239,786)	$2,803,902

	Thousands of U.S. dollars (Note 1)							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance, February 28, 2022	$54,500	$(0)	$21,602	$80,657	$2,956	$159,715	$160,786	$3,084,355
Cumulative effects of changes in accounting policies						—		(3,778)
Restated balance	54,500	(0)	21,602	80,657	2,956	159,715	160,786	3,080,577
Dividends of surplus						—		(29,348)
Profit attributable to owners of parent						—		204,203
Purchase of treasury shares and disposal of treasury shares						—		(122,469)
Reversal of revaluation reserve for land						—		(7,533)
Change of scope of consolidation						—		(1,027)
Net changes of items other than shareholders' equity	6,866	(7)	7,533	64,667	(10,871)	68,188	9,067	77,255
Balance, February 28, 2023	$61,366	$(7)	$29,135	$145,324	$(7,915)	$227,903	$169,853	$3,201,658

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2023 and February 28, 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Profit before income taxes	¥34,908	¥3,668	$256,055
Depreciation	33,302	31,428	244,275
Impairment loss	5,019	2,619	36,815
Amortization of goodwill	279	240	2,047
Increase (decrease) in allowance for doubtful accounts	234	(330)	1,716
Increase (decrease) in retirement benefit liability	(3,317)	(2,662)	(24,331)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(8)	(54)	(59)
Increase (decrease) in provision for point card certificates	1,252	(1,492)	9,184
Increase (decrease) in allowance for loss on repair construction of building	—	(3,662)	—
Interest and dividend income	(1,952)	(1,607)	(14,318)
Interest expenses	5,177	4,651	37,974
Share of loss (profit) of entities accounted for using equity method	(2,689)	(1,462)	(19,724)
Loss (gain) on sale of non-current assets	(4,800)	(126)	(35,209)
Loss on retirement of property, plant and equipment	1,907	2,884	13,988
Subsidy income	(84)	(1,111)	(616)
Loss related to Covid-19	46	2,208	337
Loss (gain) on sales of investment securities, net (Note 6)	(2,858)	(2,501)	(20,964)
Decrease (increase) in trade receivables	(47,296)	4,613	(346,923)
Decrease (increase) in inventories	3,225	4,179	23,656
Increase (decrease) in trade payables	15,524	6,041	113,871
Increase (decrease) in advances received	(118,420)	5,058	(868,628)
Increase (decrease) in deposits received	31,407	(2,261)	230,375
Increase (decrease) in accounts payable - other	1,058	(12,552)	7,761
Increase (decrease) in contract liabilities	97,056	—	711,920
Other, net	(9,624)	(5,350)	(70,593)
Subtotal	39,346	32,419	288,609
Interest and dividends income received	3,101	2,799	22,746
Interest expenses paid	(5,207)	(4,666)	(38,194)
Proceeds from subsidy income	84	1,111	616
Payment for loss related to COVID-19	(65)	(1,630)	(477)
Income taxes paid	(761)	(8,989)	(5,582)
Net cash provided by (used in) operating activities	36,498	21,044	267,718
Cash flows from investing activities:			
Payments into time deposits	(276)	(188)	(2,024)
Purchase of short-term and long-term investment securities	(1,737)	(33)	(12,741)
Proceeds from sale and redemption of short-term and long-term investment securities	11,344	1,154	83,210
Purchase of property, plant and equipment and intangible assets	(26,014)	(32,940)	(190,816)
Proceeds from sale of property, plant and equipment and intangible assets	6,757	101	49,564
Payments for asset retirement obligations	(172)	(114)	(1,262)
Purchase of shares of subsidiaries and associates	(837)	(457)	(6,140)
Net decrease (increase) in short-term loans receivable	979	(2,773)	7,181
Long-term loan advances	(2,016)	(3)	(14,788)
Other, net	1,265	(1,867)	9,279
Net cash provided by (used in) investing activities	(10,707)	(37,120)	(78,537)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(10,000)	—	(73,351)
Proceeds from long-term loans payable	12,000	21,185	88,022
Repayments of long-term loans payable	(3,160)	(13,160)	(23,179)
Net increase (decrease) in commercial papers	—	(10,000)	—
Proceeds from issuance of bonds	—	20,000	—
Redemption of bonds	(61)	(10,092)	(447)
Repayments of lease obligations	(10,123)	(8,320)	(74,254)
Purchase of treasury shares	(16,696)	(0)	(122,468)
Cash dividends paid	(4,001)	(4,001)	(29,348)
Other, net	(388)	(371)	(2,846)
Net cash provided by (used in) financing activities	(32,429)	(4,759)	(237,871)
Effect of exchange rate changes on cash and cash equivalents	6,272	4,511	46,005
Net increase (decrease) in cash and cash equivalents	(366)	(16,324)	(2,685)
Cash and cash equivalents at beginning of period	88,997	105,321	652,806
Cash and cash equivalents at end of period (Note 3)	¥88,631	¥88,997	$650,121

The accompanying notes are an integral part of these statements.

1 BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Takashimaya Company, Limited (hereinafter, 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 (hereinafter, the “Japanese GAAP”) which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accounts of overseas consolidated subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified five 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 five items are required in the consolidation process so that their impacts on profit 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) Reclassification adjustments for measuring subsequent changes in fair value of equity instruments recognized in other comprehensive income

The accompanying Consolidated Financial Statements have been restructured and translated into English (with some expanded descriptions) from the Consolidated Financial Statements of the Companies, 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, 2023, which was ¥136.33 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts 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 (hereinafter, 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 non-consolidated subsidiaries and remaining 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 non-controlling interests, 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") are amortized on a straight line basis 11 or 12 years with the exception of minor differences, which are charged to income in the period of acquisition.

Negative goodwill which arose prior to March 31, 2010 is amortized over 20 years on a straight line method.

From the year ended February 28, 2023, there has been a change in the scope of consolidation:

In the current consolidated fiscal year, TOSHIN DEVELOPMENT VIETNAM CO., LTD. which was established by Toshin Development Co., Ltd., a consolidated subsidiary, has been included in the scope of consolidated subsidiaries.

In the current consolidated fiscal year, cognizant of their growing importance, the following have been turned into companies accounted for using the equity method: Edufit International Education Corporation Joint Stock Company and Nguon Sang Education Joint Stock Company, both of which are associates of TOSHIN EDUCATION INVESTMENT PTE. LTD., a wholly owned subsidiary of Toshin Development Co., Ltd., which is a consolidated subsidiary of the Company.

All non-consolidated subsidiaries of the Company are of a limited scale in terms of total assets, operating revenue, 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 overseas consolidated 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 Income of overseas consolidated 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. 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 value are stated at fair market value.

Securities with no available fair market value other than stocks, etc.

The fair market value method is used based on the market price as of financial year-end (valuation differences are all included directly in net assets, and cost of securities sold is mainly determined by the moving average method).

Debt securities with no available fair market value

Mainly stated at cost determined by the moving-average method.

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

(1) If a forward 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 Statements 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 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 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.
   In addition, special treatment is applied to interest rate swaps if they meet the requirements for special treatment.

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

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 amounts 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, plant and equipment (except leased assets and right-of-use assets)

Property, plant 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, plant 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) Intangible assets (except leased assets and right-of-use assets)

Intangible assets 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.

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

(j) 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.

(k) Right-of-use assets

Right-of-use assets are amortized to a residual value of zero by the straight line method using the lease term as the useful life.

(l) A provision for redemption of points

To provide for the expenses arising from a redemption of points, a provision for the point program is recognized for expected future expenses associated with the redemption of points by users based on historical experiences.

(m) Retirement benefit liability

(1) Attribution method for projected retirement benefits

The Companies account for the liabilities for retirement benefits based on the defined benefit obligation and plan assets at the balance sheet date. The defined benefit obligation is attributed to a certain period on a benefit formula basis.

(2) How to recognize the prior service cost and the actuarial gains or losses

The unrecognized prior service cost obligation is recognized as expense and recorded in equal amounts mainly 9 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 9 years), which is less than the average remaining years of employment of the employees, commencing from the succeeding fiscal year.

(3) Adoption of simplified method in some consolidated subsidiaries

Some consolidated subsidiaries adopt the simplified method which assumes retirement benefit obligation to be equal to the benefits payable, if all eligible employees voluntarily terminated their employment at the end of the fiscal year, for the calculation of retirement benefit liability and retirement benefit costs.

(n) A provision for bonus payments to Directors

To provide for bonus payments to Directors, a provision for bonuses has been recognized based on estimated future payments.

(o) Provision for retirement benefits for directors and other officers

Provision for retirement for directors and other officers is provided based on the consolidated subsidiaries' pertinent rules and is calculated as the estimated amounts 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) Provision for environmental measures

Provision for environmental measures is provided based on the estimated costs for treatment of Poly Chlorinated 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 taxes on corporations, inhabitants and enterprises.
The Companies recognize the tax effects of temporary differences between the financial statements' carrying amount and the tax basis of assets and liabilities. The provision for income taxes is computed based on the income before income taxes and non-controlling interests included in the Statements of Income of each of the Companies. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(r) Per share information

Profit per share is based on the weighted average number of shares of common stock outstanding during each year and diluted profit 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) Criteria for the recognition of significant revenues and expenses

Based on the following five step approach, revenues are recognized when promised goods and services are transferred to customers and the customers obtain the control of the goods or services.

Step 1: Identify the contract with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(Department store)

Department store segment mainly relates to selling the following: clothes, personal effects, miscellaneous goods, household goods, foods and others.
Revenues arising from the sales of these goods are recognized when they are supplied to customers as performance obligations and are satisfied at that moment. Payments for goods are received at the time of the supply of goods when performance obligations are satisfied. In addition, for a so-called sales and procurement transaction, a transaction in which sales of goods to customers are made in tandem with the purchase of goods from suppliers, the gross margin is recognized as revenue.
Also for points which can only be used at the Company's own stores, points are granted in proportion to a customer's purchase amount, and corresponding points for goods or services are provided. Future supply of goods to customers are recognized as performance obligations when points are granted, and a transaction price will be allocated in consideration of points to expire in the future, and revenue will be recognized when points are redeemed.
Furthermore, for gift certificates which can only be used at the Company's own stores, when the Company issues gift certificates, the future supply of goods to customers is recognized as performance obligations, and revenue will be recognized when the gift

certificates are used. For unused portion of such gift certificates, revenue will be recognized when the likelihood of the use of them becomes highly remote.

(Commercial Property Development)

The commercial property development segment manages and operates commercial developments, assets and facilities benefiting from the synergistic effects with the department stores.

As services at commercial facilities are constantly provided, revenues are recognized over the contract period when customers benefit as the Company fulfills the contract with the customer. Revenue from lease transactions of properties is recognized in the period in which they arise in accordance with Accounting Standard for Lease Transactions (ASBJ Statement No.13, March 30, 2007).

(Finance)

The finance segment issues and operates credit cards, revenue of which are commissions from department stores and affiliated shops, and annual dues from the card members. Revenue associated with annual dues are recognized over the period subject to their payments. Furthermore, revenue associated with commissions are recognized as revenue in proportion to the use of credit cards based on the rate provided in the contract.

(Construction & Design)

The construction & design segment accepts orders and executes relevant works, and revenue is recognized according to the progress towards the satisfaction of performance obligations. The measurement of progress is made based on the cost incurred to the end of the period as a percentage of expected total costs. On the other hand, for any substantially short period works, revenue is recognized at a point when the performance obligations are fully satisfied.

(t) Changes in presentation method

(Consolidated Statements of Cash Flows)

"Loss (gain) on sale of non-current assets" (¥(126) million in the fiscal year ended February 28, 2022), which was included in "Other, net" under "Cash flows from operating activities" for the fiscal year ended February 28, 2022, has been listed independently from the fiscal year ended February 28, 2023 due to its increased monetary importance.

"Increase (decrease) in deposits received" (¥(2,261) million in the fiscal year ended February 28, 2022), which was included in "Other, net" under "Cash flows from operating activities" for the fiscal year ended February 28, 2022, has been listed independently from the fiscal year ended February 28, 2023 due to its increased monetary importance.

"Gain on forgiveness of lease liabilities" (¥(467) million in the fiscal year ended February 28, 2022), which was recorded under "Cash flows from operating activities" for the fiscal year ended February 28, 2022, has been included in "Other, net" under "Cash flows from operating activities" from the fiscal year ended February 28, 2023 due to its decreased monetary importance.

"Gain on forgiveness of debt" (¥(313) million in the fiscal year ended February 28, 2022), which was recorded under "Cash flows from operating activities" for the fiscal year ended February 28, 2022, has been included in "Other, net" under "Cash flows from operating activities" from the fiscal year ended February 28, 2023 due to its decreased monetary importance.

"Proceeds from sale of property, plant and equipment and intangible assets" (¥101 million in the fiscal year ended February 28, 2022), which was included in "Other, net" under "Cash flows from investing activities" for the fiscal year ended February 28, 2022, has been listed independently from the fiscal year ended February 28, 2023 due to its increased monetary importance.

"Long-term loan advances" (¥(3) million in the fiscal year ended February 28, 2022), which was included in “Other, net” under “Cash flows from investing activities” for the fiscal year ended February 28, 2022, has been listed independently from the fiscal year ended February 28, 2023 due to its increased monetary importance.

“Purchase of treasury shares” (¥(0) million in the fiscal year ended February 28, 2022), which was included in “Other, net” under “Cash flows from financing activities” for the fiscal year ended February 28, 2022, has been listed independently from the fiscal year ended February 28, 2023 due to its increased monetary importance.

(u) Additional Information

(Accounting Estimates related to the impact of COVID-19)

Although the category of the novel coronavirus infection has been lowered to a Category V infection, it is still difficult to accurately predict when it will be fully controlled, as well as its impact and the degree of severity. However, given that the government’s revised thoughts on mask wearing and the promotion of a vaccination campaign have contributed to a gradual return to ordinary life and personal consumption like before the emergence of the pandemic, the Company is making accounting estimates for the impairment of fixed assets and recoverability of deferred tax assets, believing that the profit level targeted for FY2023 will be achieved, and stable profit, as well as sustainable growth, will be achieved going forward through executing the three-year plan.

(Application of the consolidated taxation system)

The Company and certain of its domestic consolidated subsidiaries have applied the consolidated taxation system.

(Application of tax effect accounting related to the transition from the consolidated taxation system to the group tax sharing system)

The Company and some domestic consolidated subsidiaries will transition from the consolidated taxation system to the group tax sharing system beginning from the next fiscal year. However, with regards to the transition to the group tax sharing system established in the “Act for Partial Amendment of the Income Tax Act” (Act No. 8 of 2020), and items for which the single tax payment system has been revised in line with the transition to the group tax sharing system, according to Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020), the Company and some domestic consolidated subsidiaries did not follow the provisions of Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), but applied the provisions of the tax law before the revision when calculating the amount of deferred tax assets and deferred tax liabilities.

Meanwhile, from the beginning of the next fiscal year, the Company is scheduled to apply Practical Solution No.42, Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021), which provides for accounting for and disclosures of corporate income taxes and local income taxes as well as tax effect in applying the Group Tax Sharing System.

(v) Significant accounting estimates

FY ended February 28, 2022

(Impairment of the non-current assets of Takashimaya Co., Ltd.)

(1) Amount recorded in the consolidated financial statements for the year ended February 28, 2022.

In the year ended February 28, 2022, since the operating income at five large stores of the Company (Osaka, Kyoto, Nihonbashi, Yokohama and Shinjuku) has been negative for the second consecutive fiscal year, and the operating income in the non-consolidated financial statements has also been negative for the second consecutive fiscal year, the Company has identified indication of impairment in each asset group for each of the above stores and a larger unit including the asset groups and common assets and determined whether it is necessary to recognize an impairment loss. As a result of this judgement, because, the total undiscounted future cash flows estimated in each asset group for the five large stores and a larger unit including the asset groups and common assets exceeded their respective book values, an impairment loss was not recognized for any of the five large stores or a larger unit including the five large stores and common assets.

The book value of non-current assets in the Company's non-consolidated financial statements is ¥505,984 million (property, plant and equipment of 486,612 million yen and intangible assets of ¥19,372 million), and the book value of non-current assets at the five large stores is ¥356,458 million.

(2) Information on the details of accounting estimates for the identified items

(i) Calculation method

In the department store business operated by the Company, we mainly group assets based on stores, which are considered as the smallest units that generate largely independent cash flows,

For stores with indication of impairment, we determine whether an impairment loss should be recognized by comparing the total undiscounted future cash flows from the asset group with the book value. In addition, if there are indication of impairment in a larger unit that includes common assets, we determine whether an impairment loss should be recognized for the larger unit including common assets.

If it is determined that an impairment loss should be recognized, the impairment loss is recorded by reducing the book value to the recoverable amount.

(ii) Key assumptions

Total amount of undiscounted future cash flows is calculated based on the three-year business plan. Based on the results of past fiscal years, the business plan is formulated mainly in anticipation of the recovery of store sales, the effect of measures to increase revenue, and the effect of operating cost reduction through reforms in the cost structure . In addition, part of the net realizable value included in the total undiscounted future cash flows is based on the real estate appraisal amount.

(iii) Impact on consolidated financial statements for the year ending February 28, 2023

In calculating undiscounted future cash flows, we make the best estimate based on available information, including external information, but it may be affected by uncertain future fluctuations in economic conditions and fluctuations in real estate appraisal amounts due to future trends in real estate market conditions. If the actual undiscounted future cash flows differ from the estimate, it could have a significant impact on the consolidated financial statements for the year ending February 28, 2023.

(Recoverability of deferred tax assets of Takashimaya Co., Ltd.)

(1) Amount recorded in the consolidated financial statements for the year ended February 28, 2022

The amount of deferred tax assets recorded in the Company's non-consolidated financial statements that make up the consolidated financial statements is ¥18,417 million.

(2) Information on the details of accounting estimates for the identified items

(i) Calculation method

Deferred tax assets are recognized to the extent that deductible temporary differences and tax loss carryforwards are expected to be offset against and reduce future taxable income. As stated in Note 2, "Significant accounting policies" to the consolidated financial statements, the Company applies the consolidated taxation system, and with regards to the deferred tax assets related to corporate taxes and local corporate taxes, the recoverability is determined in consideration of future taxable income, with the Company and certain of its domestic consolidated subsidiaries treated as one taxpayer as a whole (hereinafter referred to as the “consolidated taxpaying entity”.)

(ii) Key assumptions

The estimated amount of future taxable income for the consolidated taxpaying entity is calculated based on the three-year business plan. Based on the results of past fiscal years, the business plan is formulated mainly in anticipation of the recovery of store sales, the effect of measures to increase revenue, and the effect of operating cost reduction through reforms in the cost structure.

(iii) Impact on consolidated financial statements for the year ending February 28, 2023

In calculating future taxable income, we make the best estimate based on available information, including external information, but it may be affected by uncertain future fluctuations in economic conditions, etc. If the actual taxable income is different from the estimate, it could have a significant impact on the consolidated financial statements for the year ending February 28, 2023.

FY ended February 28, 2023

(Impairment of the non-current assets of Takashimaya Co., Ltd.)

(1) Amount recorded in the consolidated financial statements for the year ended February 28, 2023.

In the current fiscal year, as for the Company’s Tachikawa Store, the department store section was closed as of January 31, 2023, and the method of using its assets was changed. In addition, Kashiwa Store and Omiya Store recorded operating loss for the second consecutive fiscal year. Consequently, the Company identified indication of impairment in asset groups for each of the above stores, and determined whether it is necessary to recognize an impairment loss. As a result of the judgment, for Tachikawa Store, since total undiscounted future cash flows exceeded the book value, no impairment loss was recognized. For Kashiwa Store and Omiya Store, as total undiscounted future cash flows estimated for each store were lower than the book value of each store, the book value was reduced to the net realizable value as the recoverable amount, and an impairment loss of ¥4,360 million was recorded.

As at the end of the period, the book value of fixed assets in the Company's individual financial statements is ¥493,452 million (tangible fixed assets: ¥473,955 million, intangible fixed assets: ¥19,496 million), and the book value of non-current assets at these stores is ¥13,748 million.

(2) Information on the details of accounting estimates for the identified items

(i) Calculation method

In the department store business operated by the Company, we mainly group assets based on stores, which are considered as the smallest units that generate largely independent cash flows.

For stores with indication of impairment, we determine whether an impairment loss should be recognized by comparing the total undiscounted future cash flows from the asset group with the book value.

If it is determined that an impairment loss should be recognized, the impairment loss is recorded by reducing the book value to the recoverable amount.

The recoverable amount is determined as the higher of the net realizable value calculated by deducting the estimated amount of costs of disposal from the market value of the asset group, or value in use, which is the present value of future cash flows expected to arise from continuing use of the asset group and its ultimate disposal.

(ii) Key assumptions

The total undiscounted future cash flows are mainly based on the real estate appraisal value by external appraisal experts.

(iii) Impact on consolidated financial statements for the year ending February 29, 2024

In calculating undiscounted future cash flows, we make the best estimate based on available information, including external information. But it may be affected by uncertain future fluctuations in economic conditions and fluctuations in real estate appraisal amounts due to future trends in real estate market conditions. If the actual undiscounted future cash flows differ from the estimate, it could have a significant impact on the consolidated financial statements for the year ending February 29, 2024.

(Recoverability of deferred tax assets of Takashimaya Co., Ltd.)

(1) Amount recorded in the consolidated financial statements for the year ended February 28, 2023

The amount of deferred tax assets recorded in the Company's non-consolidated financial statements that make up the consolidated financial statements is ¥15,910 million.

(2) Information on the details of accounting estimates for the identified items

(i) Calculation method

Deferred tax assets are recognized to the extent that deductible temporary differences and tax loss carryforwards are expected to be offset against and reduce future taxable income. As stated in Note 2, "Significant accounting policies" to the consolidated financial statements, the Company applies the consolidated taxation system, and with regards to the deferred tax assets related to corporate taxes and local corporate taxes, the recoverability is determined in consideration of future taxable income, with the Company and certain of its domestic consolidated subsidiaries treated as one taxpayer as a whole (hereinafter referred to as the “consolidated taxpaying entity”.)

(ii) Key assumptions

The estimated amount of future taxable income for the consolidated taxpaying entity is calculated based on the three-year business plan. Based on the results of past fiscal years, the business plan is formulated mainly in anticipation of the recovery of store sales, the effect of measures to increase revenue, and the effect of operating cost reduction through reforms in the cost structure.

(iii) Impact on consolidated financial statements for the year ending February 29, 2024

In calculating future taxable income, we make the best estimate based on available information, including external information, but it may be affected by uncertain future fluctuations in economic conditions, etc. If the actual taxable income is different from the estimate, it could have a significant impact on the consolidated financial statements for the year ending February 29, 2024.

(w)Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition)

In applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter referred to as the Accounting Standard for Revenue Recognition) from the beginning of the current consolidated fiscal year, revenue is recognized at the amount expected to be received in exchange for the goods or services at a point when the control of promised goods or services is transferred to the customer. Major changes from the application of the accounting standard are as follows:

For the sales and procurement transactions in which the Group purchases goods concurrent with the sales of goods to customers, the transaction amount has been recorded for both sales and cost of sales to date. But as a result of assessing the Group’s roles in providing goods or services to customers, it has changed the accounting treatment by which the amount equivalent to gross margin is recorded as sales. In addition, although under the point program to facilitate sales campaigns, a provision was previously recognized for a portion of points granted to customers which were expected to be redeemed in the future, the accounting policy has been changed, such that points granted in proportion to customer’s purchase amount will be accounted for as a contract liability, and revenue will be recognized when the performance obligations are satisfied. Furthermore, for gift certificates to be used only at the Company’s own stores, a portion expected not to be used in the future was previously recognized as revenue when they were issued, but the accounting policy has been changed, such that revenue will be recognized when the likelihood of their use becomes highly remote.

The accounting standard for revenue recognition has been applied in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the revenue recognition accounting standard, and accordingly a new accounting policy has been applied to the opening balances of the current consolidated fiscal year by which the accumulated effects

arising if the new accounting policy is applied retrospectively before the beginning of the current consolidated fiscal year will be added to or deducted from the retained earnings at the beginning of the current consolidated fiscal year.
As a result, for the current consolidated fiscal year, operating revenue, cost of sales as well as selling, general and administrative expenses decreased by ¥438,319 million, ¥426,577 million, and ¥13,268 million, respectively, while operating profit increased by ¥1,525 million and ordinary income and profit before income taxes increased by ¥2,468 million, respectively. The opening balance of retained earnings decreased by ¥514 million. The effect on per share information is described at the location where such information is provided. In applying the revenue recognition standard, notes receivable and trade accounts receivable presented at current assets in the consolidated balance sheet for the prior consolidated fiscal year are determined to be included and presented in notes receivable, trade accounts receivable and contract assets from the current consolidated fiscal year. Besides this, advances, gift certificates and some provision for points presented in current liabilities have been presented as contract liabilities from this consolidated fiscal year. Meanwhile under a new way of presentation, there is no reclassification of accounts for the prior consolidated fiscal year in accordance with the transitional treatment provided in Paragraph 89-2 of the Accounting Standard for Revenue Recognition.
In addition, notes relating to revenue recognition for the previous consolidated fiscal year have not been disclosed in accordance with the transitional treatment provided in Paragraph 89-3 of the Accounting Standard for Revenue Recognition.

(Application of accounting standards in measuring fair values)
The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) (hereinafter referred to as the Accounting Standard for Fair Value Measurement) has been applied from the beginning of this current consolidated fiscal year and a new accounting policy provided by the Accounting Standard for Fair Value Measurement is set to be prospectively applied in accordance with the transitional treatment provided in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no impact on consolidated financial statements.
In addition, in notes to financial instruments, disclosures concerning the breakdown by level of the fair value hierarchy of financial instruments are to be provided. However, notes relating to the previous consolidated fiscal year have not been disclosed in accordance with the transitional treatment provided in the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, March 31, 2019).

(X) Revenue from contracts with customers
Operating revenue shows the aggregate amounts of “sales” and “other operating income.” Operating revenue does not describe any disaggregation of revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is described in “Note 15:Revenue recognition”.

3 CASH AND CASH EQUIVALENTS

1. Cash and Cash Equivalents

Cash and cash equivalents on February 28, 2023 and February 28, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Cash and deposits	**¥90,841**	¥90,672	**$666,332**
Time deposits with maturities exceeding three months	**(2,210)**	(1,675)	**(16,211)**
Cash and cash equivalents at the end of period	**¥88,631**	¥88,997	**$650,121**

4 FINANCIAL INSTRUMENTS

1. Matters related to financial instruments

(1) Policies for financial instruments

In view of its capital investment plan, the Companies raise 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 Companies do not engage in derivative transactions for speculative purposes.

(2) Financial instruments and their risks

Notes and accounts receivable - trade, and contract assets are exposed to credit risk. Securities and investment securities are exposed to market price volatility risk. Guarantee deposits 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 debt, commercial papers, corporate bonds and lease obligations 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 exchange contracts; interest rate swap contracts, which seek to provide hedges for the risks of fluctuation in foreign exchange of trade receivables and trade obligations; and interest rates applicable to loans and bonds payable, respectively. For details of 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 debt 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 Companies regularly monitor 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 risk (risks associated with fluctuation in foreign exchange as well as interest rates, etc.)

The Companies utilize forward exchange contracts in an effort to offset the risks of fluctuation in foreign exchange in connection with operating payables denominated in foreign currencies, and interest rate swap contracts aimed at converting floating rates of interest applicable to loans and bonds payable to fixed rate interest.

With respect to investment securities, the Companies regularly monitor fair value as well as the financial status of issuers (counterparties),and review its holdings on a continuous basis taking into consideration its relationships with counterparties.

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

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

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

The determination of fair value of financial instruments contains variable factors, and the adoption of wide ranging and differing assumptions may cause value to change.

2. Matters related to fair value of financial instruments

The book value recorded in the Consolidated Balance Sheets for the years ended February 28, 2023 and February 28, 2022, and fair value and their differences are as follows.

	Millions of yen		
	2023		
	Book Value	Fair Value	Difference
(1) Notes and accounts receivable - trade, and contract assets	¥143,478		
Allowance for doubtful accounts (＊2)	(771)		
	142,707	144,214	1,507
(2) Securities and investment securities			
Available-for-sale securities	17,383	17,383	—
	17,383	17,383	—
(3) Guarantee deposits (＊3)	27,905	26,114	(1,791)
Total assets	¥187,995	¥187,711	¥(284)
(1) Long-term debt (＊4)	¥208,583	¥211,875	¥3,292
(2) Lease obligations (＊5)	90,226	87,756	(2,470)
Total liabilities	¥298,809	¥299,631	¥822
Derivatives (＊6)			
Amount subject to hedge accounting	(1)	(1)	—
Total derivatives	¥(1)	¥(1)	¥—

＊1 No descriptions have been given to “cash and cash equivalents”, “notes payable and trade accounts payable”, “short-term borrowings”, and “deposits” as they are likely to be settled in a short time and their fair values approximate carrying values.
＊2 General and specific allowance for doubtful accounts for Accounts receivable-trade are deducted from the carrying amount.
＊3 The figures include guarantee deposits with repayment due dates of one year or less.
＊4 The figures include long-term debt with repayment due dates of one year or less.
＊5 The figures include lease obligations with repayment due dates of one year or less.
＊6 Net receivables and payables arising from derivative transactions are shown as net amounts and net payables are presented in negative values.
＊7 Stocks with no available fair market value are not included in “(2) Securities and investment securities, Available-for-sale securities.”

The consolidated balance sheet amounts of the relevant financial instruments are as follows.

	Millions of yen
	2023
(a) Stock of subsidiaries	¥4,519
(b) Stock of affiliates	52,879
(c) Unlisted stocks	3,918

	Millions of yen		
	2022		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥90,672	¥90,672	¥—
(2) Notes and accounts receivable - trade	96,120		
Allowance for doubtful accounts (＊1)	(449)		
	95,671	96,918	1,247
(3) Securities and investment securities			
Available-for-sale securities	20,824	20,824	—
	20,824	20,824	—
(4) Guarantee deposits (＊2)	5,173	5,163	(10)
Total assets	¥212,340	¥213,577	¥1,237
(1) Notes and accounts payable-trade, non-consolidated subsidiaries and affiliated companies	¥93,699	¥93,699	¥—
(2) Short-term bank loans	15,000	15,000	—
(3) Deposits received	23,937	23,937	—
(4) Long-term debt (＊3)	199,763	200,295	532
(5) Lease obligations (＊4)	87,472	86,982	(490)
Total liabilities	¥419,871	¥419,913	¥42
Derivatives (＊5)			
Amount subject to hedge accounting	(0)	(0)	—
Total derivatives	¥(0)	¥(0)	¥—

＊1 General and specific allowance for doubtful accounts for Accounts receivable-trade are deducted from the carrying amount.
＊2 The figures include guarantee deposits with repayment due dates of one year or less.
＊3 The figures include long-term debt with repayment due dates of one year or less.
＊4 The figures include lease obligations with repayment due dates of one year or less.
＊5 Net receivables and payables arising from derivative transactions are shown as net amounts and net payables are presented in negative values.
＊6 Items for which obtaining an estimated fair value is deemed to be extremely difficult.

	Millions of yen
	2022
(a) Stock of subsidiaries	¥4,343
(b) Stock of affiliates	46,813
(c) Unlisted stocks	2,583
(d) Guarantee deposits	23,662

(a) Stock of subsidiaries, (b) Stock of affiliates and (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
The fair value of a portion of these guarantee deposits has not been presented in “(4) Guarantee deposits” 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.

	Thousands of U.S. dollars		
	2023		
	Book Value	Fair Value	Difference
(1) Notes and accounts receivable - trade, and contract assets	$1,052,432		
Allowance for doubtful accounts (＊2)	(5,656)		
	1,046,776	1,057,830	11,054
(2) Securities and investment securities			
Available-for-sale securities	127,507	127,507	—
	127,507	127,507	—
(3) Guarantee deposits (＊3)	204,687	191,550	(13,137)
Total assets	$1,378,970	$1,376,887	$(2,083)
(1) Long-term debt (＊4)	1,529,986	1,554,133	24,147
(2) Lease obligations (＊5)	661,820	643,703	(18,117)
Total liabilities	$2,191,806	$2,197,836	$6,030
Derivatives (＊6)			
Amount subject to hedge accounting	(7)	(7)	—
Total derivatives	$(7)	$(7)	$—

＊1 No descriptions have been given to “cash and cash equivalents”, “notes payable and trade accounts payable”, “short-term borrowings”, and “deposits” as they are likely to be settled in a short time and their fair values approximate carrying values.
＊2 General and specific allowance for doubtful accounts for Accounts receivable-trade are deducted from the carrying amount.
＊3 The figures include guarantee deposits with repayment due dates of one year or less.
＊4 The figures include long-term debt with repayment due dates of one year or less.
＊5 The figures include lease obligations with repayment due dates of one year or less.
＊6 Net receivables and payables arising from derivative transactions are shown as net amounts and net payables are presented in negative values.
＊7 Stocks with no available fair market value are not included in “(2) Securities and investment securities, Available-for-sale securities.”
The consolidated balance sheet amounts of the relevant financial instruments are as follows.

	Thousands of U.S. dollars
	2023
(a) Stock of subsidiaries	$33,148
(b) Stock of affiliates	387,875
(c) Unlisted stocks	28,739

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

	Millions of yen			
	2023			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥90,841	¥—	¥—	¥—
Notes and accounts receivable - trade, and contract assets	140,346	2,629	495	8
Guarantee deposits	830	9,141	13,056	4,878
Total	¥232,017	¥11,770	¥13,551	¥4,886

	Millions of yen			
	2022			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥90,672	¥—	¥—	¥—
Notes and accounts receivable - trade	93,252	2,367	482	19
Guarantee deposits	776	2,825	1,382	190
Total	¥184,700	¥5,192	¥1,864	¥209

	Thousands of U.S. dollars			
	2023			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	$666,332	$—	$—	$—
Notes and accounts receivable - trade, and contract assets	1,029,458	19,284	3,631	59
Guarantee deposits	6,088	67,050	95,768	35,781
Total	$1,701,878	$86,334	$99,399	$35,840

∗ The refund of guarantee deposits is scheduled based on the remaining useful lives of the principal assets and other factors.

※2: Estimated amounts of repayment after the balance sheet date for corporate bonds, long-term loans and lease obligations

	Millions of yen					
	2023					
	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	¥—	¥—	¥—	¥10,000	¥—	¥70,000
Long-term debt—Long-term loans	¥4,660	¥38,580	¥29,965	¥3,205	¥32,000	¥20,000
Lease obligations	10,369	10,315	7,951	6,309	6,627	48,655
Total	¥15,029	¥48,895	¥37,916	¥19,514	¥38,627	¥138,655

	Millions of yen					
	2022					
	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	¥55	¥—	¥—	¥—	¥10,000	¥70,000
Long-term debt—Long-term loans	¥3,160	¥4,660	¥38,580	¥29,920	¥3,185	¥40,000
Lease obligations	8,942	9,080	9,004	6,960	5,616	47,870
Total	¥12,157	¥13,740	¥47,584	¥36,880	¥18,801	¥157,870

	Thousands of U.S. dollars					
	2023					
	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	$—	$—	$—	$73,351	$—	$513,460
Long-term debt—Long-term loans	$34,182	$282,990	$219,798	$23,509	$234,725	$146,703
Lease obligations	76,058	75,662	58,322	46,277	48,610	356,891
Total	$110,240	$358,652	$278,120	$143,137	$283,335	$1,017,054

＊ The amount of lease obligations is based on the discounted present value as of the Balance Sheet date.

※3:Items relating to the breakdown by level of fair value hierarchy of financial instruments

The fair value of financial instruments is classified into three levels of the fair value hierarchy depending on the observability and significance of the inputs used for the fair value measurement.

Level 1 Fair Value: Fair value determined on the basis of quoted prices for assets or liabilities that are observable in active markets;

Level 2 Fair Value: Fair value determined on the basis of inputs other than quoted prices included within Level 1;

Level 3 Fair Value: Fair value measured using inputs used to measure fair value is unobservable.

In using multiple inputs having significant effect on the measurement of fair value, fair value is classified at the level the lowest priority is given in measuring fair values.

(1) Financial instruments measured at fair value and recorded on the consolidated balance sheets
As of February 28, 2023

	Millions of yen			
	2023			
	Level1	Level2	Level3	Total
Securities and investment securities				
Available-for-sale securities	¥17,383	¥—	¥—	¥17,383
Derivatives				
Amount subject to hedge accounting	—	(1)	—	(1)
Total assets	¥17,383	¥(1)	¥—	¥17,382

	Thousands of U.S. dollars			
	2023			
	Level1	Level2	Level3	Total
Securities and investment securities				
Available-for-sale securities	$127,507	$—	$—	$127,507
Derivatives				
Amount subject to hedge accounting	—	(7)	—	(7)
Total assets	$127,507	$(7)	$—	$127,500

(2) Financial instruments other than those measured at fair value and recorded on the consolidated balance sheets
As of February 28, 2023

	Millions of yen			
	2023			
	Level1	Level2	Level3	Total
Notes and accounts receivable - trade, and contract assets	¥—	¥144,214	¥—	¥144,214
Guarantee deposits	—	26,114	—	26,114
Total assets	¥—	¥170,328	¥—	¥170,328
Long-term debt	¥—	¥211,875	¥—	¥211,875
Lease obligations	—	87,756	—	87,756
Total liabilities	¥—	¥299,631	¥—	¥299,631

	Thousands of U.S. dollars			
	2023			
	Level1	Level2	Level3	Total
Notes and accounts receivable - trade, and contract assets	$—	$1,057,830	$—	$1,057,830
Guarantee deposits	—	191,550	—	191,550
Total assets	$—	$1,249,380	$—	$1,249,380
Long-term debt	$—	$1,554,133	$—	$1,554,133
Lease obligations	—	643,703	—	643,703
Total liabilities	$—	$2,197,836	$—	$2,197,836

(Notes) A description of the valuation techniques and inputs used in the fair value measurements

Assets

(1) Securities and investment securities

Listed securities are evaluated using quoted prices. Fair value of listed securities is classified at Level 1 as they are traded in active markets.

(2) Notes receivable, trade accounts receivable and contract assets

The fair value of these items is classified at Level 2 as it is calculated by using the present value determined by future cash flows reflecting recoverability, discounted at the yield of government securities. However, for any receivable which will be settled in a short time, their fair value is the carrying value as the fair value is virtually equal to the carrying value.

(3) Guarantee deposits

The fair value of these items is measured by the present value calculated by future cash flows discounted by appropriate rates such as the yield of government securities, therefor classified as Level 2 fair value.

Liabilities

(1) Corporate bonds

Fair value of corporate bonds is measured based on market prices, but they are not traded in active markets, therefore classified at Level 2 fair value.

(2) Long-term borrowings

The fair values of long-term borrowings are measured and discounted at a reasonably estimated interest rate expected in making a new borrowing with similar principal and interest, therefore classified at Level 2 fair value. As any interest swap subject to designated hedge accounting is treated together with hedged long-term borrowings, their fair values are described and included in the fair value of the long-term borrowings.

(3) Lease liabilities

The fair value of lease liabilities is measured at the present value of the total amount of principal and interest, discounted by the interest rate expected when a similar lease transaction is newly made, therefore classified at Level 2 fair value.

Derivatives

(1) Derivatives

The fair value of derivatives is measured by using observable inputs, including foreign exchange rates, therefore classified at Level 2 fair value.

5 DEPOSITED ASSETS

The Guarantee deposits required by lease arrangements at February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Cash and deposits	**¥1,705**	¥1,475	**$12,507**
Guarantee deposits	**10**	10	**73**
Total	**¥1,715**	¥1,485	**$12,580**

6 SECURITIES

The following tables summarize acquisition costs, book value and fair value of securities with available fair value as of February 28, 2023 and February 28, 2022:

(1) Held-to-maturity securities:

Not applicable.

(2) Available-for-sale securities

	Millions of yen					
	2023			2022		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:						
Equity securities	**¥6,234**	**¥17,339**	**¥11,105**	¥5,340	¥14,556	¥9,216
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	**36**	**44**	**8**	47	65	18
Securities with book value exceeding acquisition cost	**6,270**	**17,383**	**11,113**	5,387	14,621	9,234
Securities with book value not exceeding acquisition cost:						
Equity securities	—	—	—	6,348	6,203	(145)
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities with book value not exceeding acquisition cost:	—	—	—	6,348	6,203	(145)
Total available-for-sale securities	**¥6,270**	**¥17,383**	**¥11,113**	¥11,735	¥20,824	¥9,089

＊1 The amount of unlisted stocks (¥3,918 million ($28,739 thousand) recorded in the Consolidated Balance Sheets as of February 28,2023) is not included in "Others" as they have no market value.

＊2 The amount of unlisted stocks (¥2,583 million ($22,354 thousand) recorded in the Consolidated Balance Sheets as of February 28,2022) is not included in "Others" as they have no market value and their fair value is not readily determinable.

Type	Thousands of U.S. dollars		
	2023		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	$45,727	$127,184	$81,457
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	264	323	59
Securities with book value exceeding acquisition cost	45,991	127,507	81,516
Securities with book value not exceeding acquisition cost:			
Equity securities	—	—	—
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Securities with book value not exceeding acquisition cost:	—	—	—
Total available-for-sale securities	$45,991	$127,507	$81,516

(3) Available-for-sale securities sold

Type	Millions of yen					
	2023			2022		
	Amount sold	Gain on sales	Loss on sales	Amount sold	Gain on sales	Loss on sales
Equity securities	¥8,327	¥2,858	¥—	¥3,660	¥2,501	¥—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	0	—	—
Total available-for-sale securities	¥8,327	¥2,858	¥—	¥3,660	¥2,501	¥—

Type	Thousands of U.S. dollars		
	2023		
	Amount sold	Gain on sales	Loss on sales
Equity securities	$61,080	$20,964	$—
Corporate bonds	—	—	—
Others	—	—	—
Total available-for-sale securities	$61,080	$20,964	$—

(4) Impairment losses on securities

Impairment losses on the Company's securities for the years ended February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen	
	2023	2022
	Book value	Book value
Loss on valuation of investment securities	¥0	¥—

	Thousands of U.S. dollars
	2023
	Book value
Loss on valuation of investment securities	$0

7 INVENTORIES

Inventories as of February 28, 2023 and February 28, 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Merchandise	**¥35,177**	¥37,841	**$258,027**
Products	**24**	26	**176**
Work in process	**285**	324	**2,091**
Supplies	**870**	1,108	**6,382**
Total	**¥36,356**	¥39,299	**$266,676**

8 LIQUIDATION OF RECEIVABLES

The liquidation of receivables on February 28, 2023 and February 28, 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Notes and accounts receivable-trade	**¥17,300**	¥42,070	**$126,898**
Notes and accounts receivable-other	**2,000**	2,000	**14,670**

* Both notes and accounts receivable-trade and receivable-other decreased due to liquidation (a transfer method).

9 ASSETS PLEDGED AS COLLATERAL AND SECURED LIABILITIES

The assets pledged as collateral for bonds mainly from banks and certain other obligations on February 28, 2023 and February 28, 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Buildings and structures	**¥—**	¥1,954	**$—**
Leasehold interests in land	**—**	5,602	**—**
Total	**¥—**	¥7,556	**$—**

The secured liabilities on February 28, 2023 and February 28, 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Current portion of long-term bonds	**¥—**	¥55	**$—**
Total	**¥—**	¥55	**$—**

10 INCOME TAXES

The Companies are subject to a number of taxes based on income. The aggregate statutory tax rate in Japan was approximately 30.6% for the year ended February 28, 2023 as well as for the year ended February 28, 2022.

The following table summarizes the significant difference between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended February 28, 2023 and February 28, 2022.

	%	
Years ended February 28, 2023 and February 28, 2022	2023	2022
Statutory tax rate	30.6%	30.6%
Items that are not temporary differences such as dividend income	(0.2)	(5.8)
Decrease in valuation allowance	(6.7)	(71.1)
Difference in statutory tax rate of foreign subsidiaries	(2.1)	(6.7)
Equity in gain of affiliated companies	(2.4)	(12.2)
Others	(2.0)	0.2
Effective tax rate	17.2%	△65.0%

Significant components of the Companies' deferred tax assets and liabilities as of February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Accrued enterprise tax	¥402	¥471	$2,949
Accrued bonuses	72	70	528
Nondeductible allowance for doubtful accounts	876	875	6,426
Provision for point card certificates	1,346	1,229	9,873
Nondeductible write-down of inventories	652	612	4,784
Adjustment of gift certificates	9,014	9,265	66,119
Unrealized intercompany profits	458	548	3,359
Tax loss carryforward (∗2)	15,114	19,907	110,863
Nondeductible amortization of software costs	52	54	381
Nondeductible retirement benefit liability	15,569	15,921	114,201
Provision for environmental measures	4	23	29
Nondeductible write-down of securities	749	1,520	5,494
Impairment loss of property, plant and equipment	6,051	5,157	44,385
Others	3,555	2,742	26,076
Total gross deferred tax assets	53,914	58,394	395,467
Less: Valuation allowance for tax loss carryforward (∗2)	(6,562)	(8,602)	(48,133)
Less: Valuation allowance for deductible temporary differences	(5,347)	(6,150)	(39,221)
Less: Total valuation allowance (∗1)	(11,909)	(14,752)	(87,354)
Total deferred tax assets	42,005	43,642	308,113
Deferred tax liabilities:			
Adjustments of allowance for doubtful accounts	(59)	(63)	(433)
Adjustment of gift certificates	—	(345)	—
Reserve for deferred capital gains of property	(14,411)	(13,511)	(105,707)
Valuation difference on available-for-sale securities	(3,037)	(2,436)	(22,277)
Valuation difference on assets of subsidiaries	(2,219)	(2,056)	(16,277)
Others	(752)	(912)	(5,516)
Total deferred tax liabilities	(20,478)	(19,323)	(150,210)
Net deferred tax assets	¥21,527	¥24,319	$157,903

∗1 Valuation allowance decreased by ¥2,843 million ($20,855 thousand). This is largely due to a rise in the recoverable amount of tax loss carryforwards in association with an increase in the estimated amount of future taxable income.

＊2 Tax loss carryforward and deferred tax assets by expiration period were as follows:

	Millions of yen						
	2023						
	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	Total
Tax loss carryforward	¥520	¥606	¥410	¥339	¥328	¥12,911	¥15,114
Less: Valuation allowance	(517)	(606)	(410)	(339)	(328)	(4,362)	(6,562)
Deferred tax assets	3	—	—	—	—	8,549	8,552

	Millions of yen						
	2022						
	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	Total
Tax loss carryforward	¥920	¥558	¥713	¥434	¥340	¥16,942	¥19,907
Less: Valuation allowance	(916)	(558)	(703)	(434)	(340)	(5,651)	(8,602)
Deferred tax assets	4	—	10	—	—	11,291	11,305

	Thousands of U.S. dollars						
	2023						
	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	Total
Tax loss carryforward	$3,814	$4,445	$3,007	$2,487	$2,406	$94,704	$110,863
Less: Valuation allowance	(3,792)	(4,445)	(3,007)	(2,487)	(2,406)	(31,996)	(48,133)
Deferred tax assets	22	—	—	—	—	62,708	62,730

＊1 Amounts of tax loss carryforward in the above table are calculated by multiplying tax loss carryforward by the effective statutory tax rate.

＊2 The Company recorded deferred tax assets of ¥8,552 million ($62,730 thousand) for tax loss carryforward of ¥15,114 million ($110,863 thousand), (calculated using the effective statutory tax rate), since the Company judged that based on the expected future taxable income, the deferred tax assets for the tax loss carryforwards are recoverable.

11 RENTAL PROPERTIES

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 book value 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 on February 28, 2023 and February 28, 2022 were as follows:

Amounts on the Consolidated Balance Sheets

	Millions of yen			
	2023			
	Book value			Fair value
	March 1, 2022	Increase (Net)	February 28, 2023	February 28, 2023
Rental properties	**¥78,450**	**¥1,771**	**¥80,221**	**¥83,151**
Real estate including spaces used as rental properties	**471,045**	**(10,057)**	**460,988**	**546,851**

	Millions of yen			
	2022			
	Book value			Fair value
	March 1, 2021	Increase (Net)	February 28, 2022	February 28, 2022
Rental properties	¥73,110	¥5,340	¥78,450	¥87,740
Real estate including spaces used as rental properties	456,794	14,251	471,045	565,296

	Thousands of U.S. dollars			
	2023			
	Book value			Fair value
	March 1, 2022	Increase (Net)	February 28, 2023	February 28, 2023
Rental properties	**$575,442**	**$12,991**	**$588,433**	**$609,924**
Real estate including spaces used as rental properties	**3,455,182**	**(73,769)**	**3,381,413**	**4,011,230**

Notes
1. The amounts presented on the Consolidated Balance Sheets are the acquisition costs minus accumulated depreciation.
2. Rental properties:The increase during the years ended February 28, 2023 and February 28, 2022 is primarily for the acquisition, and the decrease is for the depreciation.
3. Real estate including spaces used as rental properties: The increase during the years ended February 28, 2023 and February 28, 2022 is primarily for the acquisition, and the decrease is for the depreciation.
4. For fair values at the end of the current consolidated fiscal year, those of major properties are measured at the amount based on appraisal values determined by external real estate appraisers, while the fair values of other properties are measured at the proprietary amount determined by the Company based on certain appraised values or indicators expected to reflect market prices appropriately. However, the fair values are the appraisal amounts, or the amounts adjusted by applying such indicators, unless there are significant changes in certain appraisal amounts, or indicators expected to reflect market prices appropriately from the time of their acquisition from the third party, or from the most recent appraisal.

Profit (Loss) on rental property and the portion of real estate including spaces used as rental properties during the years ended February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen			
	2023			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	**¥5,758**	**¥3,008**	**¥2,750**	**¥(37)**
Real estate including spaces used as rental properties	**42,403**	**36,664**	**5,739**	**(5,306)**

	Millions of yen			
	2022			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	¥5,865	¥4,252	¥1,613	¥126
Real estate including spaces used as rental properties	37,644	34,713	2,931	(1,864)

	Thousands of U.S. dollars			
	2023			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	**$42,236**	**$22,064**	**$20,172**	**$(271)**
Real estate including spaces used as rental properties	**311,032**	**268,936**	**42,096**	**(38,920)**

Note:
1. Since the real estate including spaces used as rental properties includes the spaces used by the Company and certain of its consolidated subsidiaries for the purpose of providing service and management, the rental income for the such spaces is not recorded. However, the expenses (depreciation, maintenance, insurance, taxes etc.) related to the such spaces are included in rental expenses.
2. The amounts recorded in the "Other, net" of fiscal year of 2023 mainly consisted of gain on sales of property and impairment loss, which was recorded in other income and other expenses whereas fiscal year of 2022 mainly consists of impairment loss of property, plant and equipment, and was recorded in other expenses.

12 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 gains, net of deferred tax, were excluded from earnings and reported as “Revaluation reserve for land” in net assets, and the relevant deferred tax was included as “Deferred tax liabilities related to land revaluation” in non-current 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

13 REDUCTION ENTRY

Due to acceptance of national subsidies, the following amounts of reduction entry were deducted directly from the acquisition costs of property, plant and equipment.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Buildings and structures	¥84	¥91	$616
Tools, furniture and fixtures	¥8	¥3	$59
Total	¥92	¥94	$675

For property, plant and equipment acquired in the year ended February 28, 2023, the amounts of reduction entry deducted from the acquisition costs are ¥1 million for buildings and structures, and ¥19million for tools, appliances and equipment.

14 GUARANTEE 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 amounts of annual lease rental payments, and such deposits bear no interest or interest only at nominal rates.

15 REVENUE RECOGNITION

(1) Information on disaggregated revenue from contracts with customers

Fiscal year ended February 28, 2023(from March 1, 2022 to February 28, 2023)

Relationships between the information on disaggregated revenue of each segment and "Operating revenue attributable to external customers" included in the segment information are as follows: Other revenue is rental income based on the accounting standard for leases and interest income based on the accounting standard for financial instruments.

FY ended February 28, 2023	Millions of yen						
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Consolidated
Net sales of department store	¥300,100	¥—	¥—	¥—	¥300,100	¥—	¥300,100
merchandise, revenue from property management	1,569	19,105	—	—	20,674	—	20,674
etc	22,874	—	17,959	24,535	65,368	45,309	110,677
revenue from contracts with customers	¥324,543	¥19,105	¥17,959	¥24,535	¥386,142	¥45,309	¥431,451
revenue from other sources	13,176	39,680	3,299	113	56,268	10	56,278
intersegment operating revenue or transfer	(16,499)	(11,272)	(4,052)	(1,956)	(33,779)	(10,507)	(44,286)
operating revenue from outside customers	321,220	47,513	17,206	22,692	408,631	34,812	443,443

FY ended February 28, 2023	Thousands of U.S. dollars						
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Consolidated
Net sales of department store	$2,201,276	$—	$—	$—	$2,201,276	$—	$2,201,276
merchandise, revenue from property management	11,509	140,138	—	—	151,647	—	151,647
etc	167,784	—	131,732	179,968	479,484	332,348	811,832
revenue from contracts with customers	$2,380,569	$140,138	$131,732	$179,968	$2,832,407	$332,348	$3,164,755
revenue from other sources	96,648	291,059	24,198	829	412,734	73	412,807
intersegment operating revenue or transfer	(121,022)	(82,682)	(29,722)	(14,348)	(247,774)	(77,070)	(324,844)
operating revenue from outside customers	2,356,195	348,515	126,208	166,449	2,997,367	255,351	3,252,718

(2) Information to understand the revenue from contracts with customers

The information to understand the revenue from contracts with customers is stated in "(s) Criteria for the recognition of significant revenues and expenses" of Note 2.

(3) Information to understand the amount of revenue for the current consolidated fiscal year and subsequent years

(i) Outstanding balances of contract assets and contract liabilities

The breakdown of receivables from contracts with customers, contract assets and contract liabilities are as follows:

	Millions of yen	
	As of March 1, 2022	As of February 28, 2023
Receivables from contracts with customers		
Notes	¥626	¥788
Accounts receivable - trade	93,577	137,425
Total	94,203	138,213
Contract assets	¥1,917	¥5,265
Contract liabilities	¥104,907	¥96,912

	Thousands of U.S. dollars	
	As of March 1, 2022	As of February 28, 2023
Receivables from contracts with customers		
Notes	$4,592	$5,780
Accounts receivable - trade	686,400	1,008,032
Total	690,992	1,013,812
Contract assets	$14,061	$38,620
Contract liabilities	$769,508	$710,863

Contract liabilities mainly relate to the balances of points granted and gift certificates issued by the company for which performance obligations have not been satisfied at the end of the period.

The amount of revenue recognized in the current consolidated fiscal year which has been included in the opening balances of contract liabilities is ¥46,725 million.

(ii) Transaction prices allocated to remaining performance obligations

For transaction prices allocated to remaining performance obligations, the Group recognizes revenue according to the actual use of gift certificates or redemption of points. The periods for which the gross amount and revenue of transaction prices allocated to the remaining performance obligations are as follows:

	Millions of yen
	As of February 28, 2023
Due within one year	¥35,882
Due after one year through two years	20,747
Due after two years	34,226
Total	90,855

	Thousands of U.S. dollars
	As of February 28, 2023
Due within one year	$263,199
Due after one year through two years	152,182
Due after two years	251,053
Total	666,434

16 SEGMENT INFORMATION

1. General information about reportable segments

The Companies' reportable segments are components of the Companies 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 four major business segments, "Department Store," "Commercial Property Development," "Finance" and "Construction & Design" are identified as reportable segments.

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

The Commercial Property Development segment develops commercial properties that generate synergies with the department store business, and manages and operates assets and facilities.

The Finance segment is engaged in credit card, "financial counter" (consulting on clients' asset management including its building and succession, and financial products) and insurance business.

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

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

The accounting policies for the reportable segments are basically same as those described in Note 1. Basis of Presenting Consolidated Financial Statements.

Income by reportable segments is presented on an operating profit basis.

Intersegment sales and transfer are recognized based on the current market prices.

3. Changes in accounting policies

As described in the section related to changes in accounting policies, as the Company has applied the accounting standard for revenue recognition from the beginning of the current consolidated fiscal year, and changed accounting treatment for the recognition of revenue, it has accordingly changed the way in which profit or loss of the operating segment is determined.

As a result of applying the Accounting Standard for Revenue Recognition, the “Department Store” segment saw a decrease in operating revenue by ¥436,344 million and an increase in segment profit by ¥1,522 million in the current fiscal year. In the “Commercial Property Development” segment, effects on operating revenue were insignificant, and there was no effect on segment profit. In addition, effects on operating revenue and segment profit in the “Finance” segment were insignificant, and there was no effect on operating revenue and segment profit in the “Construction & Design” segment. In the “Others” segment, operating revenue decreased by ¥1,951 million, and effects on segment profit were insignificant.

(a) Reportable segment information

Reportable segment information for the years ended February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen								
FY ended February 28, 2023	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others (＊1)	Total	Adjustments (＊2)	Consolidated
Operating revenue:									
Outside customers	¥321,220	¥47,513	¥17,206	¥22,692	¥408,631	¥34,812	¥443,443	¥—	¥443,443
Intersegment	16,499	11,272	4,052	1,956	33,779	10,507	44,286	(44,286)	—
Total	337,719	58,785	21,258	24,648	442,410	45,319	487,729	(44,286)	443,443
Segment profit	¥18,410	¥9,267	¥4,513	¥16	¥32,206	¥1,419	¥33,625	¥(1,105)	¥32,520
Segment assets	¥685,911	¥283,194	¥124,223	¥18,768	¥1,112,096	¥23,901	¥1,135,997	¥42,204	¥1,178,201
Depreciation	20,730	11,181	60	118	32,089	392	32,481	821	33,302
Goodwill amortization	—	278	—	1	279	—	279	—	279
Investment expenditures for affiliated company accounted for by the equity method	17,710	31,825	—	—	49,535	—	49,535	—	49,535
Increase in property, plant and equipment and intangible assets	12,074	12,463	48	67	24,652	312	24,964	22	24,986

＊1 The “Others” segment refers to Reportable segments not included in reportable segments such as the mail-order business, the wholesale business and advertising business.

＊2 Adjustments are as follows:

(1) Adjustments to segment profit of △¥1,105 million (△8,105 thousand) consist of △¥4 million (△$29 thousand) in eliminations of intersegment transactions and △¥1,101 million (△$8,076 thousand) in depreciation of company-wide assets not allocated to each reportable segment.

(2) Adjustments to segment assets of ¥42,204 million ($309,572thousand) include △¥115,661 million (△$848,390 thousand) in eliminations of intersegment receivables and payables and ¥157,864 million ($1,157,962 thousand) in company-wide assets not allocated to each reportable segment. Company-wide assets consist mainly of assets not belonging to the reportable segments such as the Company's surplus funds (cash and deposits, securities) and long-term investment funds (investment securities), as well as assets related to the administrative operations.

(3) Adjustments to depreciation of ¥821 million ($6,022 thousand) include △¥281 million (△$2,061 thousand) in adjustments for unrealized intersegment profit and ¥1,101 million ($8,076 thousand) in depreciation of company-wide assets not allocated to each reportable segment.

(4) Adjustments to increases in property, plant and equipment, and intangible assets of ¥22 million ($161 thousand) include △¥146 million (△$1,071 thousand) in adjustments for unrealized intersegment profit and ¥168 million ($1,232 thousand) in increases in property, plant and equipment, and intangible assets for company-wide assets not allocated to each reportable segment.

＊3 Segment profit is adjusted with operating profit in the consolidated statements of income, and segment assets are adjusted with total assets in the Consolidated Balance Sheets.

FY ended February 28, 2022	Millions of yen								
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others (＊1)	Total	Adjustments (＊2)	Consolidated
Operating revenue:									
Outside customers	¥648,362	¥41,186	¥16,516	¥16,332	¥722,396	¥38,729	¥761,125	¥—	¥761,125
Intersegment	8,983	10,637	3,630	1,616	24,866	8,909	33,775	(33,775)	—
Total	657,345	51,823	20,146	17,948	747,262	47,638	794,900	(33,775)	761,125
Segment profit (loss)	¥(6,562)	¥7,279	¥4,359	¥(504)	¥4,572	¥1,613	¥6,185	¥(2,074)	¥4,111
Segment assets	¥716,507	¥268,868	¥113,435	¥15,289	¥1,114,099	¥22,346	¥1,136,445	¥7,891	¥1,144,336
Depreciation	20,151	9,885	54	140	30,230	356	30,586	842	31,428
Goodwill amortization	—	240	—	—	240	—	240	—	240
Investment expenditures for affiliated company accounted for by the equity method	16,716	26,600	—	—	43,316	—	43,316	—	43,316
Increase in property, plant and equipment and intangible assets	15,755	17,553	37	30	33,375	1,137	34,512	3	34,515

＊1 The “Others” segment refers to Reportable segments not included in reportable segments such as the mail-order business, the wholesale business and the clothing processing business.

＊2 Adjustments are as follows:

(1) Adjustments to segment profit (loss) of △¥2,074 million (△$17,949 thousand) consist of △¥939 million (△$8,126 thousand) in eliminations of intersegment transactions and △¥1,135 million (△$9,823 thousand) in depreciation of company-wide assets not allocated to each reportable segment.

(2) Adjustments to segment assets of ¥7,891 million ($68,291thousand) include △¥122,106 million (△$1,056,737 thousand) in eliminations of intersegment receivables and payables and ¥129,997 million ($1,125,028 thousand) in company-wide assets not allocated to each reportable segment. Company-wide assets consist mainly of assets not belonging to the reportable segments such as the Company's surplus funds (cash and deposits, securities) and long-term investment funds (investment securities), as well as assets related to the administrative operations.

(3) Adjustments to depreciation of ¥842 million ($7,287 thousand) include △¥293 million (△$2,538 thousand) in adjustments for unrealized intersegment profit and ¥1,135 million ($9,823 thousand) in depreciation of company-wide assets not allocated to each reportable segment.

(4) Adjustments to increases in property, plant and equipment, and intangible assets of ¥3 million ($26 thousand) include △¥111 million (△$961 thousand) in adjustments for unrealized intersegment profit and ¥114 million ($987 thousand) in increases in property, plant and equipment, and intangible assets for company-wide assets not allocated to each reportable segment.

＊3 Segment profit (loss) is adjusted with operating profit (loss) in the consolidated statements of income, and segment assets are adjusted with total assets in the Consolidated Balance Sheets.

FY ended February 28, 2023	Thousands of U.S. dollars								
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others (＊1)	Total	Adjustments (＊2)	Consolidated
Operating revenue:									
Outside customers	$2,356,195	$348,515	$126,208	$166,449	$2,997,367	$255,351	$3,252,718	$—	$3,252,718
Intersegment	121,022	82,682	29,722	14,348	247,774	77,070	324,844	(324,844)	—
Total	2,477,217	431,197	155,930	180,797	3,245,141	332,421	3,577,562	(324,844)	3,252,718
Segment profit	$135,040	$67,975	$33,104	$117	$236,236	$10,408	$246,644	$(8,105)	$238,539
Segment assets	$5,031,255	$2,077,268	$911,193	$137,666	$8,157,382	$175,318	$8,332,700	$309,572	$8,642,272
Depreciation	152,057	82,014	440	866	235,377	2,876	238,253	6,022	244,275
Goodwill amortization	—	2,039	—	8	2,047	—	2,047	—	2,047
Investment expenditures for affiliated company accounted for by the equity method	129,905	233,441	—	—	363,346	—	363,346	—	363,346
Increase in property, plant and equipment and intangible assets	88,565	91,418	352	491	180,826	2,289	183,115	161	183,276

(b) Related information

1. Information by product and service

Information by product and service at February 28, 2023 and February 28, 2022 has been omitted, because similar information is disclosed as above.

2. Information by geographical area

(1) Operating revenue

This information at February 28, 2023 and February 28, 2022 has been omitted as operating revenue from customers inside Japan accounts for more than 90% of the operating revenue recorded in the Consolidated Statements of Income.

(2) Property, plant and equipment

Information at February 28, 2023 and February 28, 2022 has been presented below as the amount of property, plant and equipment located overseas accounts for more than 10% of the amount recorded in the Consolidated Balance Sheets.

	Millions of yen			
FY ended February 28, 2023	Japan	Singapore	Others	Total
Property, plant and equipment	**¥611,132**	**¥70,003**	**¥24,382**	**¥705,517**

	Millions of yen			
FY ended February 28, 2022	Japan	Singapore	Others	Total
Property, plant and equipment	¥614,876	¥68,344	¥23,087	¥706,307

	Thousands of U.S. dollars			
FY ended February 28, 2023	Japan	Singapore	Others	Total
Property, plant and equipment	**$4,482,740**	**$513,482**	**$178,846**	**$5,175,068**

3. Information by major customer

This information at February 28, 2023 and February 28, 2022 has been omitted because there are no customers accounting for over 10% of the operating revenue on the Consolidated Statements of Income.

Amortization of goodwill and unamortized balance by reportable segments

	Millions of yen							
FY ended February 28, 2023	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	¥—	¥278	¥—	¥1	¥279	¥—	¥—	¥279
Unamortized balance	¥—	¥2,389	¥—	¥5	¥2,394	¥—	¥—	¥2,394
Negative goodwill:								
Amortization	¥—	¥—	¥—	¥—	¥—	¥—	¥—	¥—
Unamortized balance	¥—	¥—	¥—	¥—	¥—	¥—	¥—	¥—

	Millions of yen							
FY ended February 28, 2022	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	¥—	¥240	¥—	¥—	¥240	¥—	¥—	¥240
Unamortized balance	¥—	¥2,381	¥—	¥—	¥2,381	¥—	¥—	¥2,381
Negative goodwill:								
Amortization	¥—	¥—	¥—	¥—	¥—	¥—	¥—	¥—
Unamortized balance	¥—	¥—	¥—	¥—	¥—	¥—	¥—	¥—

	Thousands of U.S. dollars							
FY ended February 28, 2023	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	$—	$2,039	$—	$8	$2,047	$—	$—	$2,047
Unamortized balance	$—	$17,523	$—	$37	$17,560	$—	$—	$17,560
Negative goodwill:								
Amortization	$—	$—	$—	$—	$—	$—	$—	$—
Unamortized balance	$—	$—	$—	$—	$—	$—	$—	$—

∗ The net amount of goodwill and negative goodwill is recorded in the consolidated statements of income.

Information about impairment loss of non-current assets by reportable segments

	Millions of yen							
FY ended February 28, 2023	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment loss	¥5,019	¥—	¥—	¥—	¥5,019	¥—	¥—	¥5,019

	Millions of yen							
FY ended February 28, 2022	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment loss	¥700	¥1,878	¥—	¥—	¥2,578	¥41	¥—	¥2,619

∗ The amount stated in the “Others” segment is related to the temporary personnel business.

	Thousands of U.S. dollars							
FY ended February 28, 2023	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment loss	$36,815	$—	$—	$—	$36,815	$—	$—	$36,815

17 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding were generally represented by bank over drafts and notes issued by the Companies to banks bearing interest at average rates of 0.37% and 0.21% as of February 28, 2023 and February 28, 2022, respectively.

Short-term loans and current portion of long-term debt as of February 28, 2023 and February 28, 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Short-term bank loans	¥5,000	¥15,000	$36,676
Current portion of long-term debt	4,660	3,215	34,182
Total	¥9,660	¥18,215	$70,858

Long-term debt as of February 28, 2023 and February 28, 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
0.0% convertible bonds due 2028 *	¥60,173	¥60,203	$441,378
0.250% bonds due 2026	10,000	10,000	73,351
0.5% bonds due 2031	10,000	10,000	73,351
8.1% one hundred and seven（107） secured non-convertible Vietnam Dong bonds	—	55	—
Loans from banks, insurance companies and others due serially to 2031:			
Unsecured(bearing interest at rates from 0.28% to 7.13% at February 28, 2023)	128,410	119,505	941,906
Subtotal	208,583	199,763	1,529,986
Less: Current portion of Long-term debt	(4,660)	(3,215)	(34,182)
Total	¥203,923	¥196,548	$1,495,804

* The current conversion price of 0.0% convertible bonds due 2028 issued by the Company is ¥2,180.0($15.99). On February 28, 2023, the convertible bonds were convertible into 27,522,935 shares of common stock. As the proposal regarding appropriation of surplus of ¥14 per share was approved at the 157th Ordinary General Meeting of Shareholders, held on May 23, 2023, and from this, it was determined that annual dividends for the fiscal year ended February 28, 2023 shall be ¥26 per share, the conversion price was adjusted to ¥2,177.5 retrospectively to March 1, 2023 in accordance with the conversion price adjustment clause. As a result, the bonds can now be converted into 27,554,535 shares.

Estimated amounts of repayment after the balance sheet date for long-term debt were as follows:

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2024	¥4,660	$34,182
2025	38,580	282,990
2026	29,965	219,798
2027	13,205	96,860
2028 and thereafter	122,000	894,888
Total	¥208,410	$1,528,718

18 DERIVATIVE TRANSACTIONS

1. Derivatives to which hedge accounting is not applied

Not applicable.

2. Derivatives to which hedge accounting is applied

(1) Currency-related derivatives

			Millions of yen		
			2023		
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		¥94	¥—	¥(1)
	To buy Euros		—	—	—
Total			¥94	¥—	¥(1)

			Millions of yen		
			2023		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Allocation processing for foreign exchange contracts, etc.	Forward contracts	Short-term loans receivable			
	To buy U.S. dollars		¥1,843	¥—	¥6
Total			¥1,843	¥—	¥6

			Millions of yen		
			2022		
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		¥127	¥—	¥1
	To buy Euros		304	—	(1)
Total			¥431	¥—	¥(0)

			Thousands of U.S. dollars		
			2023		
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		$690	$—	$(7)
	To buy Euros		—	—	—
Total			$690	$—	$(7)

			Thousands of U.S. dollars		
			2023		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Allocation processing for foreign exchange contracts, etc.	Forward contracts	Short-term loans receivable			
	To buy U.S. dollars		$13,519	$—	$44
Total			$13,519	$—	$44

＊1 The fair value was based on the quoted price obtained from the financial institutions with which the derivatives are transacted.

＊2 These forward exchange contracts are used to avoid future risks of fluctuation in foreign exchange with regards to foreign currency loans to consolidated subsidiaries by the Company submitting the consolidated financial statements.

(2) Interest-rate-related derivatives

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2023		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Interest expenses on long-term debt	¥10,000	¥10,000	¥—
Total			¥10,000	¥10,000	¥—

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2022		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Interest expenses on long-term debt	¥10,000	¥10,000	¥—
Total			¥10,000	¥10,000	¥—

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2023		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Interest expenses on long-term debt	$73,351	$73,351	$—
Total			$73,351	$73,351	$—

* The interest rate swaps which are qualified for hedge accounting and meet specific criteria are not remeasured at market value. However, the amounts paid or received under the swap contracts are 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.

(3) Interest rate and currency-related derivatives

Not applicable.

19 RETIREMENT BENEFIT LIABILITY

1. Summary of employees' retirement benefits which the Companies adopted

The Company and domestic consolidated subsidiaries have defined benefit pension plans (i.e., welfare pension plans and corporate pension plans) and lump-sum payment plans. The Company and some consolidated subsidiaries have adopted a defined contribution pension plan for part of their retirement benefits plans.

Under the defined benefit plans owed by some consolidated subsidiaries, retirement benefit liability and employees' retirement benefit costs are calculated using the simplified method.

2. Defined benefit obligation

(1) The changes in defined benefit obligation for the years ended February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at the beginning of the year	**¥100,703**	¥103,830	**$738,671**
Service cost	**1,951**	2,257	**14,311**
Interest cost	**213**	219	**1,562**
Actuarial gains or losses	**(324)**	7	**(2,376)**
Benefit paid	**(5,943)**	(5,610)	**(43,593)**
Benefit paid	**(44)**	—	**(323)**
Balance at the end of the year	**¥96,556**	¥100,703	**$708,252**

(2) The changes in plan assets for the years ended February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at the beginning of the year	**¥50,767**	¥52,197	**$372,383**
Expected return on plan assets	**1,269**	1,305	**9,308**
Actuarial gains or losses	**(1,740)**	(501)	**(12,763)**
Contribution from the employer	**573**	595	**4,203**
Benefit paid	**(2,850)**	(2,829)	**(20,905)**
Balance at the end of the year	**¥48,019**	¥50,767	**$352,226**

(3) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as of February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded defined benefit obligation	¥54,826	¥57,241	$402,157
Plan assets	(48,019)	(50,767)	(352,226)
	6,807	6,474	49,931
Unfunded defined benefit obligation	41,730	43,462	306,095
Net liability for defined benefit obligation	¥48,537	¥49,936	$356,026
Retirement benefit liability	48,537	49,936	356,026
Net liability for defined benefit obligation	¥48,537	¥49,936	$356,026

(4) The components of periodic benefit costs for the years ended February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥1,951	¥2,257	$14,311
Interest cost	213	219	1,562
Expected return on plan assets	(1,269)	(1,305)	(9,308)
Amortization of actuarial gains and losses	(366)	(444)	(2,685)
Amounts of prior service cost recognized	(185)	(182)	(1,357)
Total	¥344	¥545	$2,523

(5) The components of other comprehensive income on defined retirement benefits plans, before tax, on February 28, 2023 and February 28, 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Prior service cost	¥(186)	¥(182)	$(1,365)
Actuarial gains and losses	(1,782)	(952)	(13,071)
Total	¥(1,968)	¥(1,134)	$(14,436)

(6) Accumulated other comprehensive income on defined retirement benefits plans, before tax, on February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized prior service cost	¥637	¥822	$4,673
Unrecognized actuarial gains and losses	(2,079)	(296)	(15,250)
Total	¥(1,442)	¥526	$(10,577)

(7) Plan assets

1) Components of plan assets were as follows:

	%	
	2023	2022
Debt investments	**24%**	66%
Equity investments	**31**	23
General accounts with life insurance companies	**31**	10
Cash and deposits	**11**	1
Alternative Investments	**3**	—
Total	**100%**	100%

2) Method for determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) The assumptions used for the years ended February 28, 2023 and February 28, 2022 were as follows:

	%			
	2023		2022	
Discount rate				
Relating to defined benefit obligation	**Mainly**	**0.0%**	Mainly	0.0%
Relating to unfunded defined benefit obligation	**Mainly**	**0.5%**	Mainly	0.5%
Expected rate of return on plan assets		**2.5%**		2.5%
Assumed salary increase rate		**1.5%**		1.5%

3. Defined benefit obligation of the simplified method

(1) The changes in defined benefit obligation of the simplified method for the years ended February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Balance at the beginning of the year	**¥1,620**	¥1,451	**$11,883**
Employees' retirement benefit cost	**206**	251	**1,511**
Benefit paid	**(157)**	(82)	**(1,152)**
Balance at the end of the year	**¥1,669**	¥1,620	**$12,242**

(2) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as of February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Funded defined benefit obligation	**¥127**	¥127	**$932**
Plan assets	**(130)**	(135)	**(954)**
	(3)	(8)	**(22)**
Unfunded defined benefit obligation	**1,672**	1,628	**12,264**
Net liability for defined benefit obligation	**¥1,669**	¥1,620	**$12,242**
Retirement benefit liability	**1,669**	1,620	**12,242**
Net liability for defined benefit obligation	**¥1,669**	¥1,620	**$12,242**

(3) Employees' benefit cost of the simplified method for the years ended February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Employees' benefit cost of the simplified method	¥205	¥251	$1,504

4. Defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Required contribution amount of the Company and its consolidated subsidiaries to the defined contribution plan	¥684	¥690	$5,017

20 CONTINGENT LIABILITIES

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Guarantees on loans from financial institutions:			
Keppel Land Watco II Co., Ltd. (＊1)	¥1,438	¥2,096	$10,548
Keppel Land Watco III Co., Ltd. (＊1)	848	—	6,220
Edusmart Tay Ho Education Co., Ltd. (＊2 ＊3)	575	373	4,218
TAN PHU LONG JOINT STOCK COMPANY	648	569	4,753
VNLL Holdings Pte.Ltd.	3,173	3,172	23,274
TAKAHIRO CORPORATION	—	17	—
Loan guarantees made for employees	3	5	22
Total	¥6,685	¥6,232	$49,035

＊1 ¥279 million ($2,423 thousand) of ¥373 million ($3,228 thousand) for guarantees on loans from financial institutions for the year ended February 28, 2022 have been counter-guaranteed from Edufit International Education Corporation Joint Stock Company.

＊2 ¥431 million ($3,161 thousand) of ¥575 million ($4,218 thousand) for guarantees on loans from financial institutions for the year ended February 28, 2023 have been counter-guaranteed from Edufit International Education Corporation Joint Stock Company.

21 SHAREHOLDERS' EQUITY

Net assets consist of shareholders' equity, accumulated other comprehensive income, and non-controlling interests. Under Japanese laws and regulations, the entire amount paid for new shares must be designated as capital 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 capital 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.

1. Number of shares issued

	Number of shares			
	2023			
Common stock	March 1, 2022	Increase	Decrease	February 28, 2023
Number of shares issued	**177,759,481**	—	—	**177,759,481**

	Number of shares			
	2022			
Common stock	March 1, 2021	Increase	Decrease	February 28, 2022
Number of shares issued	177,759,481	—	—	177,759,481

2. Treasury shares

	Number of shares			
	2023			
Common stock	March 1, 2022	Increase	Decrease	February 28, 2023
Treasury shares	**11,027,076**	**9,000,550**	**39**	**20,027,587**

＊1 The increase in the number of common treasury shares of 9,000,550 is attributed to purchasing 550 shares less than the Share Unit and 9,000,000 shares through Tokyo Stock Exchange Trading NeTwork System (ToSTNeT- 3).
＊2 The number of treasury shares decreased by 39 shares due to the transfer of fractional shares in response to purchase requests.

	Number of shares			
	2022			
Common stock	March 1, 2021	Increase	Decrease	February 28, 2022
Treasury shares	11,026,374	753	51	11,027,076

＊1 The number of treasury shares increased by 753 shares due to the purchase of fractional shares of less than one voting unit.
＊2 The number of treasury shares decreased by 51 shares due to the transfer of fractional shares in response to purchase requests.

3. Stock options

Not applicable.

4. Dividends

(1) Payments of dividends

2023							
Approval	Type of shares	Total dividends		Dividends per share		Record date	Effective date
May 24, 2022 shareholders' meeting	Common stock	¥2,001 millions	$17,317 thousands	¥12.00	$0.09	February 28, 2022	May 26, 2022
October 11, 2022 board of directors	Common stock	¥2,001 millions	$17,317 thousands	¥12.00	$0.09	August 31, 2022	November 22, 2022

2022					
Approval	Type of shares	Total dividends	Dividends per share	Record date	Effective date
May 25, 2021 shareholders' meeting	Common stock	¥2,001 millions	¥12.00	February 28, 2021	May 26, 2021
October 14, 2021 board of directors	Common stock	¥2,001 millions	¥12.00	August 31, 2021	November 22, 2021

(2) Dividends payment whose record date is attributable to the accounting period ended February 28, 2023 and February 28, 2022 but which becomes effective after the said accounting period

2023								
Approval	Type of shares	Source of dividends	Total dividends		Dividends per share		Record date	Effective date
May 23, 2023 shareholders' meeting	Common stock	Retained earnings	¥2,208 millions	$16,196 thousands	¥14.00	$0.10	February 28, 2023	May 24, 2023

2022						
Approval	Type of shares	Source of dividends	Total dividends	Dividends per share	Record date	Effective date
May 24, 2022 shareholders' meeting	Common stock	Retained earnings	¥2,001 millions	¥12.00	February 28, 2022	May 25, 2022

22 PER SHARE INFORMATION

Per share information for the years ended February 28, 2023 and February 28, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Basic profit attributable to owners of parent per share			
Income (numerator):			
Profit attributable to owners of parent	¥27,839	¥5,360	$204,203
Amounts not belonging to common shareholders	—	—	—
Profit attributable to owners of parent concerning common stock	27,839	5,360	204,203
Shares (denominator):			
Weighted average number of shares	163,962,974	166,733,003	163,962,974
Basic earnings per share	¥169.78	¥32.14	$1.25
Diluted profit attributable to owners of parent per share			
Income (numerator):			
Profit attributable to owners of parent	¥27,839	¥5,360	$204,203
Amounts not belonging to common shareholders	—	—	—
Profit attributable to owners of parent concerning common stock	27,839	5,360	204,203
Effect of dilutive securities — convertible bonds	(20)	(20)	(147)
Adjusted profit attributable to owners of parent	27,819	5,340	204,056
Shares (denominator):			
Weighted average number of shares	163,962,974	166,733,003	163,962,974
Assumed conversion of convertible bonds	27,522,935	—	27,522,935
Adjusted weighted average number of shares	191,485,909	194,255,938	191,485,909
Diluted earnings per share	¥145.27	¥27.48	$1.07

Net assets per share as of February 28, 2023 and February 28, 2022 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net assets per share			
Net assets (numerator):			
Total net assets	¥436,482	¥420,490	$3,201,658
Non-controlling interests	(23,156)	(21,920)	(169,853)
Adjusted net assets	413,326	398,570	3,031,805
Common stock (denominator):			
Issued number of shares	177,759,481	177,759,481	177,759,481
Treasury shares	(20,027,587)	(11,027,076)	(20,027,587)
Outstanding number of shares	157,731,894	166,732,405	157,731,894
Net assets per share	¥2,620.43	¥2,390.47	$19.22

∗ As described in "(w) Changes in Accounting Policies" under "2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES", the Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020) from the beginning of the current consolidated fiscal year, and it has complied with the transitional treatment provided in the proviso of Paragraph 84 of the standard. As a result, for the consolidated fiscal year, the amount of net assets per share, the net income per share and the diluted earnings per share have increased ¥7.33, ¥10.19 and ¥8.73, respectively.

23 GAIN (LOSS) ON SALES AND RETIREMENT OF NON-CURRENT ASSETS

1. Gain on sales of non-current assets

Gain on sales of non-current assets for the years ended February 28, 2023 and February 28, 2022 consisted of the following:

	Millions of yen	
	2023	2022
	Book value	Book value
Land	¥4,654	—
Buildings	¥152	¥126
Other Intangible assets	—	0
Total	¥4,806	¥126

	Thousands of U.S. dollars
	2023
	Book value
Land	$34,137
Buildings	$1,115
Other Intangible assets	—
Total	$35,252

2. Loss on retirement of non-current assets

Loss on retirement of non-current assets for the years ended February 28, 2023 and February 28, 2022 consisted of the following:

	Millions of yen	
	2023	2022
	Book value	Book value
Buildings and structures	¥805	¥398
Other non-current assets	103	1,603
Cost of restoration	999	883
Total	¥1,907	¥2,884

	Thousands of U.S. dollars
	2023
	Book value
Buildings and structures	$5,905
Other non-current assets	755
Cost of restoration	7,328
Total	$13,988

24 IMPAIRMENT LOSS

Impairment loss is recognized for the following asset groups.

	Location	Category by use	Assets	Millions of yen 2023	Thousands of U.S. dollars 2023
				Impairment loss	
The Company Kashiwa Store	Kashiwa, Japan	Stores	Buildings	¥2,558	$18,763
			Others	364	2,670
The Company Omiya Store	Saitama, Japan	Stores	Buildings	1,322	9,697
			Others	117	858
The Company Sakai Store	Sakai, Japan	Stores	Buildings	8	59
			Others	11	81
The Company Senboku Store	Sakai, Japan	Stores	Buildings	34	249
			Others	21	154
The Company FoodMaison ShinYokohama	Yokohama, Japan	Stores	Buildings	447	3,279
			Others	21	154
Others		Stores	Buildings	89	653
			Others	27	198
Total				¥5,019	$36,815

The Company and its subsidiaries group their assets mainly by store as a basic and minimum unit that generates cash flows.
The book value of the asset group that is expected to post consecutive losses from operating activities has been reduced to the recoverable amount, and such reduction was recorded as an impairment loss of ¥5,019 million ($ 36,815 thousand) under other expenses.
The recoverable amount is based on the value in use or net realizable value. The value in use is assessed as zero, as no future cash flow is expected to be generated from the asset groups. In addition, net realizable value is calculated based on real estate appraisal value and others.

	Location	Category by use	Assets	Millions of yen 2022
				Impairment loss
The CompanyTachikawa Store	Tachikawa, Japan	Stores	Buildings	¥193
			Others	75
The Company Sakai Store	Sakai, Japan	Stores	Buildings	25
			Others	48
The Company Senboku Store	Sakai, Japan	Stores	Buildings	33
			Others	60
Okayama Takashimaya Co.,Ltd.	Okayama, Japan	Stores	Buildings	62
			Others	137
Toshin Development Co., Ltd.	Tokyo, Japan	Stores	Buildings	1,592
			Others	286
Others		Stores	Buildings	61
			Others	47
Total				¥2,619

The Company and its subsidiaries group their assets mainly by store as a basic and minimum unit that generates cash flows.
The book value of the asset group that is expected to post consecutive losses from operating activities has been reduced to the recoverable amount, and such reduction was recorded as an impairment loss of ¥2,619 million ($22,666 thousand) under other expenses.
The recoverable amount is based on the value in use. The value in use is assessed as zero, as no future cash flow is expected to be generated from the asset groups.

25 LOSS AND GAIN ON THE COVID-19 PANDEMIC

Subsidy income is the subsidies received, including ¥84 million ($616 thousand) of government subsidies for the employment adjustment received in relation to "Loss related to COVID-19".
Loss related to COVID-19 is the fixed costs (personnel expenses, rent expenses, depreciation, and others) incurred because of temporary closure of the Companies' commercial facilities due to requests from the government and local authorities.

26 OTHER COMPREHENSIVE INCOME

The recycling and effect of deferred income taxes on the other comprehensive income for the years ended February 28, 2023 and February 28, 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Valuation difference on available-for-sale securities			
Occurrence amount	¥4,882	¥63	$35,810
Recycling	(2,857)	(2,501)	(20,956)
Before tax effect	2,025	(2,438)	14,854
Tax effect	(601)	816	(4,409)
Valuation difference on available-for-sale securities	1,424	(1,622)	10,445
Deferred gains or losses on hedges			
Occurrence amount	(1)	(2)	(7)
Tax effect	0	1	0
Deferred gains or losses on hedges	(1)	(1)	(7)
Foreign currency translation adjustments realized for the year			
Occurrence amount	5,976	3,990	43,834
Remeasurements of defined benefit plans, net of tax			
Occurrence amount	(1,417)	(507)	(10,394)
Recycling	(551)	(627)	(4,042)
Before tax effect	(1,968)	(1,134)	(14,436)
Tax effect	600	344	4,402
Remeasurements of defined benefit plans, net of tax	(1,368)	(790)	(10,034)
Share of other comprehensive income of entities accounted for using the equity method			
Occurrence amount	3,257	2,075	23,891
Recycling	(2)	46	(15)
Share of other comprehensive income of entities accounted for using the equity method	3,255	2,121	23,876
Total other comprehensive income	¥9,286	¥3,698	$68,114

27 SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

Independent Auditor's Report

To the Board of Directors of Takashimaya Company, Limited.:

Opinion

We have audited the accompanying consolidated financial statements of Takashimaya Company, Limited. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at February 28, 2023 and 2022, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at February 28, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of Takashimaya Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet for the current fiscal year, property, plant and equipment of ¥705,517 million and intangible assets of ¥37,084 million were recognized. As stated in Note 2, "Significant accounting estimates" to the consolidated financial statements, Takashimaya Co., Ltd. (hereinafter referred to as the "Company"), which operates a department store business, had non-current assets of ¥493,452 million (consisting of property, plant and equipment of ¥473,955 million and intangible assets of ¥19,496 million), which accounted for 41.8% of total assets in the consolidated financial statements. Of this amount, the total amount of non-current assets of the Tachikawa Store, Kashiwa Store and Omiya Store was ¥13,748 million, representing 1.1% of total assets in the consolidated balance sheet. Impairment losses of ¥4,360 million on assets belonging to the Kashiwa Store and Omiya Store were recorded in	The primary procedures we performed to assess the reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of the Tachikawa, Kashiwa and Omiya Stores of the Company included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls over the estimate of the total undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of the Company. **(2) Assessment of the reasonableness of the estimated total amount of undiscounted future cash flows**

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the consolidated income statement for the current fiscal year. The Company groups assets mainly based on individual stores, which are considered to be the smallest units that produce largely independent cash flows. With the exception of land, these non-current assets are depreciated on a systematic basis. However, if there is an indication of impairment, the Company determines if it is necessary to recognize an impairment loss by comparing the total amount of undiscounted future cash flows to be generated from an asset group with its carrying amount. If, as a result of the assessment, it is determined that an impairment loss needs to be recognized, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. The recoverable amount is determined at the higher of the net realizable value, which is the fair value of the asset group less cost of disposal, and the value in use representing the present value of future cash flows expected to be generated from continuous use and ultimate disposal after use of the asset group. During the current fiscal year, the department store floors within the Tachikawa Store ceased to operate on January 31, 2023, and the use of the assets has been reorganized. In addition, the Kashiwa and Omiya Stores have reported operating losses for the last two consecutive years. In light of these circumstances, the Company identified an indication of impairment for the asset groups for each of the above stores and assessed whether an impairment loss should be recognized. Since the total amount of undiscounted future cash flows for the Tachikawa Store exceeded the carrying amount, the Company concluded that no impairment loss was required to be recognized. However, since the respective estimated total amounts of undiscounted future cash flows for the Kashiwa and Omiya Stores were less than the respective carrying amounts, the Company reduced the respective carrying amounts to their net realizable values as the recoverable amounts, and recognized the decreases in the carrying amounts as impairment losses. The total amount of undiscounted future cash flows was calculated mainly based on the real estate appraisal values. However, the valuation method for the real estate appraisal and key assumptions used to calculate the appraisal value involved management's subjective judgment as well as required a high level of valuation expertise. We, therefore, determined that our assessment of the reasonableness of the estimated total amount of undiscounted future cash flows used in determining	In order to evaluate the reasonableness of the valuation method and key assumptions used to calculate the real estate appraisal value, which formed the basis for determining the net realizable value used in calculating the total amount of undiscounted future cash flows, we inquired of management, the personnel responsible for relevant departments, and the experts engaged by management about their rationale , with the assistance of real estate valuation specialists within our network firms. In addition, we: ● inspected the real estate appraisal report used by the Company and assessed the appropriateness of the valuation method for the real estate appraisal; and ● compared key assumptions that form the basis for the calculation with historical results and market data.

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whether an impairment loss should be recognized for the Tachikawa, Kashiwa and Omiya Stores was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter. With respect to the reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of each of the five largest stores and those of a larger cash generating unit including non-current assets of the five largest stores and common assets of the Company, which was a key audit matter in the previous fiscal year, we determined that it was no longer a key audit matter as the five largest stores and the Company, on a stand-alone basis, recorded positive operating income for the current fiscal year.	

Reasonableness of the estimated future taxable income that served as the basis for determining the recoverability of deferred tax assets of Takashimaya Co., Ltd.

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheet for the current fiscal year, deferred tax assets of ¥23,746 million were recognized. Of this amount, deferred tax assets of ¥15,910 million were recognized in the financial statements of Takashimaya Co., Ltd. (hereinafter referred to as the "Company") on a stand-alone basis that were included in the consolidated financial statements. As described in the Note on "Income Taxes" to the non-consolidated financial statements, the amount of total deferred tax assets before being offset by deferred tax liabilities amounted to ¥32,990 million, which was the total gross deferred tax assets of ¥45,714 million for deductible temporary differences and tax loss carryforwards, less valuation allowances of ¥12,723 million. Deferred tax assets are recognized to the extent that deductible temporary differences and tax loss carryforwards are expected to offset future taxable income and reduce income tax payments. As stated in Note 2, "Summary of significant accounting policies" to the consolidated financial statements, the Company has elected to file a consolidated income tax return with certain of its domestic subsidiaries (hereinafter referred to as "consolidated tax return group companies"), and determines the recoverability of its deferred tax assets related to corporate income tax and local corporate income tax in consideration of future taxable income of the whole consolidated tax return group companies as one taxpayer (hereinafter referred to as the "consolidated tax-paying entity").	The primary procedures we performed to assess the reasonableness of the estimated future taxable income that serves as the basis for determining the recoverability of deferred tax assets of the Company included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimate of future taxable income that served as the basis for determining the recoverability of its deferred tax assets. **(2) Assessment of the reasonableness of the estimated future taxable income of the Company** In order to assess whether key assumptions embedded in the Company's business plan underlying the estimated future taxable income were appropriate, we confirmed that the Board of Directors had resolved to approve the Takashimaya Group's three-year plan, and then inquired of management and the personnel responsible for relevant departments about the basis on which those assumptions were developed. In addition, we: • compared the recovery of store sales with the results of the current and previous fiscal years, and forecast reports published by third-party organizations, among others; • assessed the consistency of the effect of measures to increase revenue with available external information, and compared them with

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The estimated amount of future taxable income for the consolidated taxpaying entity was calculated using the business plan of each of the consolidated tax return group companies developed based on the Takashimaya Group's three-year plan. Since the Company's business plan, in particular, was formulated based on various expectations, including the recovery of store sales, continuous positive effects of the measures to increase revenue and the effects of operating expense reductions through the continuing cost structure reforms being implemented from the previous fiscal year considering the results of past fiscal years, it involved a high degree of subjective judgment by management in addition to estimation uncertainty. We, therefore, determined that our assessment of the reasonableness of the estimated future taxable income that served as the basis for determining the recoverability of deferred tax assets of the Company was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	the results of similar measures undertaken in the past; and ● inspected the worksheets that calculated the effect of each item of operating expense reductions and compared them with the results of similar measures undertaken in the past, and then analyzed the impact, if any, on the business plan when specific uncertainties were incorporated into the assumptions.

Other Information

The other information comprises the information included in the FINANCIAL STATEMNETS, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2023 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

前野 充次

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Certified Public Accountant

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Tokyo Office, Japan
June 9, 2023

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