

TAKASHIMAYA

FINANCIAL STATEMENTS 2020

Years ended February 29, 2020 and February 28, 2019



Takashimaya East Building (Osaka) just finished its renovation in January, 2020.
This historic building is registered as a tangible cultural property of Japan.
There is "Takashimaya Archives" whose exhibition shows us the culture of Takashimaya and history of Japanese department stores.

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
February 29, 2020 and February 28, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
ASSETS			
Current assets:			
Cash and deposits (Notes 3,4 and 5)	¥89,820	¥97,090	\$820,799
Notes and accounts receivable:			
Trade (Note 4)	114,605	116,185	1,047,290
Non-consolidated subsidiaries and affiliated companies (Note 4)	1,314	923	12,008
Other	16,590	17,612	151,604
Less: Allowance for doubtful accounts (Note 4)	(655)	(335)	(5,986)
	131,854	134,385	1,204,916
Inventories (Note 7)	45,975	45,521	420,132
Other current assets (Notes 2 and 4)	20,115	20,128	183,816
Total current assets	287,764	297,124	2,629,663
Investments and advances:			
Investment securities (Notes 4 and 6)	25,965	33,330	237,275
Investments in and advances to:			
Non-consolidated subsidiaries and affiliated companies (Note 4)	50,833	49,393	464,525
Other	4,657	4,321	42,557
Less: Allowance for doubtful accounts	(2,305)	(2,250)	(21,064)
	53,185	51,464	486,018
Total investments and advances	79,150	84,794	723,293
Property, plant and equipment:			
Land (Notes 9 and 10)	412,052	411,508	3,765,439
Buildings and structures (Notes 11 and 26)	438,124	428,215	4,003,692
Equipment and fixtures (Note 26)	44,609	39,751	407,649
Leased assets	6,972	6,516	63,712
Construction in progress	2,564	6,892	23,430
Right of use assets	98,501	—	900,128
	1,002,822	892,882	9,164,050
Less: Accumulated depreciation	(287,018)	(271,654)	(2,622,846)
Total property, plant and equipment	715,804	621,228	6,541,204
Other assets:			
Guarantee deposits (Notes 4,5 and 12)	27,733	29,486	253,431
Right of use assets	5,193	—	47,455
Goodwill (Notes 13 and 14)	2,770	1,546	25,313
Deferred tax assets (Note 8)	20,112	16,546	183,789
Other (Note 26)	29,977	27,406	273,938
Total other assets	85,785	74,984	783,926
Total assets (Note 14)	¥1,168,503	¥1,078,130	\$10,678,086

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term bank loans (Notes 4 and 15)	¥7,500	¥5,800	\$68,537
Current portion of long-term debt (Notes 4, 15, 16 and 26)	59,804	7,619	546,504
Lease obligations (Notes 2, 3 and 4)	7,733	713	70,666
Notes and accounts payable:			
Trade (Notes 4 and 16)	96,313	102,334	880,134
Non-consolidated subsidiaries and affiliated companies (Note 4)	6,313	6,226	57,690
Other	23,465	23,280	214,429
	126,091	131,840	1,152,253
Income taxes payable	5,077	5,053	46,395
Accrued expenses	2,349	3,020	21,466
Provision for bonuses for directors (and other officers)	41	47	375
Gift certificates	53,037	52,503	484,666
Advances received	101,718	100,594	929,526
Deposits received from employees (Note 4)	14,768	15,691	134,954
Provision for point card certificates	2,797	2,530	25,560
Provision for loss on repair construction of building	74	3,208	676
Provision for loss on liquidation of subsidiaries and associates	967	—	8,837
Other current liabilities (Notes 2 and 4)	15,959	20,598	145,837
Total current liabilities	397,915	349,216	3,636,252
Non-current liabilities:			
Long-term debt (Notes 4, 15, 16 and 26)	125,739	181,364	1,149,036
Lease obligations (Notes 2, 3 and 4)	88,103	2,109	805,108
Long-term deposits received	26,936	21,253	246,148
Retirement benefit liability (Note 17)	56,138	50,891	513,004
Provision for retirement benefits for directors (and other officers)	277	287	2,531
Deferred tax liabilities (Note 8)	2,905	1,300	26,547
Deferred tax liabilities related to land revaluation (Notes 8 and 10)	6,342	6,812	57,955
Long-term accounts payable	780	762	7,128
Asset retirement obligations	3,524	2,028	32,203
Provision for environmental measures	258	283	2,358
Provision for loss on repair construction of building	3,516	6	32,130
Other non-current liabilities (Note 2)	199	234	1,818
Total non-current liabilities	314,717	267,329	2,875,966
Total liabilities	712,632	616,545	6,512,218
Contingent liabilities (Note 18)			
Net assets (Note 19)			
Shareholders' equity:			
Common stock	66,025	66,025	603,354
Authorized:300,000 thousand shares			
Issued:177,759,481 shares in 2020 and 2019			
Capital surplus	55,026	55,026	502,842
Retained earnings	308,398	296,977	2,818,221
Less: Treasury shares	(15,993)	(6,177)	(146,148)
At cost:11,026,113 shares in 2020			
3,025,884 shares in 2019			
Total shareholders' equity	413,456	411,851	3,778,269
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	5,990	10,822	54,738
Deferred gains or losses on hedges	(0)	(0)	(0)
Revaluation reserve for land (Note 10)	5,927	6,993	54,162
Foreign currency translation adjustment	8,949	8,724	81,778
Remeasurements of defined benefit plans	381	5,529	3,482
Total accumulated other comprehensive income	21,247	32,068	194,160
Non-controlling interests:	21,168	17,666	193,439
Total net assets (Note 20)	455,871	461,585	4,165,868
Total liabilities and net assets	¥1,168,503	¥1,078,130	\$10,678,086

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2020 and February 28, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Operating revenue (Note 14):			
Net sales	¥848,494	¥846,895	\$7,753,761
Other operating revenue	70,599	65,954	645,152
	919,093	912,849	8,398,913
Operating expenses:			
Cost of sales	633,369	629,491	5,787,892
Selling, general and administrative expenses	260,142	256,696	2,377,246
	893,511	886,187	8,165,138
Operating profit (Note 14)	25,582	26,662	233,775
Other income (expenses):			
Interest and dividend income	2,451	2,135	22,398
Interest expenses	(5,377)	(697)	(49,136)
Gain (Loss) on sales and retirement of non-current assets, net (Note 21)	12,844	(7,708)	117,372
Gain (Loss) on sales of investment securities, net (Note 6)	(313)	2,813	(2,860)
Gain (Loss) on liquidation of gift certificates, net	(247)	(235)	(2,257)
Share of profit of entities accounted for using equity method	2,093	2,988	19,126
Impairment loss (Notes 14 and 22)	(8,980)	(1,259)	(82,062)
Foreign exchange gains (losses), net	(167)	(400)	(1,526)
Provision for loss on liquidation of subsidiaries and associates	(967)	—	(8,837)
Provision for loss on repair construction of building (Note 2)	(2,115)	(193)	(19,327)
Other, net (Notes 2 and 9)	153	370	1,398
	(625)	(2,186)	(5,711)
Profit before income taxes	24,957	24,476	228,064
Income taxes (Note 8):			
Current	7,444	7,151	68,025
Deferred	907	274	8,289
	8,351	7,425	76,314
Profit	16,606	17,051	151,750
Profit attributable to non-controlling interests	(578)	(608)	(5,282)
Profit attributable to owners of parent (Note 20)	¥16,028	¥16,443	\$146,468

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
 Years ended February 29, 2020 and February 28, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	¥16,606	¥17,051	\$151,750
Other comprehensive income			
Valuation difference on available-for-sale securities	(4,775)	(6,369)	(43,635)
Deferred gains or losses on hedges	(0)	3	(0)
Foreign currency translation adjustment	563	(1,955)	5,145
Remeasurements of defined benefit plans, net of tax	(5,198)	2,122	(47,501)
Share of other comprehensive income of entities accounted for using equity method	(128)	(1,601)	(1,170)
Total other comprehensive income (Note 23)	(9,538)	(7,800)	(87,161)
Comprehensive income	7,068	9,251	64,589
Comprehensive income attributable to:			
Owners of parent	6,274	8,666	57,333
Non-controlling interests	794	585	7,256

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 29, 2020 and February 28, 2019

	Millions of yen					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, February 28, 2018	355,518,963	¥66,025	¥55,025	¥284,321	¥(6,170)	¥399,201
Cumulative effects of changes in accounting policies				645		645
Restated balance	355,518,963	66,025	55,025	284,966	(6,170)	399,846
Dividends of surplus				(4,194)		(4,194)
Profit attributable to owners of parent				16,443		16,443
Purchase of treasury shares and disposal of treasury shares			1		(7)	(6)
Reversal of revaluation reserve for land				153		153
Change of scope of consolidation				(391)		(391)
Net changes of items other than shareholders' equity						—
Share consolidation *	(177,759,482)					—
Balance, February 28, 2019	177,759,481	¥66,025	¥55,026	¥296,977	¥(6,177)	¥411,851
Cumulative effects of changes in accounting policies				(1,529)		(1,529)
Restated balance	177,759,481	66,025	55,026	295,448	(6,177)	410,322
Dividends of surplus				(4,145)		(4,145)
Profit attributable to owners of parent				16,028		16,028
Purchase of treasury shares and disposal of treasury shares			0		(9,816)	(9,816)
Reversal of revaluation reserve for land				1,067		1,067
Change of scope of consolidation						—
Net changes of items other than shareholders' equity						—
Share consolidation						—
Balance, February 29, 2020	177,759,481	¥66,025	¥55,026	¥308,398	¥(15,993)	¥413,456

* The Company carried out a reverse stock split of its common stock at a ratio of 1 for 2 on September 1, 2018.

	Millions of yen							Total net assets
	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	
Balance, February 28, 2018	¥17,837	¥(3)	¥7,146	¥11,605	¥3,386	¥39,971	¥10,354	¥449,526
Cumulative effects of changes in accounting policies						—		645
Restated balance	17,837	(3)	7,146	11,605	3,386	39,971	10,354	450,171
Dividends of surplus						—		(4,194)
Profit attributable to owners of parent						—		16,443
Purchase of treasury shares and disposal of treasury shares						—		(6)
Reversal of revaluation reserve for land						—		153
Change of scope of consolidation						—		(391)
Net changes of items other than shareholders' equity	(7,015)	3	(153)	(2,881)	2,143	(7,903)	7,312	(591)
Share consolidation						—		—
Balance, February 28, 2019	¥10,822	¥(0)	¥6,993	¥8,724	¥5,529	¥32,068	¥17,666	¥461,585
Cumulative effects of changes in accounting policies						—		(1,529)
Restated balance	10,822	(0)	6,993	8,724	5,529	32,068	17,666	460,056
Dividends of surplus						—		(4,145)
Profit attributable to owners of parent						—		16,028
Purchase of treasury shares and disposal of treasury shares						—		(9,816)
Reversal of revaluation reserve for land						—		1,067
Change of scope of consolidation						—		—
Net changes of items other than shareholders' equity	(4,832)	(0)	(1,066)	225	(5,148)	(10,821)	3,502	(7,319)
Share consolidation						—		—
Balance, February 29, 2020	¥5,990	¥(0)	¥5,927	¥8,949	¥381	¥21,247	¥21,168	¥455,871

The accompanying notes are an integral part of these statements.

	Thousands of U.S. dollars (Note 1)					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, February 28, 2019	177,759,481	\$603,354	\$502,842	\$2,713,854	\$(56,447)	\$3,763,603
Cumulative effects of changes in accounting policies				(13,973)		(13,973)
Restated balance	177,759,481	603,354	502,842	2,699,881	(56,447)	3,749,630
Dividends of surplus				(37,878)		(37,878)
Profit attributable to owners of parent				146,468		146,468
Purchase of treasury shares and disposal of treasury shares			0		(89,701)	(89,701)
Reversal of revaluation reserve for land				9,750		9,750
Change of scope of consolidation						—
Net changes of items other than shareholders' equity						—
Share consolidation						—
Balance, February 29, 2020	177,759,481	\$603,354	\$502,842	\$2,818,221	\$(146,148)	\$3,778,269

	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, 2019	\$98,894	\$(0)	\$63,904	\$79,722	\$50,525	\$293,045	\$161,437	\$4,218,085
Cumulative effects of changes in accounting policies						—		(13,973)
Restated balance	98,894	(0)	63,904	79,722	50,525	293,045	161,437	4,204,112
Dividends of surplus						—		(37,878)
Profit attributable to owners of parent						—		146,468
Purchase of treasury shares and disposal of treasury shares						—		(89,701)
Reversal of revaluation reserve for land						—		9,750
Change of scope of consolidation						—		—
Net changes of items other than shareholders' equity	(44,156)	(0)	(9,742)	2,056	(47,043)	(98,885)	32,002	(66,883)
Share consolidation						—		—
Balance, February 29, 2020	\$54,738	\$(0)	\$54,162	\$81,778	\$3,482	\$194,160	\$193,439	\$4,165,868

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2020 and February 28, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	¥24,957	¥24,476	\$228,064
Depreciation	31,093	19,947	284,136
Impairment loss	8,980	1,259	82,062
Amortization of goodwill	258	95	2,358
Increase (decrease) in allowance for doubtful accounts	375	341	3,427
Increase (decrease) in retirement benefit liability	(2,167)	(687)	(19,803)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(10)	(11)	(92)
Increase (decrease) in provision for point card certificates	267	(29)	2,440
Increase (decrease) in provision for loss on repair construction of building	376	(1,441)	3,436
Interest and dividend income	(2,451)	(2,135)	(22,398)
Interest expenses	5,377	697	49,136
Share of loss (profit) of entities accounted for using equity method	(2,093)	(2,988)	(19,126)
Loss (gain) on sales of property, plant and equipment, net	(18,276)	14	(167,011)
Loss on retirement of property, plant and equipment	2,055	4,015	18,779
Loss (gain) on sales of investment securities	313	(2,813)	2,860
Decrease (increase) in notes and accounts receivable-trade	(446)	24,178	(4,076)
Decrease (increase) in inventories	(398)	(829)	(3,637)
Increase (decrease) in notes and accounts payable-trade	(6,055)	6,516	(55,332)
Other, net	6,284	4,252	57,425
Subtotal	48,439	74,857	442,648
Interest and dividend income received	3,592	3,559	32,825
Interest expenses paid	(5,365)	(679)	(49,027)
Income taxes paid	(6,058)	(9,824)	(55,359)
Net cash provided by (used in) operating activities	40,608	67,913	371,087
Cash flows from investing activities:			
Payments into time deposits	(313)	(2,513)	(2,860)
Proceeds from withdrawal of time deposits	1,336	4,836	12,209
Purchase of marketable securities and investment securities	(939)	(13)	(8,581)
Proceeds from sales and redemption of marketable securities and investment securities	1,605	6,347	14,667
Purchase of property, plant and equipment and intangible assets	(44,540)	(93,130)	(407,018)
Proceeds from sales of property, plant and equipment and intangible assets	20,145	285	184,090
Proceeds from withdrawal of investment securities	4,004	—	36,589
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	(5,330)	(1,467)	(48,707)
Other, net	598	(160)	5,465
Net cash provided by (used in) investing activities	(23,434)	(85,815)	(214,146)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	1,700	—	15,535
Proceeds from long-term loans payable	5,800	4,500	53,002
Repayment of long-term loans payable	(9,100)	(4,520)	(83,158)
Proceeds from issuance of bonds	—	60,300	—
Redemption of bonds	(99)	(40,000)	(905)
Repayments of lease obligations (Note 2)	(7,472)	(628)	(68,281)
Purchase of treasury shares	(9,816)	(8)	(89,701)
Cash dividends paid	(4,145)	(4,194)	(37,878)
Proceeds from share issuance to non-controlling shareholders	—	1,869	—
Other, net (Note 2)	(352)	(92)	(3,217)
Net cash provided by (used in) financing activities	(23,484)	17,227	(214,603)
Effect of exchange rate changes on cash and cash equivalents	29	(2,227)	265
Net increase (decrease) in cash and cash equivalents	(6,281)	(2,902)	(57,397)
Cash and cash equivalents at beginning of period	94,692	95,120	865,320
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	2,474	—
Cash and cash equivalents at end of period (Note 3)	¥88,411	¥94,692	\$807,923

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Takashimaya Company, Limited (hereafter, the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (hereafter, 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 four 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 29, 2020, which was ¥109.43 to U.S.\$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, 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 subsidiaries (hereafter, the "Companies").

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

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

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

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to 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 years to 20 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 29, 2020, the following companies have been included in the scope of consolidation:

(a) Gateway Vietnam Education Joint Stock Company due to the new acquisition of its shares by Toshin Development Co., Ltd. and Toshin Development Singapore Pte Ltd, consolidated subsidiaries of the Company;

(b) Globaland Ltd. due to the new acquisition of its shares by Toshin Development Co., Ltd., a consolidated subsidiary of the Company;

(c) Hanoi Residential and Commercial Centre — HRCC Ltd. due to the acquisition of shares of its parent company, Globaland Ltd.;

and

T & T Co., Ltd., which was a consolidated subsidiary in the previous fiscal year, has been removed from the scope of consolidation as it was merged and absorbed by Toshin Development Co., Ltd.

All the Company's non-consolidated subsidiaries 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. Held-to-maturity securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.

Available-for-sale securities with available fair market value are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of the net assets section in the balance sheets. Realized gains and losses on sale of such securities are computed using moving-average cost.

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

(e) Derivatives and hedging transactions

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

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

However, in cases where forward 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) Provision for Point Card Certificates

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

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

(m) 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 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) Provision for bonuses for directors (and other officers)

Provisions for bonuses for directors (and other officers) is provided for the estimated amounts which the Company is obliged to pay to directors and corporate auditors subject to the resolution of the shareholders' meeting.

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

Provisions 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) Provision for loss on repair construction of building

Provision for loss on repair construction of building is provided based on the estimated costs for repairment of Nihombashi Takashimaya Store, which is designated as an important cultural property.

(r) Provision for loss on liquidation of subsidiaries and associates

The anticipated amount of losses was recorded to provide for future losses associated with liquidation of subsidiaries and associates.

(s) Income taxes

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

The Companies recognize the tax effects of temporary differences between the financial statements' carrying 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 assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(t) 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.

(u) Changes in Accounting Policies

(Application of IFRS 16 “Leases” to overseas consolidated subsidiaries)

IFRS 16 “Leases” (January 13, 2016, hereinafter “IFRS 16”) has been adopted from the beginning of the year ended February 29, 2020 at overseas consolidated subsidiaries that have adopted international financial reporting standards (IFRSs). IFRS 16 requires the lessee in a lease arrangement to recognize assets and liabilities for all leases in principle, and so forth. The Company has adopted the transitional treatment to recognize the cumulative impact of adopting IFRS 16 as the opening balance of retained earnings for the current fiscal year.

As a result, right of use assets for property, plant and equipment at the beginning of the year ended February 29, 2020 increased by ¥102,015 million (\$932,240 thousand), right of use assets for intangible assets increased by ¥325 million (\$2,970 thousand), lease obligations under current liabilities increased by ¥8,734 million (\$79,814 thousand), lease obligations under non-current liabilities increased by ¥95,164 million (\$869,634 thousand), and retained earnings decreased by ¥1,529 million (\$13,973 thousand). Moreover, operating profit for the year ended February 29, 2020 increased by ¥2,692 million (\$24,600 thousand), while income before income taxes decreased by ¥2,013 million (\$18,395 thousand). In the Consolidated Statements of Cash Flows, net cash used in operating activities decreased by ¥6,543 million (\$59,792 thousand) and net cash used in financing activities increased by ¥6,543 million (\$59,792 thousand).

The impacts on segment information (Note 14) and per-share information (Note 20) are described in the relevant sections.

(v) Accounting standards not yet adopted

The Company and domestic consolidated subsidiaries

(Accounting Standard for Revenue Recognition, etc.)

·“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued by ASBJ on March 30, 2018)

·“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by ASBJ on March 30, 2018)

(i) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” in May 2014 (IFRS 15 by the IASB and Topic 606 by the FASB). As IFRS 15 is effective for fiscal years beginning on or after January 1, 2018, and Topic 606 for fiscal years beginning after December 15, 2017, ASBJ developed and issued a comprehensive accounting standard for revenue recognition along with its implementation guidance.

The ASBJ’s basic policy in developing the accounting standard for revenue recognition is to establish an accounting standard incorporating the basic principles of IFRS 15 as a starting point, as comparability of financial statements will be one of the benefits of ensuring consistency with IFRS 15. It is also intended to add alternative treatments, to the extent of not impairing the comparability, where consideration should be given to any commonly accepted practice in Japan.

(ii) Scheduled date of adoption

These accounting standards will be adopted from the beginning of the fiscal year ending February 28, 2023.

(iii) Effects of adoption of these accounting standards

The effect of adopting these accounting standards on the Companies' Consolidated Financial Statements is under evaluation.

(Accounting standards for Fair Value Measurement, etc.)

·“Accounting Standards for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan)

·“Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan)

·“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019, Accounting Standards Board of Japan)

(i) Overview

The International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) prescribe almost the same guidance details on fair value measurements in the International Financial Reporting Standards (IFRS) 13 and Topic 820 of the Accounting Standards Codification (U.S. GAAP), respectively. Accordingly, the Accounting Standards Board of Japan (ASBJ) worked on initiatives to converge Japanese accounting standards to international accounting standards regarding the guidance and disclosure in relation to the fair value of mainly financial instruments, and issued the "Accounting Standards for Fair Value Measurement" and along with its implementation guidance.

In developing the accounting standard for fair value measurement, as a basic policy, the ASBJ basically integrated all of the principles of IFRS 13 from the perspective of improving comparability of financial statements between entities in Japan and overseas by utilizing consistent methods of fair value measurement. In addition, in consideration of conventional practice in Japan, the ASBJ prescribed other treatments for individual items as far as such treatments would not significantly impair the comparability of financial statements.

(ii) Scheduled date of adoption

The Company is scheduled to apply the above standards from the beginning of the year ending February 28, 2023.

(iii) Effects of adoption of the accounting standards

The effects of the adoption of these standards on the Consolidated Financial Statements are currently under evaluation.

(w) Changes in presentation method

(Changes due to adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

Upon application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018 (hereinafter, “Statement No. 28”)) from the beginning of the current fiscal year, the Company and its subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of ‘other assets’ and ‘non-current liabilities’, respectively.

As a result, deferred tax assets of ¥10,444 million classified as “current assets” have been included in deferred tax assets (¥16,546 million) in “other assets” in the Consolidated Balance Sheets as of the end of the previous year.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of “Accounting Standard for Tax Effect Accounting,” which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

(x) Reclassifications

(Consolidated Balance Sheets)

Each “Lease obligations” in the previous fiscal year which was included in “Other current liabilities” and “Other non-current liabilities” is stated separately from the year ended February 29, 2020, as its materiality has increased. Consolidated Financial Statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, “Other current liabilities” (¥21,311 million) in the previous fiscal year has been restated to “Lease obligations” (¥713 million) and “Other current liabilities” (¥20,598 million). Furthermore, “Other non-current liabilities” (¥2,343 million) in the previous fiscal year has been restated to “Lease obligations” (¥2,109 million) and “Other non-current liabilities” (¥234 million).

(Consolidated Statements of Income)

“Provision for loss on repair construction of building” in the previous fiscal year which was included in “Other, net” of other income (expenses) is stated separately from the year ended February 29, 2020, as its materiality has increased. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, “Other, net” of other income (expenses) (¥447 million (expense)) in the previous fiscal year has been restated to “Provision for loss on repair construction of building” (¥193 million (expense)) and “Other, net” of other income (expenses) (¥254 million (expense)).

(Consolidated Statements of Cash Flows)

“Repayments of lease obligations” in the previous fiscal year which was included in “Other, net” of cash flows from financing activities is stated separately from the year ended February 29, 2020, as its materiality has increased. Consolidated Financial Statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, “Other, net” of cash flows from financing activities (decreased by ¥720 million) in the previous fiscal year has been restated to “Repayments of lease obligations” (decreased by ¥628 million) and “Other, net” of cash flows from financing activities (decreased by ¥92 million).

3 CASH AND CASH EQUIVALENTS

1. Cash and Cash Equivalents

Cash and cash equivalents on February 29, 2020 and February 28, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥89,820	¥97,090	\$820,799
Time deposits with maturities exceeding three months	(1,409)	(2,398)	(12,876)
Cash and cash equivalents at end of period	¥88,411	¥94,692	\$807,923

2. Purchases of Newly Consolidated Subsidiaries

Assets and liabilities of the main companies that have become consolidated subsidiaries due to the acquisition of shares for the year ended February 29, 2020

The following is a breakdown of the assets acquired and liabilities assumed resulting from the consolidation of Globaland Ltd. and its subsidiary Hanoi Residential and Commercial Centre - HRCC Ltd. due to the acquisition of Globaland's shares, and a reconciliation from the purchase consideration to net consideration paid.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥850	\$7,767
Non-current assets	7,868	71,900
Goodwill	986	9,010
Current liabilities	(133)	(1,215)
Non-current liabilities	(1,255)	(11,469)
Non-controlling interests	(2,932)	(26,793)
Acquisition cost	5,384	49,200
Cash and cash equivalents of Globaland Ltd. and Hanoi Residential and Commercial Centre - HRCC Ltd.	(781)	(7,137)
Net: Acquisition-related payments	¥4,603	\$42,063

3. Significant Non-cash Transactions

Description of significant non-cash transactions at February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Right of use assets	¥93,623	¥—	\$855,551
Lease obligations	¥92,541	¥—	\$845,664

※ From the year ended February 29, 2020, the Company applied IFRS 16 "Leases" to overseas consolidated subsidiaries that have adopted the International Financial Reporting Standards (IFRSs). Regarding the lease transactions conducted by these companies, the Company recorded the above right of use assets and lease obligations.

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

Notes and accounts payable as operating payables are almost all subject to payment deadlines of one year or less. A certain portion of trade obligations is related to the import of goods and as such are denominated in foreign currencies. Long-term debt, 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 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

Fair value of financial instruments is determined by market prices. If no market price is available, the fair value is based on the value that is calculated in a reasonable manner. The determination of such value contains variable factors, and the adoption of wide ranging and differing assumptions may cause 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 29, 2020 and February 28, 2019, and fair value and their differences are as follows. Figures for which fair value is not readily recognized are not included in the following tables(See Note 2).

	Millions of yen		
	2020		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥89,820	¥89,820	¥—
(2) Notes and accounts receivable -trade	115,919		
Allowance for doubtful accounts (* 1)	(655)		
	115,264	116,413	1,149
(3) Securities and investment securities			
1) Held-to-maturity securities	8	8	—
2) Available-for-sale securities	23,371	23,371	—
	23,379	23,379	—
(4) Guarantee deposits paid (* 2)	6,699	6,758	59
Total assets	¥235,162	¥236,370	¥1,208
(1) Notes and accounts payable-trade	¥102,626	¥102,626	¥—
(2) Short-term bank loans	7,500	7,500	—
(3) Deposits received	24,001	24,001	—
(4) Long-term debt (* 3)	185,543	185,555	12
(5) Lease obligations (* 4)	95,836	95,836	—
Total liabilities	¥415,506	¥415,518	¥12
Derivatives (* 5)			
Amounts not subject to hedge accounting	¥—	¥—	¥—
Amount subject to hedge accounting	(0)	(0)	—
Total derivatives	¥(0)	¥(0)	¥—

	Millions of yen		
	2019		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥97,090	¥97,090	¥—
(2) Notes and accounts receivable -trade	117,108		
Allowance for doubtful accounts (* 1)	(327)		
	116,781	118,032	1,251
(3) Securities and investment securities			
1) Held-to-maturity securities	8	8	—
2) Available-for-sale securities	31,558	31,558	—
	31,566	31,566	—
(4) Guarantee deposits paid (* 2)	6,293	6,317	24
Total assets	¥251,730	¥253,005	¥1,275
(1) Notes and accounts payable-trade	¥108,560	¥108,560	¥—
(2) Short-term bank loans	5,800	5,800	—
(3) Deposits received	31,693	31,693	—
(4) Long-term debt (* 3)	188,983	190,070	1,087
(5) Lease obligations (* 4)	2,822	2,822	—
Total liabilities	¥337,858	¥338,945	¥1,087
Derivatives (* 5)			
Amounts not subject to hedge accounting	¥(12)	¥(12)	¥—
Amount subject to hedge accounting	(0)	(0)	—
Total derivatives	¥(12)	¥(12)	¥—

	Thousands of U.S. dollars		
	2020		
	Book Value	Fair Value	Difference
(1) Cash and deposits	\$820,799	\$820,799	\$—
(2) Notes and accounts receivable -trade	1,059,298		
Allowance for doubtful accounts (* 1)	(5,986)		
	1,053,312	1,063,812	10,500
(3) Securities and investment securities			
1) Held-to-maturity securities	73	73	—
2) Available-for-sale securities	213,570	213,570	—
	213,643	213,643	—
(4) Guarantee deposits paid (* 2)	61,217	61,756	539
Total assets	\$2,148,971	\$2,160,010	\$11,039
(1) Notes and accounts payable-trade	\$937,824	\$937,824	\$—
(2) Short-term bank loans	68,537	68,537	—
(3) Deposits received	219,327	219,327	—
(4) Long-term debt (* 3)	1,695,540	1,695,650	110
(5) Lease obligations (* 4)	875,774	875,774	—
Total liabilities	\$3,797,002	\$3,797,112	\$110
Derivatives (* 5)			
Amounts not subject to hedge accounting	\$—	\$—	\$—
Amount subject to hedge accounting	(0)	(0)	—
Total derivatives	\$(0)	\$(0)	\$—

* 1 Accounts receivable-trade are deducted from the carrying amount

* 2 The figures include guarantee deposits paid 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 Although lease obligations were not presented separately in the previous fiscal year, they are presented in the year ended February 29, 2020 because their materiality has increased. To reflect this change in presentation, lease obligations for the previous fiscal year are restated. Lease obligations include the current portion.

* 5 Net receivables and payables arising from derivative transactions are shown as net amounts and net payables are presented in negative values.

※1: Fair value of financial instruments and matters pertaining to securities and derivative transactions

Assets

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

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

(3) Securities and investment securities

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

(4) Guarantee deposits paid

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

Liabilities

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

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

(4) Long-term debt

The fair value of long-term bank loans is measured at the present value by discounting expected repayments of principal and interest in the remaining period using an assumed interest rate on an equivalent new loan. The fair value of these bonds is measured at their market price or the price submitted by the correspondent financial institutions. The fair value of interest rate swaps for which the special treatment is applied is included in the fair value of long-term bank loans, as such swaps are treated as a single item incorporating the hedged long-term bank loans. The special treatment under Japanese GAAP may be applied for interest rate swap contracts that meet certain hedging criteria. In the special treatment, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on debts for which the swap contract is executed.

(5) Lease obligations (including the current portion)

Lease obligations are calculated by discounting the total lease payments at an assumed interest rate for similar new borrowings.

Derivatives

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
(a) Stock of subsidiaries	¥7,259	¥2,160	\$66,335
(b) Stock of affiliates	43,374	46,253	396,363
(c) Unlisted stocks	2,586	1,765	23,632
(d) Guarantee deposits paid	22,348	24,216	204,222

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

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

(c) Unlisted stocks

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

(d) Guarantee deposits paid

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

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

	Millions of yen			
	2020			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥89,820	¥—	¥—	¥—
Notes and accounts receivable-trade	113,145	2,571	186	17
Securities and investment securities				
1) Held-to-maturity securities	—	8	—	—
2) Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits paid	1,170	3,244	1,940	345
Total	¥204,135	¥5,823	¥2,126	¥362

	Millions of yen			
	2019			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥97,090	¥—	¥—	¥—
Notes and accounts receivable-trade	114,470	2,341	258	39
Securities and investment securities				
1) Held-to-maturity securities	—	8	—	—
2) Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits paid	858	2,769	2,240	426
Total	¥212,418	¥5,118	¥2,498	¥465

	Thousands of U.S. dollars			
	2020			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	\$820,799	\$—	\$—	\$—
Notes and accounts receivable-trade	1,033,949	23,494	1,700	155
Securities and investment securities				
1) Held-to-maturity securities	—	73	—	—
2) Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits paid	10,692	29,645	17,728	3,152
Total	\$1,865,440	\$53,212	\$19,428	\$3,307

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

Millions of yen						
2020						
	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	¥25,105	¥10,105	¥26	¥—	¥—	¥60,000
Long-term debt—Long-term loans	¥34,685	¥13,201	¥3,201	¥2,201	¥24,620	¥12,122
Lease obligations	7,733	7,932	8,142	8,164	8,065	55,800
Total	¥67,523	¥31,238	¥11,369	¥10,365	¥32,685	¥127,922

Millions of yen						
2019						
	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	¥99	¥25,099	¥10,099	¥32	¥—	¥60,000
Long-term debt—Long-term loans	¥7,520	¥36,025	¥13,041	¥3,041	¥1,541	¥32,162
Lease obligations	713	611	557	529	285	127
Total	¥8,332	¥61,735	¥23,697	¥3,602	¥1,826	¥92,289

Thousands of U.S. dollars						
2020						
	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	\$229,416	\$92,342	\$238	\$—	\$—	\$548,296
Long-term debt—Long-term loans	\$316,961	\$120,634	\$29,252	\$20,113	\$224,984	\$110,774
Lease obligations	70,666	72,484	74,404	74,605	73,700	509,915
Total	\$617,043	\$285,460	\$103,894	\$94,718	\$298,684	\$1,168,985

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

5 DEPOSITED ASSETS

The Guarantee deposits required by lease arrangements at February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥1,406	¥1,372	\$12,848
Guarantee deposits	20	10	183
Total	¥1,426	¥1,382	\$13,031

6 SECURITIES

The following tables summarize acquisition costs, book value and fair value of securities with available fair value as of February 29, 2020 and February 28, 2019 :

(1) Held-to-maturity securities:

type	Millions of yen					
	2020			2019		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with available fair value exceeding book value:						
Government bonds	¥—	¥—	¥—	¥—	¥—	¥—
Corporate bonds	—	—	—	—	—	—
Securities with available fair value exceeding book value	—	—	—	—	—	—
Securities with available fair value not exceeding book value:						
Government bonds	—	—	—	—	—	—
Corporate bonds	8	8	—	8	8	—
Securities with available fair value not exceeding book value	8	8	—	8	8	—
Total held-to-maturity securities	¥8	¥8	¥—	¥8	¥8	¥—

type	Thousands of U.S. dollars		
	2020		
	Book value	Fair value	Difference
Securities with available fair value exceeding book value			
Government bonds	\$—	\$—	\$—
Corporate bonds	—	—	—
Securities with available fair value exceeding book value	—	—	—
Securities with available fair value not exceeding book value			
Government bonds	—	—	—
Corporate bonds	73	73	—
Securities with available fair value not exceeding book value	73	73	—
Total held-to-maturity securities	\$73	\$73	\$—

(2) Available-for-sale securities

type	Millions of yen					
	2020			2019		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:						
Equity securities	¥7,057	¥16,991	¥9,934	¥15,525	¥29,679	¥14,154
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	101	123	22	125	144	19
Securities with book value exceeding acquisition cost	7,158	17,114	9,956	15,650	29,823	14,173
Securities with book value not exceeding acquisition cost:						
Equity securities	9,621	6,257	(3,364)	2,640	1,735	(905)
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities with book value not exceeding acquisition cost:	9,621	6,257	(3,364)	2,640	1,735	(905)
Total available-for-sale securities	¥16,779	¥23,371	¥6,592	¥18,290	¥31,558	¥13,268

type	Thousands of U.S. dollars		
	2020		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	\$64,489	\$155,268	\$90,779
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	923	1,124	201
Securities with book value exceeding acquisition cost	65,412	156,392	90,980
Securities with book value not exceeding acquisition cost:			
Equity securities	87,919	57,178	(30,741)
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Securities with book value not exceeding acquisition cost:	87,919	57,178	(30,741)
Total available-for-sale securities	\$153,331	\$213,570	\$60,239

(3) Available-for-sale securities sold

type	Millions of yen					
	2020			2019		
	Amount sold	Gain on sales	Loss on sales	Amount sold	Gain on sales	Loss on sales
Equity securities	¥1,104	¥38	¥351	¥3,204	¥2,813	¥—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total available-for-sale securities	¥1,104	¥38	¥351	¥3,204	¥2,813	¥—

type	Thousands of U.S. dollars		
	2020		
	Amount sold	Gain on sales	Loss on sales
Equity securities	\$10,089	\$347	\$3,207
Corporate bonds	—	—	—
Others	—	—	—
Total available-for-sale securities	\$10,089	\$347	\$3,207

(4) Impairment losses on securities

Impairment losses on the Company's securities for the years ended February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen	
	2020	2019
	Book value	Book value
Other, net (Other income (expenses))	¥1	¥172

	Thousands of U.S. dollars	
	2020	
	Book value	
Other, net (Other income (expenses))	\$9	

7 INVENTORIES

Inventories as of February 29, 2020 and February 28, 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Merchandise	¥44,353	¥43,773	\$405,309
Products	22	29	201
Work in process	324	478	2,961
Raw materials	21	28	192
Supplies	1,255	1,213	11,469
Total	¥45,975	¥45,521	\$420,132

8 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 29, 2020 and 30.9% for the year ended February 28, 2019.

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 29, 2020 and February 28, 2019.

Years ended February 29, 2020 and February 28, 2019	%	
	2020	2019
Statutory tax rate	30.6%	This note has been omitted as the difference between the statutory tax rate and the Companies' effective tax rate for financial statement purposes after the application of tax effect accounting is less than five percent of the normal effective statutory tax rate.
Permanent differences (including dividends)	0.7	
Expiry of loss carryforward	2.5	
Increase in valuation allowance	8.0	
Difference in statutory tax rate of subsidiaries	0.7	
Investments in subsidiaries and associates scheduled for liquidation	(7.9)	
Share of profit of entities accounted for using equity method	(2.6)	
Others	1.5	
Effective tax rate	33.5%	

Significant components of the Companies' deferred tax assets and liabilities as of February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Accrued enterprise tax	¥624	¥534	\$5,702
Accrued bonuses	64	68	585
Undeductible allowance for doubtful accounts	888	751	8,115
Provision for point card certificates	1,553	1,449	14,192
Undeductible write-down of inventories	505	413	4,615
Adjustment of gift certificates	7,733	7,309	70,666
Unrealized intercompany profits	1,058	1,543	9,668
Tax loss carryforward (* 2)	7,532	6,746	68,829
Undeductible amortization of software costs	77	94	704
Undeductible retirement benefit liability	17,210	15,660	157,269
Provision for environmental measures	79	86	722
Undeductible write-down of securities	421	654	3,847
Investment in subsidiaries and associates scheduled for liquidation	2,285	—	20,881
Devaluation of property, plant and equipment resulting from spin-off	714	714	6,525
Impairment loss of property, plant and equipment	3,380	1,244	30,887
Provision for loss on repair construction of building	1,099	983	10,043
Others	1,654	793	15,115
Total gross deferred tax assets	46,876	39,041	428,365
Less: Valuation allowance for tax loss carryforward (* 2)	(7,532)	—	(68,829)
Less: Valuation allowance for deductible temporary differences	(3,606)	—	(32,953)
Less: Total valuation allowance (* 1)	(11,138)	(9,147)	(101,782)
Total deferred tax assets	35,738	29,894	326,583
Deferred tax liabilities:			
Adjustments of allowance for doubtful accounts	(39)	(34)	(356)
Adjustment of gift certificates	(583)	(613)	(5,327)
Reserve for deferred capital gains of property	(13,530)	(8,913)	(123,641)
Valuation difference on available-for-sale securities	(1,734)	(3,798)	(15,846)
Valuation difference on assets of subsidiaries	(2,073)	(1,171)	(18,944)
Others	(572)	(119)	(5,227)
Total deferred tax liabilities	(18,531)	(14,648)	(169,341)
Net deferred tax assets	¥17,207	¥15,246	\$157,242

* 1 Valuation allowance has increased by ¥1,991 million. The main components of this increase were increases in valuation allowance for tax loss carryforward of consolidated subsidiaries and in valuation allowance for impairment loss.

* 2 Tax loss carryforward and deferred tax assets by expiration period

	Millions of yen						
	2020						
	Over 1 year	Over 2 years	Over 3 years	Over 4 years	Over 5 years	Over 5 years	Total
Tax loss carryforward	¥1,239	¥644	¥930	¥569	¥678	¥3,472	¥7,532
Less: Valuation allowance	(1,239)	(644)	(930)	(569)	(678)	(3,472)	(7,532)
Deferred tax assets	—	—	—	—	—	—	—

	Thousands of U.S. dollars						
	2020						
	Over 1 year	Over 2 years	Over 3 years	Over 4 years	Over 5 years	Over 5 years	Total
Tax loss carryforward	\$11,322	\$5,885	\$8,498	\$5,200	\$6,196	\$31,728	\$68,829
Less: Valuation allowance	(11,322)	(5,885)	(8,498)	(5,200)	(6,196)	(31,728)	(68,829)
Deferred tax assets	—	—	—	—	—	—	—

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

9 RENTAL PROPERTY

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

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

The 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 29, 2020 and February 28, 2019 were as follows:

Amounts on the Consolidated Balance Sheets

	Millions of yen			
	2020			
	Book value		Fair value	
	March 1, 2019	Increase (decrease)	February 29, 2020	February 29, 2020
Rental property	¥64,642	¥6,357	¥70,999	¥87,259
Real estate including spaces used as rental properties	412,511	11,864	424,375	636,160

	Millions of yen			
	2019			
	Book value		Fair value	
	March 1, 2018	Increase (decrease)	February 28, 2019	February 28, 2019
Rental property	¥56,361	¥8,281	¥64,642	¥78,694
Real estate including spaces used as rental properties	377,660	34,851	412,511	637,422

	Thousands of U.S. dollars			
	2020			
	Book value		Fair value	
	March 1, 2019	Increase (decrease)	February 29, 2020	February 29, 2020
Rental property	\$590,715	\$58,092	\$648,807	\$797,396
Real estate including spaces used as rental properties	3,769,634	108,416	3,878,050	5,813,397

Notes

- The amounts presented on the Consolidated Balance Sheets are the acquisition costs minus accumulated depreciation.
- Rental property: the increase during the year ended February 29, 2020 is primarily for the acquisition, etc., and the decrease is for the depreciation. The increase during the year ended February 28, 2019 is primarily for the acquisition, and the decrease is for the depreciation.
- Real estate including spaces used as rental properties: the increase during the years ended February 29, 2020 and February 28, 2019 is primarily for the acquisition, and the decrease is for the depreciation.
- The fair value as of the end of the fiscal year was calculated by the Company based on Real Estate Appraisal and Valuation Standards (including adjustments made using indicators and other information).

Profit (loss) on rental property and the portion of real estate including spaces used as rental properties during the years ended February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen			
	2020			
	Rental income	Rental expenses	Difference	Other, net
Rental property	¥16,509	¥11,552	¥4,957	¥7,711
Real estate including spaces used as rental properties	28,798	22,276	6,522	8,759

	Millions of yen			
	2019			
	Rental income	Rental expenses	Difference	Other, net
Rental property	¥14,227	¥10,251	¥3,976	¥(184)
Real estate including spaces used as rental properties	28,170	22,277	5,893	—

	Thousands of U.S. dollars			
	2020			
	Rental income	Rental expenses	Difference	Other, net
Rental property	\$150,863	\$105,565	\$45,298	\$70,465
Real estate including spaces used as rental properties	263,164	203,564	59,600	80,042

Note:

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

2. Other, net mainly consists of gain on sales of property, plant and equipment, and is recorded in other income (expenses).

10 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

11 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
	2020	2019	2020
Buildings and structures	¥184	¥160	\$1,681

12 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.

13 PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

The offsetting of goodwill by negative goodwill at February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Goodwill	¥2,862	¥1,731	\$26,154
Negative goodwill	92	185	841
Goodwill, net	¥2,770	¥1,546	\$25,313

14 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 and lease business in the Companies.

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

Note:

1. Takashimaya Insurance Co., Ltd. has previously been included under "Others." However, from the year ended February 29, 2020 the Company has changed its segment classification to "Finance," having adopted a policy of promoting new business, including this company, in order to strengthen the finance business. Moreover, the segment information for the previous fiscal year has been restated to reflect this change.

2. The reportable segment previously disclosed as "Real Estate" has been renamed as the "Commercial Property Development" segment. This change is to clarify the further efforts of the Companies under our group strategy Machi-dukuri to go beyond management and operation of assets and facilities, and further create commercial properties that will generate synergies with the department store business in the year ended February 29, 2020, when Toshin Development Co., Ltd. has fully ramped up the overseas business. The change of the segment name does not have an impact on segment information. Furthermore, the new reportable segment name has been retrospectively applied to the segment information for the previous fiscal year.

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 the same as those described in Note 1. Basis of Presenting Consolidated Financial Statements.

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

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

Note: As stated in "Changes in Accounting Policies," the Company's overseas consolidated subsidiaries that have adopted IFRSs have adopted IFRS 16 from the beginning of the year ended February 29, 2020.

As a result, compared with the results using the previous method, the profit by segment for the year ended February 29, 2020 increased by ¥2,442 million (\$22,316 thousand) in the "Department Store" segment and increased by ¥882 million (\$8,060 thousand) in the "Commercial Property Development" segment, and decreased by ¥633 million (\$5,785 thousand) in the "Adjustment." Furthermore, the assets by segment for the year ended February 29, 2020 increased by ¥76,074 million (\$695,184 thousand) in the "Department Store" segment and increased by ¥41,931 million (\$383,176 thousand) in the "Commercial Property Development" segment, and decreased by ¥24,418 million (\$223,138 thousand) in the "Adjustment."

(a) Business segment information

Business segment information for the years ended February 29, 2020 and February 28, 2019 were as follows:

FY ended February 29, 2020	Millions of yen								Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Total	Adjustments	
Operating revenue:									
Outside customers	¥784,775	¥45,531	¥17,458	¥33,191	¥880,955	¥38,138	¥919,093	¥—	¥919,093
Intersegment	9,983	11,254	4,194	3,442	28,873	18,311	47,184	(47,184)	—
Total	794,758	56,785	21,652	36,633	909,828	56,449	966,277	(47,184)	919,093
Segment profit	¥6,939	¥9,922	¥4,878	¥1,780	¥23,519	¥2,563	¥26,082	¥(500)	¥25,582
Segment assets	¥743,860	¥252,590	¥108,410	¥20,292	¥1,125,152	¥25,083	¥1,150,235	¥18,268	¥1,168,503
Depreciation	21,462	9,237	28	175	30,902	287	31,189	(96)	31,093
Goodwill amortization	—	350	—	—	350	—	350	—	350
Investment expenditures for affiliated company accounted for by equity method	17,399	22,386	—	—	39,785	—	39,785	—	39,785
Increase in property, plant and equipment and intangible assets	34,536	6,941	58	99	41,634	307	41,941	547	42,488

* 1 The "Other" segment refers to business 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 of 500 million yen consist of 290 million yen in eliminations of intersegment transactions and 210 million yen in depreciation of company-wide assets not allocated to each reportable segment.
- (2) Adjustments to segment assets of 18,268 million yen include 110,501 million yen in eliminations of intersegment receivables and payables and 128,769 million yen in company-wide assets not allocated to each reportable segment. Company-wide assets mainly consist of surplus funds of the parent company not attributable to any reportable segment (cash and deposits, marketable securities), long-term investment funds (investment securities) and assets related to the administrative division, etc.
- (3) Adjustments to depreciation of 96 million yen include 307 million yen in adjustments for unrealized intersegment profit and 211 million yen 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 547 million yen include 416 million yen in adjustments for unrealized intersegment profit and 963 million yen 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 revenue in the consolidated statements of income, and segment assets are adjusted with total assets in the Consolidated Balance Sheets.

FY ended February 28, 2019	Millions of yen								Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Total	Adjustments	
Operating revenue:									
Outside customers	¥792,045	¥43,682	¥15,895	¥24,795	¥876,417	¥36,432	¥912,849	¥—	¥912,849
Intersegment	10,255	11,098	4,177	7,200	32,730	18,367	51,097	(51,097)	—
Total	802,300	54,780	20,072	31,995	909,147	54,799	963,946	(51,097)	912,849
Segment profit	¥8,692	¥9,410	¥5,447	¥728	¥24,277	¥2,372	¥26,649	¥13	¥26,662
Segment assets	¥682,521	¥195,461	¥103,216	¥18,990	¥1,000,188	¥24,446	¥1,024,634	¥53,496	¥1,078,130
Depreciation	15,430	4,130	25	117	19,702	232	19,934	13	19,947
Goodwill amortization	—	188	—	—	188	—	188	—	188
Investment expenditures for affiliated company accounted for by equity method	16,478	26,470	—	—	42,948	—	42,948	—	42,948
Increase in property, plant and equipment and intangible assets	36,333	9,097	68	437	45,935	286	46,221	52,684	98,905

* 1 The "Other" segment refers to business 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 of 13 million yen consist of eliminations of intersegment transactions.

(2) Adjustments to segment assets of 53,496 million yen include 81,597 million yen in eliminations of intersegment receivables and payables and 135,093 million yen in company-wide assets not allocated to each reportable segment. Company-wide assets mainly consist of surplus funds of the parent company not attributable to any reportable segment (cash and deposits, marketable securities), long-term investment funds (investment securities) and assets related to the administrative division, etc.

(3) Adjustments to depreciation of 13 million yen include 37 million yen in adjustments for unrealized intersegment profit and 50 million yen 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 52,684 million yen include 793 million yen in adjustments for unrealized intersegment profit and 51,891 million yen 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 revenue in the consolidated statements of income, and segment assets are adjusted with total assets in the Consolidated Balance Sheets.

FY ended February 29, 2020	Thousands of U.S. dollars								Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Total	Adjustments	
Operating revenue:									
Outside customers	\$7,171,480	\$416,074	\$159,536	\$303,308	\$8,050,398	\$348,515	\$8,398,913	\$—	\$8,398,913
Intersegment	91,227	102,842	38,326	31,454	263,849	167,331	431,180	(431,180)	—
Total	7,262,707	518,916	197,862	334,762	8,314,247	515,846	8,830,093	(431,180)	8,398,913
Segment profit	\$63,410	\$90,670	\$44,577	\$16,266	\$214,923	\$23,421	\$238,344	\$(4,569)	\$233,775
Segment assets	\$6,797,587	\$2,308,234	\$990,679	\$185,434	\$10,281,934	\$229,215	\$10,511,149	\$166,937	\$10,678,086
Depreciation	196,125	84,410	256	1,599	282,390	2,623	285,013	(877)	284,136
Goodwill amortization	—	3,199	—	—	3,199	—	3,199	—	3,199
Investment expenditures for affiliated company accounted for by equity method	158,997	204,569	—	—	363,566	—	363,566	—	363,566
Increase in property, plant and equipment and intangible assets	315,599	63,429	530	905	380,463	2,805	383,268	4,998	388,266

(b) Related information

1. Information by product and service

Information by product and service at February 29, 2020 and February 28, 2019 have been omitted, because similar information is provided in segment information.

2. Information by geographical area

(1) Operating revenue

This information at February 29, 2020 and February 28, 2019 have been omitted as operating revenue from outside customers in Japan accounts for more than 90% of the operating revenue recorded in the Consolidated Statements of Income.

(2) Property, plant and equipment

This information at February 29, 2020 is presented as the amount of property, plant and equipment located overseas accounts for more than 10% of the amount recorded in the Consolidated Balance Sheets.

FY ended February 29, 2020	Millions of yen			
	Japan	Singapore	Other	Total
Property, plant and equipment	¥613,318	¥80,512	¥21,974	¥715,804

FY ended February 29, 2020	Thousands of U.S. dollars			
	Japan	Singapore	Other	Total
Property, plant and equipment	\$5,604,660	\$735,740	\$200,804	\$6,541,204

This information at February 28, 2019 has been omitted as the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount recorded in the Consolidated Balance Sheets.

3. Information by major customer

This information at February 29, 2020 and February 28, 2019 have been omitted because there is no customer accounting for more than 10% of the operating revenue on the Consolidated Statements of Income.

Amortization of goodwill and unamortized balance by reportable segment

FY ended February 29, 2020	Millions of yen							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Goodwill:								
Amortization	¥—	¥350	¥—	¥—	¥350	¥—	¥—	¥350
Unamortized balance	¥—	¥2,862	¥—	¥—	¥2,862	¥—	¥—	¥2,862
Negative goodwill:								
Amortization	¥—	¥—	¥—	¥92	¥92	¥—	¥—	¥92
Unamortized balance	¥—	¥—	¥—	¥92	¥92	¥—	¥—	¥92

FY ended February 28, 2019	Millions of yen							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Goodwill:								
Amortization	¥—	¥188	¥—	¥—	¥188	¥—	¥—	¥188
Unamortized balance	¥—	¥1,731	¥—	¥—	¥1,731	¥—	¥—	¥1,731
Negative goodwill:								
Amortization	¥—	¥—	¥—	¥93	¥93	¥—	¥—	¥93
Unamortized balance	¥—	¥—	¥—	¥185	¥185	¥—	¥—	¥185

FY ended February 29, 2020	Thousands of U.S. dollars							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Goodwill:								
Amortization	\$—	\$3,199	\$—	\$—	\$3,199	\$—	\$—	\$3,199
Unamortized balance	\$—	\$26,154	\$—	\$—	\$26,154	\$—	\$—	\$26,154
Negative goodwill:								
Amortization	\$—	\$—	\$—	\$841	\$841	\$—	\$—	\$841
Unamortized balance	\$—	\$—	\$—	\$841	\$841	\$—	\$—	\$841

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

FY ended February 29, 2020	Millions of yen							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Impairment loss	¥8,903	¥77	¥—	¥—	¥8,980	¥—	¥—	¥8,980

FY ended February 28, 2019	Millions of yen							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Impairment loss	¥1,067	¥192	¥—	¥—	¥1,259	¥—	¥—	¥1,259

FY ended February 29, 2020	Thousands of U.S. dollars							Consolidated
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	
Impairment loss	\$81,358	\$704	\$—	\$—	\$82,062	\$—	\$—	\$82,062

15 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 0.33% and 0.35% as of February 29, 2020 and February 28, 2019, respectively.

Long-term debt as of February 29, 2020 and February 28, 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
0.0% convertible bonds due 2020	¥25,014	¥25,031	¥228,584
0.0% convertible bonds due 2028	60,263	60,293	550,699
0.451% bonds due 2021	10,000	10,000	91,382
8.1% one hundred and seven (107) secured non-convertible Vietnam Dong bonds	236	329	2,157
Loans from banks, insurance companies and others due serially to 2028:			
Unsecured(bearing interest at rates from 0.10% to 1.00% at February 29, 2020)	90,030	93,330	822,718
Subtotal	185,543	188,983	1,695,540
Less:Current portion of Long-term debt	(59,804)	(7,619)	(546,504)
Total	¥125,739	¥181,364	\$1,149,036

* The current conversion price of 0.0% convertible bonds due 2020 issued by the Company is ¥2667.3 (\$24.37). On February 29, 2020, the convertible bonds were convertible into 9,372,773 shares of common stock.

* The current conversion price of 0.0% convertible bonds due 2028 issued by the Company is ¥2180.0(\$19.92). On February 29, 2020, the convertible bonds were convertible into 27,522,935 shares of common stock.

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
2021	¥59,790	\$546,377
2022	23,306	212,976
2023	3,227	29,490
2024	2,201	20,113
2025 and thereafter	96,742	884,054
Total	¥185,266	\$1,693,010

16 DERIVATIVE TRANSACTIONS

1. Derivatives to which hedge accounting is not applied (1) Currency related derivatives

Classification	Type of derivatives	Millions of yen			
		Contract amount	Contract amount due after one year	Fair value	Valuation loss
Non-market transactions Swaps					
	Buy:U.S. dollars				
	Sell:JP yen	¥—	¥—	¥—	¥—
Total		¥—	¥—	¥—	¥—

		Millions of yen			
		2019			
Classification	Type of derivatives	Contract amount	Contract amount due after one year	Fair value	Valuation loss
Non-market transactions	Swaps				
	Buy:U.S. dollars				
	Sell:JP yen	¥3,284	¥—	¥(12)	¥(12)
Total		¥3,284	¥—	¥(12)	¥(12)

		Thousands of U.S. dollars			
		2020			
Classification	Type of derivatives	Contract amount	Contract amount due after one year	Fair value	Valuation loss
Non-market transactions	Swaps				
	Buy:U.S. dollars				
	Sell:JP yen	\$—	\$—	\$—	\$—
Total		\$—	\$—	\$—	\$—

2. Derivatives to which hedge accounting is applied

(1) Currency related derivatives

			Millions of yen		
			2020		
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		¥167	¥—	¥(0)
	To buy Euros		15	—	(0)
	To buy G.B. pounds		—	—	—
	To buy Swiss francs		—	—	—
Total			¥182	¥—	¥(0)

			Millions of yen		
			2019		
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		¥75	¥—	¥0
	To buy Euros		34	—	(1)
	To buy G.B. pounds		1	—	0
	To buy Swiss francs		0	—	0
Total			¥110	¥—	¥(1)

			Thousands of U.S. dollars		
			2020		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable-trade			
	To buy U.S. dollars		\$1,526	\$—	\$(0)
	To buy Euros		137	—	(0)
	To buy G.B. pounds		—	—	—
	To buy Swiss francs		—	—	—
Total			\$1,663	\$—	\$(0)

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

(2) Interest rate related derivatives

			Millions of yen		
			2020		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Interest expenses on long-term debt			
	Receive floating rate		¥25,000	¥10,000	¥—
	Pay fixed rate				
Total			¥25,000	¥10,000	¥—

			Millions of yen		
			2019		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Interest expenses on long-term debt			
	Receive floating rate		¥26,000	¥25,000	¥—
	Pay fixed rate				
Total			¥26,000	¥25,000	¥—

			Thousands of U.S. dollars		
			2020		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Interest expenses on long-term debt			
	Receive floating rate		\$228,457	\$91,383	\$—
	Pay fixed rate				
Total			\$228,457	\$91,383	\$—

* The interest rate swaps which are qualified for hedge accounting and meet specific criteria are not remeasured at market value. However, the amounts of the 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

			Millions of yen		
			2020		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps	Long-term debt	¥10,000	¥10,000	¥—
Total			¥10,000	¥10,000	¥—

			Millions of yen		
			2019		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps	Long-term debt	¥10,000	¥10,000	¥—
Total			¥10,000	¥10,000	¥—

17 RETIREMENT BENEFIT LIABILITY

			Thousands of U.S. dollars		
			2020		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps	Long-term debt	\$91,383	\$91,383	\$—
Total			\$91,383	\$91,383	\$—

* The interest rate and currency swaps which are qualified for hedge accounting and meet specific criteria are not remeasured at market value. However, the amounts of paid or received under the swap contracts are recognized and included in the long-term debt as hedged items. Accordingly, the fair value of the interest rate and currency swaps is considered to be included in the fair value of the long-term debt.

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 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of the year	¥102,126	¥108,124	\$933,254
Service cost	2,450	2,645	22,389
Interest cost	659	691	6,022
Actuarial gains or losses	5,980	(4,024)	54,647
Benefit paid	(5,255)	(5,310)	(48,022)
Amount of prior service cost incurred	—	—	—
Balance at end of year	¥105,960	¥102,126	\$968,290

(2) The changes in plan assets for the years ended February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of the year	¥52,621	¥54,857	\$480,864
Expected return on plan assets	1,315	1,371	12,017
Actuarial gains or losses	(342)	(1,166)	(3,125)
Contribution from the employer	630	647	5,757
Benefit paid	(3,027)	(3,088)	(27,661)
Balance at end of year	¥51,197	¥52,621	\$467,852

(3) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as of February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded defined benefit obligation	¥60,876	¥56,761	\$556,301
Plan assets	(51,197)	(52,621)	(467,852)
	9,679	4,140	88,449
Unfunded defined benefit obligation	45,084	45,365	411,989
Net liability for defined benefit obligation	¥54,763	¥49,505	\$500,438
Retirement benefit liabilities	54,763	49,505	500,438
Net liability for defined benefit obligation	¥54,763	¥49,505	\$500,438

(4) The components of periodic benefit costs for the years ended February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥2,450	¥2,645	\$22,389
Interest cost	659	691	6,022
Expected return on plan assets	(1,315)	(1,371)	(12,017)
Amortization of actuarial gains and losses	(909)	363	(8,307)
Amounts of prior service cost recognized	(183)	(182)	(1,672)
Total	¥702	¥2,146	\$6,415

(5) The components of other comprehensive income on defined retirement benefits plans, before tax, on February 29, 2020 and February 28, 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service cost	¥(183)	¥(182)	\$(1,672)
Actuarial gains and losses	(7,232)	3,221	(66,088)
Total	¥(7,415)	¥3,039	\$(67,760)

(6) Accumulated other comprehensive income on defined retirement benefits plans, before tax, on February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized prior service cost	¥1,187	¥1,370	\$10,847
Unrecognized actuarial gains and losses	(532)	6,700	(4,861)
Total	¥655	¥8,070	\$5,986

(7) Plan assets

1) Components of plan assets were as follows:

	%	
	2020	2019
Debt investments	65%	65%
Equity investments	23	24
General accounts with life insurance companies	10	9
Cash and deposits	2	2
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 29, 2020 and February 28, 2019 were as follows:

	%	
	2020	2019
Discount rate		
Relating to defined benefit obligation	Mainly 0.0%	Mainly 0.8%
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 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at beginning of the year	¥1,386	¥1,350	\$12,666
Employees' retirement benefit cost	229	165	2,092
Benefit paid	(240)	(129)	(2,193)
Balance at end of year	¥1,375	¥1,386	\$12,565

(2) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as of February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded defined benefit obligation	¥—	¥—	\$—
Plan assets	—	—	—
Unfunded defined benefit obligation	1,375	1,386	12,565
Net liability for defined benefit obligation	¥1,375	¥1,386	\$12,565
Retirement benefit liability	1,375	1,386	12,565
Net liability for defined benefit obligation	¥1,375	¥1,386	\$12,565

(3) Employees' benefit cost of the simplified method for the years ended February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Employees' benefit cost of the simplified method	¥228	¥165	\$2,084

4. Defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Required contribution amount of the Company and its consolidated subsidiaries to the defined contribution plan	¥718	¥679	\$6,561

**18
CONTINGENT
LIABILITIES**

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Guarantees on loans from financial institutions:			
Keppel Land Watco II Co.,Ltd.	¥5,139	¥5,207	\$46,961
Keppel Land Watco III Co.,Ltd.	1,239	1,602	11,322
Loan guarantees made for employees and others	33	52	302
Total	¥6,411	¥6,861	\$58,585

* ¥647 million (\$5,912 thousand) of ¥6,378 million (\$58,283 thousand) for guarantees on loans from financial institutions for the year ended February 29, 2020 have been counter-guaranteed from Keppel Land Ltd.

19 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

Common stock	Number of shares			
	2020			
	March 1, 2019	Increase	Decrease	February 29, 2020
Number of shares issued	177,759,481	—	—	177,759,481

Common stock	Number of shares			
	2019			
	March 1, 2018	Increase	Decrease	February 28, 2019
Number of shares issued	355,518,963	—	177,759,482	177,759,481

* 1 The Company carried out a reverse stock split of its common stock at a ratio of 1 for 2 on September 1, 2018.

* 2 The number of common stock issued decreased by 1,777,759,482 shares due to the reverse stock split of common stock.

2. Treasury shares

Common stock	Number of shares			
	2020			
	March 1, 2019	Increase	Decrease	February 29, 2020
Treasury shares	3,025,884	8,000,318	89	11,026,113

* 1 The increase in the number of shares of treasury shares consists of 8,000,000 shares due to the purchase of treasury shares based on the resolution of the board of directors and 318 shares due to the purchase of fractional shares of less than one voting unit.

* 2 The number of shares of treasury shares decreased by 89 shares due to the transfer of fractional shares in response to purchase requests.

Common stock	Number of shares			
	2019			
	March 1, 2018	Increase	Decrease	February 28, 2019
Treasury shares	6,045,405	7,182	3,026,703	3,025,884

* 1 The Company carried out a reverse stock split of its common stock at a ratio of 1 for 2 on September 1, 2018. Therefore, for the transactions before August 31, 2018, the number of fractional shares before the reverse stock split is shown, and for the transactions on and after September 1, 2018, the number of shares after the reverse stock split is shown.

* 2 The increase in the number of shares of treasury shares consists of 883 shares due to the purchase of fractional shares resulting from the reverse stock split of common stock and 6,299 shares (5,369 shares before the reverse stock split and 930 shares after the reverse stock split) due to the purchase of fractional shares of less than one voting unit.

* 3 The decrease in the number of shares of treasury shares consists of 3,024,202 shares due to the reverse stock split of common stock and 2,501 shares (2,372 shares before the reverse stock split and 129 shares after the reverse stock split) due to the transfer of fractional shares in response to purchase requests.

3. Stock options

Not applicable.

4. Dividends

(1) Payments of dividends

2020					
Approval	Type of shares	Total dividends	Dividends per share	Record date	Effective date
May 21, 2019 shareholders' meeting	Common stock	¥2,097 million	¥12.00	February 28, 2019	May 22, 2019
October 11, 2019 board of directors	Common stock	¥2,048 million	¥12.00	August 31, 2019	November 19, 2019

2019					
Approval	Type of shares	Total dividends	Dividends per share	Record date	Effective date
May 22, 2018 shareholders' meeting	Common stock	¥2,097 million	¥6.00	February 28, 2018	May 23, 2018
October 12, 2018 board of directors	Common stock	¥2,097 million	¥6.00	August 31, 2018	November 19, 2018

* 1 The Company carried out a reverse stock split of its common stock at a ratio of 1 for 2 on September 1, 2018. Dividends per share are the amounts prior to the reverse stock split.

(2) Dividends payment whose record date is attributable to the accounting period ended February 29, 2020 and February 28, 2019 but which becomes effective after said accounting period

2020						
Approval	Type of shares	Source of dividends	Total dividends	Dividends per share	Record date	Effective date
May 19, 2020 shareholders' meeting	Common stock	Retained earnings	¥2,001 million	¥12.00	February 29, 2020	May 20, 2020

2019						
Approval	Type of shares	Source of dividends	Total dividends	Dividends per share	Record date	Effective date
May 21, 2019 shareholders' meeting	Common stock	Retained earnings	¥2,097 million	¥12.00	February 28, 2019	May 22, 2019

**20
PER SHARE
INFORMATION**

Reconciliation of the difference between basic and diluted profit attributable to owners of parent per share ("EPS") for the years ended February 29, 2020 and February 28, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Basic profit attributable to owners of parent per share			
Income (numerator):			
Profit available attributable to owners of parent	¥16,028	¥16,443	\$146,468
Amounts not belonging to common shareholders	—	—	—
Profit attributable to owners of parent concerning common stock	16,028	16,443	146,468
Shares (denominator):			
Weighted average number of shares	171,808,500	174,735,285	171,808,500
Basic EPS	¥93.29	¥94.10	\$0.85
Diluted profit attributable to owners of parent per share			
Income (numerator):			
Profit attributable to owners of parent	¥16,028	¥16,443	\$146,468
Amounts not belonging to common shareholders	—	—	—
Profit attributable to owners of parent concerning common stock	16,028	16,443	146,468
Effect of dilutive securities — convertible bonds	(33)	(60)	(302)
Adjusted profit attributable to owners of parent	15,995	16,383	146,166
Shares (denominator):			
Weighted average number of shares	171,808,500	174,735,285	171,808,500
Assumed conversion of convertible bonds	36,895,708	26,405,495	36,895,708
Adjusted weighted average number of shares	208,704,208	201,140,780	208,704,208
Diluted EPS	¥76.63	¥81.44	\$0.70

* 1 The Company carried out a reverse stock split of its common shares at a ratio of 1 for 2 on September 1, 2018. Net assets per share, basic and diluted profit per share are calculated assuming that the reverse stock split of shares occurred at the beginning of the previous fiscal year.

* 2 As stated in "Changes in Accounting Policies," the Company applied IFRS 16 to overseas consolidated subsidiaries adopting IFRSs from the beginning of the year ended February 29, 2020.

As a result of this change, earnings per share and diluted earnings per share for the year ended February 29, 2020 decreased by ¥11.40 (\$0.10), and ¥9.39, (\$0.08) respectively, compared with the result using the previous method.

Net assets per share as of February 29, 2020 and February 28, 2019 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net assets per share			
Net assets (numerator):			
Total net assets	¥455,871	¥461,585	\$4,165,868
Non-controlling interests	(21,168)	(17,666)	(193,439)
Adjusted net assets	434,703	443,919	3,972,429
Common stock (denominator):			
Issued number of shares	177,759,481	177,759,481	177,759,481
Treasury shares	(11,026,113)	(3,025,884)	(11,026,113)
Outstanding number of shares	166,733,368	174,733,597	166,733,368
Net assets per share	¥2,607.17	¥2,540.54	\$23.83

* The Company carried out a reverse stock split of its common shares at a ratio of 1 for 2 on September 1, 2018. Net assets per share, basic and diluted profit per share are calculated assuming that the reverse stock split of shares occurred at the beginning of the previous fiscal year.

**21
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 29, 2020 and February 28, 2019 consisted of the following:

	Millions of yen	
	2020	2019
	Book value	Book value
Buildings	¥1,463	¥—
Land	¥16,813	¥—
Total	¥18,276	¥—

	Thousands of U.S. dollars	
	2020	
	Book value	
Buildings	\$13,369	
Land	\$153,642	
Total	\$167,011	

2. Loss on retirement of non-current assets

Loss on retirement of non-current assets for the years ended February 29, 2020 and February 28, 2019 consisted of the following:

	Millions of yen	
	2020	2019
	Book value	Book value
Buildings and structures	¥1,845	¥3,454
Other non-current assets	¥211	¥561
Cost of restoration	¥3,376	¥3,693
Total	¥5,432	¥7,708

	Thousands of U.S. dollars	
	2020	
	Book value	
Buildings and structures	\$16,860	
Other non-current assets	\$1,928	
Cost of restoration	\$30,851	
Total	\$49,639	

22 IMPAIRMENT LOSS

Impairment loss is recognized for the following asset groups.

	Location	Category by use	Assets	Millions of yen	Thousands of U.S. dollars
				2020	2020
				Impairment loss	
The Company Konandai Store	Yokohama, Japan	Stores	Buildings	¥1,716	\$15,681
			Others	27	247
The Company Sakai Store	Sakai, Japan	Stores	Buildings	1,014	9,266
			Others	413	3,774
The Company Rakusai Store	Kyoto, Japan	Stores	Buildings	918	8,389
			Others	113	1,033
The Company Senboku Store	Sakai, Japan	Stores	Buildings	453	4,140
			Others	166	1,517
Gifu Takashimaya Co., Ltd.	Gifu, Japan	Stores	Buildings	1,248	11,404
			Others	120	1,097
Okayama Takashimaya Co., Ltd.	Okayama, Japan	Stores	Buildings	1,068	9,760
			Others	252	2,303
A&S Takashimaya Duty Free Co., Ltd.	Tokyo, Japan	Stores	Buildings	711	6,497
			Others	332	3,034
Others		Stores	Buildings	338	3,089
			Others	91	831
Total				¥8,980	\$82,062

The Company and its subsidiaries group their assets mainly by stores 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 ¥8,980 million (\$82,062 thousand) under other expenses.

The recoverable amount is based on the value in use or net realizable value. The value in use is calculated by discounting future cash flows by 4.5%, but such value is assessed as zero when no future cash flows are expected to be generated.

In addition, net realizable value is calculated based on real estate appraisal value when the book value is material, and otherwise calculated based on roadside land price and others.

	Location	Category by use	Assets	Millions of yen
				2019
				Impairment loss
The Company Konandai Store	Yokohama, Japan	Stores	Buildings	¥122
			Others	99
The Company	Tottori, Japan	Idle properties	Land	31
			Others	767
R.T. Corporation Ltd.	Tokyo, Japan	Stores	Buildings	45
			Others	3
Toshin Development Co., Ltd.	Yokohama, Japan	Commercial properties	Buildings	171
			Others	21
Total				¥1,259

The Company and its subsidiaries group their assets mainly by stores 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 ¥461 million under other expenses.

The recoverable amount is based on the value in use. The recoverable amounts for those asset groups are assessed as zero, as no future cash flow is expected to be generated from the asset groups.

In addition, idle assets are grouped by each asset. The book value of the relevant asset group was reduced to the net realizable value, and an impairment loss of ¥798 million was recorded as an impairment loss for the year ended February 28, 2019. The net realizable value of the idle assets is assessed as zero.

**23
OTHER
COMPREHENSIVE
INCOME**

The recycling and effect of deferred income taxes on the other comprehensive income for the years ended February 29, 2020 and February 28, 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Valuation difference on available-for-sale securities			
Occurrence amount	¥(7,153)	¥(6,420)	¥(65,366)
Recycling	314	(2,641)	2,869
Before tax effect	(6,839)	(9,061)	(62,497)
Tax effect	2,064	2,692	18,862
Valuation difference on available-for-sale securities	(4,775)	(6,369)	(43,635)
Deferred gains or losses on hedges			
Occurrence amount	(0)	4	(0)
Tax effect	0	(1)	0
Deferred gains or losses on hedges	(0)	3	(0)
Foreign currency translation adjustments realized for the year	563	(1,955)	5,145
Remeasurements of defined benefit plans, net of tax			
Occurrence amount	(6,322)	2,858	(57,772)
Recycling	(1,092)	181	(9,979)
Before tax effect	(7,414)	3,039	(67,751)
Tax effect	2,216	(917)	20,250
Remeasurements of defined benefit plans, net of tax	(5,198)	2,122	(47,501)
Share of other comprehensive income of entities accounted for using equity method			
Occurrence amount	(138)	(1,601)	(1,261)
Recycling	10	—	91
Share of other comprehensive income of entities accounted for using equity method	(128)	(1,601)	(1,170)
Total other comprehensive income	¥(9,538)	¥(7,800)	\$(87,161)

24 SIGNIFICANT SUBSEQUENT EVENTS

The Japanese government declared a state of emergency on April 7, 2020 due to the impact of the global spread of the novel coronavirus disease (COVID-19). As the state of emergency was expanded to the whole country on April 16, the department stores and shopping centers operated by the Group in the affected regions took measures such as suspending business, with the exception of food and lifestyle-related items, and shortening business hours.

Furthermore, the Company also took measures at department stores and shopping centers overseas, such as suspending business depending on the stage of the epidemic in each country and instructions from authorities.

As a result, the Company expects that this will impact consolidated performance for the year ending February 28, 2021, but it is difficult to reasonably estimate the amount of the impact as there are currently many uncertainties.

25 BUSINESS COMBINATIONS

Business combinations through acquisitions

1. Globaland Ltd. and Hanoi Residential and Commercial Centre – HRCC Ltd.

(1) Overview of the business combination

(a) Name of the acquired company and its business

Name: Globaland Ltd.

Hanoi Residential and Commercial Centre – HRCC Ltd.

Description of business: commercial property development

(b) Main reason for the business combination

It is aimed at expanding the earnings base and acquiring expertise in business operation in Vietnam.

(c) Date of the business combination

November 30, 2019 (deemed acquisition date)

(d) Legal form of the business combination

Acquisition of shares for cash consideration

(e) Percentage of voting rights acquired

60%

(f) Basis for determining the acquired company

The Company's consolidated subsidiary Toshin Development Co., Ltd. acquired 60% of the issued shares of Globaland Ltd., of which Hanoi Residential and Commercial Centre – HRCC Ltd, is a subsidiary, for cash consideration.

(2) Period for which the acquired company's operating results are included in the Consolidated Financial Statements

From October 1, 2019 to December 31, 2019

(3) Acquisition cost of the acquired company and its breakdown by type of consideration

	Millions of yen	Thousands of U.S. dollars
Cash and deposits paid for acquisition	¥5,384	\$49,200
Acquisition cost	¥5,384	\$49,200

(4) Nature and amount of main acquisition-related costs

	Millions of yen	Thousands of U.S. dollars
Advisory fees and commissions	¥131	\$1,197

(5) Amount of goodwill recognized and reason for the recognition, and method and period for amortization of goodwill

(a) Amount of goodwill recognized

	Millions of yen	Thousands of U.S. dollars
Amount of goodwill recognized	¥986	\$9,010

(b) Reason for recognition of goodwill

Excess earning power is expected from future business development.

(c) Method and period for amortization of goodwill

Straight line basis over 12 years

(6) Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥850	\$7,767
Non-current assets	7,868	71,900
Total assets	8,718	79,667
Current liabilities	133	1,215
Non-current liabilities	1,255	11,469
Total liabilities	¥1,388	\$12,684

(7) Approximate amount of impact of the business combination on the Companies' Consolidated Statements of Income for the year ended February 29, 2020, assuming that the business combination had been completed at the beginning of the fiscal year, and its calculation method

Information is omitted, as it is difficult to calculate the approximate amount for the year ended February 29, 2020.

26

**ASSETS
PLEGGED AS
COLLATERAL
AND SECURED
LIABILITIES**

The assets pledged as collateral for bonds mainly from banks and certain other obligations on February 29, 2020 and February 28, 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Buildings and structures	¥2,104	¥2,238	\$19,227
Other (property, plant and equipment)	2	7	18
Leasehold right	5,571	5,723	50,909
Total	¥7,677	¥7,968	\$70,154

The secured liabilities on February 29, 2020 and February 28, 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current portion of long-term bonds	¥105	¥99	\$960
Long-term bonds	131	230	1,197
Total	¥236	¥329	\$2,157



Independent Auditor's Report

To the Board of Directors of Takashimaya Company, Limited:

We have audited the accompanying consolidated financial statements of Takashimaya Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at February 29, 2020 and February 28, 2019, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Takashimaya Company, Limited and its consolidated subsidiaries as at February 29, 2020 and February 28, 2019, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 3, 2020
Tokyo, Japan



Takashimaya Company, Limited

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

URL: <https://www.takashimaya.co.jp/corp/english/>