Takashimaya

TAKASHIMAYA FINANCIAL STATEMENTS

Years ended February 29, 2016 and February 28, 2015

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
February 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2016**	2015	**2016**
Current assets:			
Cash and deposits (Notes 4, 5 and 11)	**¥ 75,488**	¥ 87,888	**$ 664,390**
Marketable securities (Notes 5, 6 and 11)	**2,004**	2,001	**17,638**
Notes and accounts receivable:			
Trade (Note 5)	**118,037**	119,528	**1,038,875**
Non-consolidated subsidiaries and affiliated companies (Note 5)	**1,217**	933	**10,711**
Other	**24,045**	12,721	**211,626**
Less: Allowance for doubtful accounts (Note 5)	**(431)**	(446)	**(3,793)**
	142,868	132,736	**1,257,419**
Inventories (Note 7)	**46,152**	42,399	**406,196**
Deferred tax assets (Note 12)	**9,309**	8,501	**81,931**
Other current assets (Note 5)	**14,804**	14,623	**130,294**
Total current assets	**290,625**	288,148	**2,557,868**
Investments and advances:			
Investment securities (Notes 5 and 11)	**50,307**	78,676	**442,765**
Investments in and advances to:			
Non-consolidated subsidiaries and affiliated companies	**52,244**	48,364	**459,813**
Other	**15,268**	4,945	**134,378**
Less: Allowance for doubtful accounts	**(2,580)**	(2,680)	**(22,707)**
	64,932	50,629	**571,484**
Total investments and advances	**115,239**	129,305	**1,014,249**
Property and equipment:			
Land (Notes 13 and 17)	**231,175**	225,210	**2,034,633**
Buildings and structures (Note 13)	**391,776**	385,514	**3,448,125**
Equipment and fixtures	**32,926**	32,100	**289,791**
Lease assets	**6,234**	5,732	**54,867**
Construction in progress	**3,153**	2,582	**27,751**
	665,264	651,138	**5,855,167**
Less: Accumulated depreciation	**(247,957)**	(238,663)	**(2,182,336)**
Total property and equipment	**417,307**	412,475	**3,672,831**
Leasehold and other deposits (Notes 5, 8 and 11)	**33,151**	34,045	**291,771**
Goodwill (Note 22)	**405**	518	**3,565**
Deferred tax assets (Note 12)	**9,772**	6,133	**86,006**
Other assets	**107,922**	108,988	**949,850**
Total assets	**¥974,421**	¥979,612	**$8,576,140**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 1) 2016
Current liabilities:			
Short-term bank loans (Notes 5 and 9)	**¥ 5,887**	¥ 5,887	**$ 51,813**
Current portion of long-term debt (Notes 5 and 9)	**11,300**	31,406	**99,454**
Notes and accounts payable:			
Trade (Note 5)	**98,276**	96,583	**864,953**
Non-consolidated subsidiaries and affiliated companies	**5,088**	4,976	**44,781**
Other	**18,700**	19,734	**164,584**
	122,064	121,293	**1,074,318**
Accrued income taxes	**10,045**	9,784	**88,409**
Accrued expenses	**3,135**	3,194	**27,592**
Allowance for directors' and corporate auditors' bonuses	**36**	33	**317**
Gift certificates outstanding	**52,300**	53,184	**460,306**
Advances received	**82,954**	79,321	**730,100**
Employees' saving deposits (Note 5)	**15,239**	15,563	**134,123**
Allowance for Point Gift Certificates	**3,233**	3,252	**28,454**
Allowance for loss on repair construction of building	**582**	—	**5,122**
Other current liabilities (Note 5)	**18,308**	13,786	**161,134**
Total current liabilities	**325,083**	336,703	**2,861,142**
Long-term debt (Notes 5 and 9)	**137,413**	126,226	**1,209,409**
Deposits from tenants	**23,486**	26,979	**206,707**
Net defined benefit liability (Note 15)	**61,875**	62,983	**544,578**
Allowance for directors' and corporate auditors' retirement benefits	**371**	311	**3,265**
Deferred tax liabilities (Note 12)	**50**	2,235	**440**
Deferred tax liabilities related to land revaluation (Note 17)	**7,117**	7,570	**62,639**
Long-term accounts payable	**1,053**	1,193	**9,268**
Asset retirement obligations	**1,804**	1,537	**15,878**
Allowance for environmental measures	**366**	623	**3,221**
Allowance for loss on repair construction of building	**5,273**	—	**46,409**
Other long-term liabilities	**3,144**	4,774	**27,671**
Total liabilities	**567,035**	571,134	**4,990,627**
Contingent liabilities (Note 14)			
Net assets (Note 16)			
Owners' equity:			
Common stock	**66,025**	66,025	**581,104**
Authorized: 600,000 thousand shares			
Issued: 355,518,963 shares in 2016			
355,518,963 shares in 2015			
Capital surplus	**55,086**	55,086	**484,826**
Retained earnings	**249,145**	229,185	**2,192,792**
Less: Treasury stock, at cost: 6,028,353 shares in 2016			
960,573 shares in 2015	**(6,153)**	(563)	**(54,154)**
Total owners' equity	**364,103**	349,733	**3,204,568**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities, net of taxes	**17,277**	28,999	**152,060**
Unrealized losses on hedging derivatives, net of taxes	**(15)**	(2)	**(132)**
Land revaluation difference, net of taxes (Note 17)	**6,908**	6,455	**60,799**
Foreign currency translation adjustments	**11,884**	16,467	**104,594**
Remeasurements of defined benefits plans, net of taxes	**(1,230)**	(545)	**(10,826)**
Total accumulated other comprehensive income	**34,824**	51,374	**306,495**
Minority interests in consolidated subsidiaries:	**8,459**	7,371	**74,450**
Total net assets	**407,386**	408,478	**3,585,513**
Total liabilities and net assets	**¥974,421**	¥979,612	**$8,576,140**

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Sales and other operating revenue:			
Net sales	**¥865,890**	¥851,374	**$7,620,929**
Other operating revenue	**63,699**	61,149	**560,632**
	929,589	912,523	**8,181,561**
Operating expenses:			
Cost of sales	**651,011**	636,881	**5,729,722**
Selling, general and administrative expenses	**245,605**	243,619	**2,161,635**
	896,616	880,500	**7,891,357**
Operating income	**32,973**	32,023	**290,204**
Other income (expenses):			
Interest and dividend income	**1,743**	1,511	**15,341**
Interest expenses	**(777)**	(988)	**(6,839)**
Gain (loss) on sale and disposal of property and equipment, net	**(3,911)**	408	**(34,422)**
Gain (loss) on sale of securities, net	**13,734**	—	**120,877**
Loss on repair construction of building	**(6,041)**	—	**(53,168)**
Gain on liquidation of gift certificates outstanding, net	**23**	151	**202**
Equity in gain of affiliated companies	**2,990**	2,906	**26,316**
Exchange gain (loss), net	**(24)**	13	**(211)**
Other, net	**742**	194	**6,530**
	8,479	4,195	**74,626**
Income before income taxes and minority interests	**41,452**	36,218	**364,830**
Income taxes (Note 12)**:**			
Current	**15,494**	13,669	**136,367**
Deferred	**1,687**	(860)	**14,848**
	17,181	12,809	**151,215**
Income before minority interests	**24,271**	23,409	**213,615**
Minority interests	**(441)**	(828)	**(3,881)**
Net income	**¥ 23,830**	¥ 22,581	**$ 209,734**

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Income before minority interests	**¥24,271**	¥23,409	**$213,615**
Other comprehensive income			
Unrealized gains on available-for-sale securities, net of taxes	**(11,589)**	11,959	**(101,998)**
Unrealized losses on hedging derivatives, net of taxes	**(13)**	(1)	**(114)**
Land revaluation difference, net of taxes	**453**	—	**3,987**
Foreign currency translation adjustments	**(3,077)**	3,850	**(27,081)**
Remeasurements of defined benefit plans, net of taxes	**(600)**	3,069	**(5,281)**
Share of other comprehensive income of associates accounted for using equity method	**(1,734)**	2,464	**(15,261)**
Total other comprehensive income (Note 3)	**(16,560)**	21,341	**(145,748)**
Comprehensive income	**7,711**	44,750	**67,867**
Comprehensive income attributable to:			
Owners of parent	**7,280**	43,899	**64,073**
Minority interests	**431**	851	**3,794**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2016 and February 28, 2015

		Millions of yen				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 28, 2014	330,827,625	¥56,025	¥45,086	¥221,857	¥ (549)	¥322,419
Cumulative effect of changes in accounting policies				(14,003)		(14,003)
Restated balance	330,827,625	56,025	45,086	207,854	(549)	308,416
Issuance of new shares–exercise of subscription rights to shares	24,691,338	10,000	10,000			20,000
Cash dividends paid				(3,333)		(3,333)
Net income for the fiscal year				22,581		22,581
Disposal of treasury stock and acquisition of treasury stock, net					(14)	(14)
Reversal of revaluation reserve for land				2,083		2,083
Net changes during the year						—
Balance, February 28, 2015	355,518,963	¥66,025	¥55,086	¥229,185	¥ (563)	¥349,733
Cumulative effect of changes in accounting policies						—
Restated balance	**355,518,963**	**66,025**	**55,086**	**229,185**	**(563)**	**349,733**
Issuance of new shares–exercise of subscription rights to shares						—
Cash dividends paid				**(3,870)**		**(3,870)**
Net income for the fiscal year				**23,830**		**23,830**
Disposal of treasury stock and acquisition of treasury stock, net					**(5,590)**	**(5,590)**
Reversal of revaluation reserve for land						—
Net changes during the year						—
Balance, February 29, 2016	**355,518,963**	**¥66,025**	**¥55,086**	**¥249,145**	**¥(6,153)**	**¥364,103**

	Millions of yen							
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefits plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance, February 28, 2014	¥16,816	¥ (1)	¥8,538	¥10,422	¥ —	¥35,775	¥6,719	¥364,913
Cumulative effect of changes in accounting policies					(3,636)	(3,636)	(117)	(17,756)
Restated balance	16,816	(1)	8,538	10,422	(3,636)	32,139	6,602	347,157
Issuance of new shares–exercise of subscription rights to shares						—		20,000
Cash dividends paid						—		(3,333)
Net income for the fiscal year						—		22,581
Disposal of treasury stock and acquisition of treasury stock, net						—		(14)
Reversal of revaluation reserve for land						—		2,083
Net changes during the year	12,183	(1)	(2,083)	6,045	3,091	19,235	769	20,004
Balance, February 28, 2015	¥28,999	¥ (2)	¥6,455	¥16,467	¥ (545)	¥51,374	¥7,371	¥408,478
Cumulative effect of changes in accounting policies						—		—
Restated balance	**28,999**	**(2)**	**6,455**	**16,467**	**(545)**	**51,374**	**7,371**	**408,478**
Issuance of new shares–exercise of subscription rights to shares						—		—
Cash dividends paid						—		**(3,870)**
Net income for the fiscal year						—		**23,830**
Disposal of treasury stock and acquisition of treasury stock, net						—		**(5,590)**
Reversal of revaluation reserve for land						—		—
Net changes during the year	**(11,722)**	**(13)**	**453**	**(4,583)**	**(685)**	**(16,550)**	**1,088**	**(15,462)**
Balance, February 29, 2016	**¥17,277**	**¥(15)**	**¥6,908**	**¥11,884**	**¥(1,230)**	**¥34,824**	**¥8,459**	**¥407,386**

See accompanying notes.

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 28, 2015	$581,104	$484,826	$2,017,119	$ (4,955)	$3,078,094
Cumulative effect of changes in accounting policies					—
Restated balance	**581,104**	**484,826**	**2,017,119**	**(4,955)**	**3,078,094**
Issuance of new shares–exercise of subscription rights to shares					—
Cash dividends paid			**(34,061)**		**(34,061)**
Net income for the fiscal year			**209,734**		**209,734**
Disposal of treasury stock and acquisition of treasury stock, net				**(49,199)**	**(49,199)**
Reversal of revaluation reserve for land					—
Net changes during the year					—
Balance, February 29, 2016	**$581,104**	**$484,826**	**$2,192,792**	**$(54,154)**	**$3,204,568**

	Thousands of U.S. dollars (Note 1)							
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefits plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance, February 28, 2015	$255,228	$ (18)	$56,812	$144,930	$ (4,797)	$452,155	$64,874	$3,595,123
Cumulative effect of changes in accounting policies						—		—
Restated balance	**255,228**	**(18)**	**56,812**	**144,930**	**(4,797)**	**452,155**	**64,874**	**3,595,123**
Issuance of new shares–exercise of subscription rights to shares						—		—
Cash dividends paid						—		**(34,061)**
Net income for the fiscal year						—		**209,734**
Disposal of treasury stock and acquisition of treasury stock, net						—		**(49,199)**
Reversal of revaluation reserve for land						—		—
Net changes during the year	**(103,168)**	**(114)**	**3,987**	**(40,336)**	**(6,029)**	**(145,660)**	**9,576**	**(136,084)**
Balance, February 29, 2016	**$152,060**	**$(132)**	**$60,799**	**$104,594**	**$(10,826)**	**$306,495**	**$74,450**	**$3,585,513**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 41,452**	¥ 36,218	**$364,830**
Depreciation	**19,768**	19,345	**173,984**
Amortization of goodwill	**113**	114	**995**
Decrease in allowance for doubtful accounts	**(112)**	(87)	**(986)**
Decrease in net defined benefit liability	**(1,874)**	(1,985)	**(16,494)**
Increase in allowance for directors' and corporate auditors' retirement benefits	**60**	56	**528**
Decrease in allowance for point gift certificates	**(19)**	(8)	**(167)**
Increase in allowance for loss on repair construction of building	**5,855**	—	**51,531**
Interest and dividend income	**(1,743)**	(1,511)	**(15,341)**
Interest expenses	**777**	988	**6,839**
Equity in gain of affiliated companies	**(2,990)**	(2,906)	**(26,316)**
Gain on sales of property and equipment, net	**—**	(2,910)	**—**
Loss on disposal of property and equipment	**1,751**	1,213	**15,411**
Gain on sales of securities, net	**(13,734)**	—	**(120,877)**
Decrease (increase) in notes and accounts receivable–trade	**1,727**	(13,979)	**15,200**
Increase in inventories	**(3,821)**	(760)	**(33,630)**
Increase in notes and accounts payable–trade	**2,669**	4,990	**23,491**
Other	**(11,507)**	12,374	**(101,276)**
Subtotal	**38,372**	51,152	**337,722**
Interest and dividend income received	**3,120**	2,740	**27,460**
Interest expenses paid	**(813)**	(983)	**(7,155)**
Income taxes paid	**(15,041)**	(11,890)	**(132,380)**
Net cash provided by operating activities	**25,638**	41,019	**225,647**
Cash flows from investing activities:			
Purchase of time deposits	**(1,913)**	—	**(16,837)**
Repayment of time deposits	**1,238**	173	**10,896**
Purchase of securities	**(4,080)**	(384)	**(35,909)**
Proceeds from sales and redemption of short-term and long-term investment securities	**11,420**	3,000	**100,511**
Purchase of property and equipment	**(23,647)**	(124,670)	**(208,124)**
Proceeds from sale of property and equipment	**—**	5,677	**—**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	**741**	—	**6,522**
Other	**159**	155	**1,399**
Net cash used in investing activities	**(16,082)**	(116,049)	**(141,542)**
Cash flows from financing activities:			
Proceeds from long-term bank loans	**22,600**	27,500	**198,909**
Payment of long-term bank loans	**(31,421)**	(11,413)	**(276,545)**
Proceeds from issuance of bonds	**—**	10,000	**—**
Redemption of bonds	**—**	(10,000)	**—**
Purchase of treasury shares	**(5,590)**	(14)	**(49,199)**
Cash dividends paid	**(3,870)**	(3,333)	**(34,061)**
Other	**(958)**	(1,121)	**(8,432)**
Net cash (used in) provided by financing activities	**(19,239)**	11,619	**(169,328)**
Effect of exchange rate changes on cash and cash equivalents	**(3,278)**	4,801	**(28,850)**
Net increase (decrease) in cash and cash equivalents	**(12,961)**	(58,610)	**(114,073)**
Cash and cash equivalents at beginning of year	**86,498**	145,108	**761,292**
Cash and cash equivalents at end of year (Note 4)	**¥ 73,537**	¥ 86,498	**$647,219**

See accompanying notes.

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, "Japanese GAAP") which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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

(a) Goodwill not subject to amortization

(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside of profit or loss

(c) Capitalized expenditures for research and development activities

(d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets

(e) Retrospective application of a change in accounting policies

(f) Accounting for net income attributable to minority interests

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company, prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 29, 2016, which was ¥113.62 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (hereafter, the "Companies").

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

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

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

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries ("Goodwill" and "Negative goodwill" which arose prior to March 31, 2010) are amortized on a straight-line basis over mainly 20 years with the exception of minor differences, which are charged or credited to income in the period of acquisition.

In the year ended February 29, 2016, TAKASHIMAYA TRANSCOSMOS INTERNATIONAL COMMERCE PTE. LTD. was included in the scope of consolidation due to acquisition.

All the Company's non-consolidated subsidiaries are of a limited scale in terms of total assets, net sales, profit, retained earnings and other indicators, and taken together they do not have a significant impact on the consolidated financial statements.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rate at the balance sheet date, and translation gains and losses are charged to income.

The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for owners' equity accounts, which are translated at the historical rates. Statements of operations of consolidated overseas subsidiaries are translated at average rates.

(c) Cash and cash equivalents

In preparing the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase.

(d) Securities

No trading securities are held by the Companies. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of the net assets section in the balance sheets. Realized gains and losses on sale of such securities are computed using moving-average cost.

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

(e) Derivatives and hedging transactions

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

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

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

(1) If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable or payable,

(i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the statement of income in the period which includes the inception date, and

(ii) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract are recognized.

Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

In addition, special treatment is applied to interest rate swaps if they meet the requirements for special treatment.

The Companies use forward foreign currency contracts, currency swaps and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation of foreign currency exchange rates and increases in the interest rate 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 amount with respect to specific items and possible losses on collection calculated by applying a percentage based on collection experience to the remaining items.

(g) Inventories

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

Merchandise:	principally retail method and specific identification method
Products:	principally first-in, first-out method
Work in process:	principally specific identification method
Raw materials:	principally first-in, first-out method
Supplies:	principally first-in, first-out method

(h) Property and equipment

Property and equipment are stated at cost and depreciated by using mainly the straight-line method over the estimated useful lives of the assets as prescribed by Japanese tax laws. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. The cost of property and equipment sold or disposed of and the accumulated depreciation thereon are deducted from the related accounts, and the net gain or loss is credited or charged to income.

(i) Intangible assets (except lease 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.

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

(k) Allowance for Point Gift Certificates

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

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

(l) Employees' retirement benefit liability

(1) Attribution method for projected retirement benefits

The Companies account for the liability for retirement benefits based on the defined benefit obligations and plan assets at the balance sheet date. The defined benefit obligations are attributed to periods on a benefit formula basis.

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

The unrecognized prior service cost obligations are recognized as expenses and recorded in equal amounts mainly 10 years from their recognition, which is less than the average remaining years of employment of the employees.

Actuarial gains or losses incurred during the year are amortized by using the straight-line method over a certain period of time (mainly 10 years), which is less than the average remaining years of employment of the employees, commencing from the succeeding fiscal year.

(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 fiscal year-end for the calculation of net defined liability and retirement benefit costs.

(m) Allowance for directors' and corporate auditors' bonuses

An allowance for directors' and corporate auditors' bonuses is provided for the estimated amounts which the Company is obliged to pay to directors and corporate auditors subject to the resolution of the shareholders' meeting.

(n) Allowance for directors' and corporate auditors' retirement benefits

An allowance for directors' and corporate auditors' retirement benefits of the consolidated subsidiaries was provided based on the consolidated subsidiaries' pertinent rules and is calculated as the estimated amount which would be payable if all officers were to retire at the balance sheet date.

The payments are subject to approval of the shareholders' meeting.

(o) Allowance for environmental measures

An allowance for environmental measures is provided based on the estimated costs for treatment of Polychlorinated Biphenyl ("PCB") waste, which is obligated to be treated in accordance with the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(p) Allowance for loss on repair construction of building

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

(q) Income taxes

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

The Companies recognize the tax effects of temporary differences between the financial statements' carrying amounts and the tax basis of assets and liabilities. The provision for income taxes is computed based on the income before income taxes and minority interests included in the statements of income of each of the Companies. The assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(r) Per share information

Net income per share is based on the weighted average number of shares of common stock outstanding during each year and diluted net income per share reflects the potential dilution that could occur if it were converted into common stock.

Cash dividends per share represent interim dividends declared by the Board of Directors in each year and year-end dividends approved by the shareholders at the annual meeting held subsequent to the end of the fiscal year.

(s) Changes in accounting standards

Adoption of Accounting Standard for Retirement Benefits

Concomitant with the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26 of May 17, 2012), and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 of May 17, 2012), which became eligible for adoption from April 1, 2013, the Company has applied these standards from the year ended February 28, 2015. Under the new standard, pension assets are deducted from retirement benefit obligations and the net amount is recognized as a liability for retirement benefits, and previously unrecognized actuarial gains and losses and unrecognized prior service costs are recorded as a liability for retirement benefits. The method of calculating retirement benefit obligations and service costs is revised, with the method of determination of the discount rate revised to a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and the method of attributing benefits to accounting periods changed from the straight-line method to the standard pension benefit formula basis.

In accordance with the Article 37 of the Statement No. 26, the effect of recognizing the difference between retirement benefit obligations and plan assets as a liability for retirement benefits at the beginning of the year ended February 28, 2015 has been recognized in accumulated other comprehensive income. And the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the year ended February 28, 2015.

As a result of the application, accumulated other comprehensive income has decreased by ¥3,636 million ($30,485 thousand), minority interests in consolidated subsidiaries has decreased by ¥117 million ($981 thousand), and retained earnings have decreased by ¥14,003 million ($117,406 thousand), at the beginning of the year ended February 28, 2015.

In addition, operating income has increased by ¥831 million ($6,967 thousand), and ordinary income and income before income taxes and minority interests have each increased by ¥845 million ($7,085 thousand), in the current fiscal year.

(t) Accounting standards issued but not yet applied

Accounting Standard for Business Combinations (ASBJ Statement No. 21)
Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22)
Accounting Standard for Business Divestitures (ASBJ Statement No. 7)
Accounting Standard for Earnings Per Share (ASBJ Statement No. 2)
Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10)
Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4)
Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issue Task Force ("PITF") No. 18)

(1) Overview
Major amendments made by the aforementioned standards and guidance released on September 13, 2013, concern the following: the recognition of a change in a parent company's equity interest in its subsidiaries that continue to be under its control as a result of the additional acquisition of the shares of those subsidiaries or other means; the recognition of acquisition-related expenses; a change in the designation of net income; a change in the designation of minority interests to non-controlling interests; and accounting based on provisional estimates.

Also, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement"corresponds to "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), and actuarial differences in accounting for retirement benefit obligations are amortized to be clarified.

(2) Schedule date of adoption
The Company expects to apply the revised accounting standard from the beginning of the fiscal year ending February 28, 2017.

(3) Effect of adoption
The effect of adoption of the aforementioned standards and guidance on the Company's consolidated financial statements is under evaluation.

Implementation Guidance on Recoverabillity of Deferred Tax Assets (ASBJ Guidance No. 26)

(1) Overview
In connection with the transfer of the practical accounting guidelines and auditing guidelines (relating to accounting treatments) on tax effect accounting stipulated by the Japanese Institute of Certified Public Accountants ("JICPA") to the Accounting Standards Board of Japan (ASBJ), the "Implementation Guidance on Recoverability of Deferred Tax Assets" prescribes guidelines in adopting the "Accounting Standards for Tax Effect Accounting" (by the Business Accounting Council) with respect to recoverability of deferred tax assets. Under this Guidance, ASBJ basically continues to apply the framework used in the Auditing Guidance No. 66," Auditing Treatment for Judgment of Recoverability of Deferred Assets", issued by JICPA in which companies are classified into five categories and the recoverability of deferred tax assets is assessed based on such categories, but made necessary changes to the classification criteria and certain accounting treatments.

(2) Schedule date of adoption
The Company expects to apply the revised accounting standard from the beginning of the fiscal year ending February 28, 2018.

(3) Effect of adoption
The effect of adoption of the aforementioned standards and guidance on the Company's consolidated financial statements is under evaluation.

(u) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

These changes had no impact on previously reported results of operations except consolidated cash flow.

"Purchase of treasury stock" in the previous fiscal year which was indicated in "Other" of cash flows from financing activities is stated independently from the fiscal year under review, as its importance 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" of cash flows from financing activities (decreased by ¥1,135 million ($9,989 thousand)) in the previous fiscal year has been restated to "Purchase of treasury stock" (decreased by ¥14 million ($123 thousand)) and "Other" of cash flows from financing activities (decreased by ¥1,121 million ($9,866 thousand)).

3 OTHER COMPREHENSIVE INCOME

The recycling and effect of deferred income tax on the other comprehensive income for the years ended February 29, 2016 and February 28, 2015 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrealized gains on available-for-sale securities, net of taxes			
Occurrence amount	**¥ (5,872)**	¥18,571	**$ (51,681)**
Recycling	**(13,719)**	0	**(120,745)**
Before tax effect	**(19,591)**	18,571	**(172,426)**
Tax effect	**8,002**	(6,612)	**70,428**
Unrealized gains on available-for-sale securities, net of taxes	**(11,589)**	11,959	**(101,998)**
Unrealized losses on hedging derivatives, net of taxes			
Occurrence amount	**(19)**	(1)	**(167)**
Tax effect	**6**	0	**53**
Unrealized losses on hedging derivatives, net of taxes	**(13)**	(1)	**(114)**
Land revaluation difference, net of taxes	**453**	—	**3,987**
Foreign currency translation adjustments realized for the year	**(3,077)**	3,850	**(27,081)**
Remeasurements of defined benefits plans, net of taxes			
Occurrence amount	**(2,438)**	3,103	**(21,458)**
Recycling	**1,672**	1,727	**14,716**
Before tax effect	**(766)**	4,830	**(6,742)**
Tax effect	**166**	(1,761)	**1,461**
Remeasurements of defined benefits plans, net of taxes	**(600)**	3,069	**(5,281)**
Share of other comprehensive income of associates accounted for using equity method for the year	**(1,734)**	2,464	**(15,261)**
Total other comprehensive income	**¥(16,560)**	¥21,341	**$(145,748)**

4 CASH AND CASH EQUIVALENTS

1. Cash and cash equivalents at February 29, 2016 and February 28, 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash and deposits	**¥75,488**	¥87,888	**$664,390**
Time deposits with maturities exceeding three months	**(1,951)**	(1,390)	**(17,171)**
Cash and cash equivalents at end of year	**¥73,537**	¥86,498	**$647,219**

2. Exercise of subscription rights to shares attaching to bonds with subscription rights to shares at February 29, 2016 and February 28, 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Increase in common stock by exercise of subscription rights to shares	**¥—**	¥10,000	**$—**
Increase in capital surplus by exercise of subscription rights to shares	**—**	10,000	**—**
Decrease in bonds with subscription rights to shares by exercise of subscription rights to shares	**¥—**	¥20,000	**$—**

5 FINANCIAL INSTRUMENTS

1. Matters related to financial instruments

(1) Policies for financial instruments

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

(2) Financial instruments and their risks

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

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

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

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

(3) Risk management systems relating to financial instruments

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

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

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

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

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

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

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

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

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

2. Matters related to fair value of financial instruments

The book values recorded in the Consolidated Balance Sheets for the years ended February 29, 2016 and February 28, 2015, and fair values and their differences are as follows. Figures for which fair value is not readily recognized are not included in the following tables (See Note 2.).

	Millions of yen		
	2016		
	Book value	Fair value	Difference
(1) Cash and deposits	**¥ 75,488**	**¥ 75,488**	**¥ —**
(2) Notes and accounts receivable–trade	**119,174**	**—**	**—**
Allowance for doubtful accounts (*1)	**(322)**	**—**	**—**
	118,852	**121,192**	**2,340**
(3) Securities and investment securities			
1) Securities to be held until maturity	**4,004**	**4,067**	**63**
2) Available-for-sale securities	**46,430**	**46,430**	**—**
	50,434	**50,497**	**63**
(4) Guarantee deposits paid (*2)	**9,211**	**9,242**	**31**
Total assets	**¥253,985**	**¥256,419**	**¥2,434**
(1) Notes and accounts payable–trade	**¥103,364**	**¥103,364**	**¥ —**
(2) Short-term bank loans	**5,887**	**5,887**	**—**
(3) Deposits received	**27,069**	**27,069**	**—**
(4) Long-term debt (*3)	**148,713**	**150,967**	**2,254**
Total liabilities	**¥285,033**	**¥287,287**	**¥2,254**
Derivatives (*4)			
Amounts not subject to hedge accounting	**¥ —**	**¥ —**	**¥ —**
Amount subject to hedge accounting	**(21)**	**(21)**	**—**
Total derivatives	**¥ (21)**	**¥ (21)**	**¥ —**

	Millions of yen		
	2015		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 87,888	¥ 87,888	¥ —
(2) Notes and accounts receivable–trade	120,381	—	—
Allowance for doubtful accounts (*1)	(352)	—	—
	120,029	122,213	2,184
(3) Securities and investment securities			
1) Securities to be held until maturity	6,005	6,149	144
2) Available-for-sale securities	72,788	72,788	—
	78,793	78,937	144
(4) Guarantee deposits paid (*2)	10,223	10,011	(212)
Total assets	¥296,933	¥299,049	¥2,116
(1) Notes and accounts payable–trade	¥101,559	¥101,559	¥ —
(2) Short-term bank loans	5,887	5,887	—
(3) Deposits received	23,384	23,384	—
(4) Long-term debt (*3)	157,632	161,607	3,975
Total liabilities	¥288,462	¥292,437	¥3,975
Derivatives (*4)			
Amounts not subject to hedge accounting	¥ (54)	¥ (54)	¥ —
Amount subject to hedge accounting	(3)	(3)	—
Total derivatives	¥ (57)	¥ (57)	¥ —

	Thousands of U.S. dollars		
	2016		
	Book value	Fair value	Difference
(1) Cash and deposits	**$ 664,390**	**$ 664,390**	**$ —**
(2) Notes and accounts receivable–trade	**1,048,882**	**—**	**—**
Allowance for doubtful accounts (*1)	**(2,834)**	**—**	**—**
	1,046,048	**1,066,643**	**20,595**
(3) Securities and investment securities			
1) Securities to be held until maturity	**35,240**	**35,795**	**555**
2) Available-for-sale securities	**408,643**	**408,643**	**—**
	443,883	**444,438**	**555**
(4) Guarantee deposits paid (*2)	**81,068**	**81,341**	**273**
Total assets	**$2,235,389**	**$2,256,812**	**$21,423**
(1) Notes and accounts payable–trade	**$ 909,734**	**$ 909,734**	**$ —**
(2) Short-term bank loans	**51,813**	**51,813**	**—**
(3) Deposits received	**238,242**	**238,242**	**—**
(4) Long-term debt (*3)	**1,308,863**	**1,328,700**	**19,837**
Total liabilities	**$2,508,652**	**$2,528,489**	**$19,837**
Derivatives (*4)			
Amounts not subject to hedge accounting	**$ —**	**$ —**	**$ —**
Amount subject to hedge accounting	**(184)**	**(184)**	**—**
Total derivatives	**$ (184)**	**$ (184)**	**$ —**

*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 loans and corporate bonds with repayment due dates of one year or less.
*4. Net receivables and payables arising from derivative transactions are shown as a net amount.

Note 1: Fair 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 periods, the fair value approximates the book value; therefore, the said book value shall be the fair value, although the fair value of a portion of accounts receivable–trade is based on the present value of the discounted cash flows using the interest rate determined by the factor of the estimated redemption terms and the government bond interest rate.

(3) Securities and investment securities

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

(4) Guarantee deposits paid

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

Liabilities

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

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

(4) Long-term debt

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

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

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

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

Derivatives

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

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
(a) Stock of subsidiaries	**¥ 6,919**	¥ 2,982	**$ 60,896**
(b) Stock of affiliates	**45,325**	45,382	**398,917**
(c) Unlisted stocks	**1,877**	1,884	**16,520**
(d) Guarantee deposits paid	**25,012**	24,963	**220,137**

(a) Stock of subsidiaries and (b) Stock of affiliates
They have no market value and their fair value is not readily determinable.

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

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

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

	Millions of yen			
	2016			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	**¥ 75,488**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable–trade	**114,559**	**4,514**	**70**	**31**
Securities and investment securities				
Securities to be held until maturity	**2,004**	**2,000**	**—**	**—**
Available-for-sale securities with maturity dates	**—**	**—**	**—**	**—**
Guarantee deposits paid	**887**	**3,784**	**3,039**	**1,501**
Total	**¥192,938**	**¥10,298**	**¥3,109**	**¥1,532**

	Millions of yen			
	2015			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥ 87,888	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	115,891	4,389	77	24
Securities and investment securities				
Securities to be held until maturity	2,004	4,000	—	—
Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits paid	1,021	4,015	3,233	1,954
Total	¥206,804	¥12,404	¥3,310	¥1,978

	Thousands of U.S. dollars			
	2016			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	**$ 664,390**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable–trade	**1,008,264**	**39,729**	**616**	**273**
Securities and investment securities				
Securities to be held until maturity	**17,638**	**17,602**	**—**	**—**
Available-for-sale securities with maturity dates	**—**	**—**	**—**	**—**
Guarantee deposits paid	**7,807**	**33,304**	**26,747**	**13,210**
Total	**$1,698,099**	**$90,635**	**$27,363**	**$13,483**

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

	Millions of yen					
	2016					
	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	**¥ —**	**¥ —**	**¥40,000**	**¥ —**	**¥25,000**	**¥10,000**
Long-term debt—Long-term loans	**11,300**	**7,560**	**4,520**	**7,520**	**22,505**	**20,000**
Total	**¥11,300**	**¥7,560**	**¥44,520**	**¥7,520**	**¥47,505**	**¥30,000**

	Millions of yen					
	2015					
	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	¥ —	¥ —	¥ —	¥40,000	¥ —	¥35,000
Long-term debt—Long-term loans	31,406	11,280	7,540	4,500	7,500	20,000
Total	¥31,406	¥11,280	¥7,540	¥44,500	¥7,500	¥55,000

	Thousands of U.S. dollars					
	2016					
	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	**$ —**	**$ —**	**$352,050**	**$ —**	**$220,032**	**$ 88,013**
Long-term debt—Long-term loans	**99,454**	**66,538**	**39,782**	**66,186**	**198,072**	**176,025**
Total	**$99,454**	**$66,538**	**$391,832**	**$66,186**	**$418,104**	**$264,038**

6 SECURITIES

The following tables summarize the acquisition costs, book values and fair values of securities with available fair values as of February 29, 2016 and February 28, 2015:
(1) Held-to-maturity debt securities:
Securities with available fair values exceeding book values:

	Millions of yen					
	2016			2015		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	**¥4,000**	**¥4,063**	**¥63**	¥6,001	¥6,145	¥144

	Thousands of U.S. dollars		
	2016		
Type	Book value	Fair value	Difference
Government bonds	**$35,205**	**$35,760**	**$555**

Securities with available fair values not exceeding book values:

	Millions of yen					
	2016			2015		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	**¥4**	**¥4**	**¥—**	¥4	¥4	¥—

	Thousands of U.S. dollars		
	2016		
Type	Book value	Fair value	Difference
Government bonds	**$35**	**$35**	**$—**

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

	Millions of yen					
	2016			2015		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥20,009**	**¥43,537**	**¥23,528**	¥27,110	¥70,484	¥43,374
Government bonds	**—**	**—**	**—**	—	—	—
Others	**177**	**190**	**13**	186	196	10
Total	**¥20,186**	**¥43,727**	**¥23,541**	¥27,296	¥70,680	¥43,384

Type	Thousands of U.S. dollars 2016 Acquisition cost	Book value	Difference
Equity securities	**$176,105**	**$383,181**	**$207,076**
Government bonds	**—**	**—**	**—**
Others	**1,558**	**1,672**	**114**
Total	**$177,663**	**$384,853**	**$207,190**

Securities with book value not exceeding acquisition costs:

	Millions of yen					
	2016			2015		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥2,795**	**¥2,703**	**¥(92)**	¥2,452	¥2,108	¥(344)
Bonds	**—**	**—**	**—**	—	—	—
Others	**—**	**—**	**—**	—	—	—
Total	**¥2,795**	**¥2,703**	**¥(92)**	¥2,452	¥2,108	¥(344)

Type	Thousands of U.S. dollars 2016 Acquisition cost	Book value	Difference
Equity securities	**$24,600**	**$23,790**	**$(810)**
Bonds	**—**	**—**	**—**
Others	**—**	**—**	**—**
Total	**$24,600**	**$23,790**	**$(810)**

Note: Securities without fair value
Please see Note 5. Financial Instruments for information as of February 28, 2015.

(3) The total sales for available-for-sale securities sold in the year ended February 29, 2016 amounted to ¥20,499 million ($180,417 thousand).

The related gains amounted to ¥13,734 million ($120,877 thousand) in the year ended February 29, 2016.

The related losses were not recorded in the year ended February 29, 2016.

(4) Impairment losses on securities

The Companies recognized no impairment loss on its securities for the year ended February 29, 2016 while a loss of ¥1 million ($8 thousand) was recognized for the year ended February 28, 2015.

7 INVENTORIES

Inventories at February 29, 2016 and February 28, 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Merchandise	**¥41,137**	¥39,052	**$362,058**
Products	**31**	14	**273**
Work in process	**3,947**	2,573	**34,738**
Raw materials	**52**	22	**458**
Supplies	**985**	738	**8,669**
Total	**¥46,152**	¥42,399	**$406,196**

8 LEASEHOLD AND OTHER DEPOSITS

The Companies conduct a substantial portion of their retail business through leased properties. The terms of the relevant leases for stores are generally from 10 to 20 years with options for renewal, subject to renegotiation of rental fees every 2 or 5 years.

In connection with such leases, lessors require, under certain circumstances, large deposits relative to the amount of annual lease rental payments, and such deposits bear no interest or interest only at nominal rates.

9 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding were generally represented by bank overdrafts and notes issued by the Companies to banks bearing interest at average rates of 0.61% and 0.56% at February 29, 2016 and February 28, 2015, respectively.

Long-term debt at February 29, 2016 and February 28, 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
0.0% convertible bonds due 2018	**¥ 40,223**	¥ 40,303	**$ 354,013**
0.0% convertible bonds due 2020	**25,085**	25,103	**220,780**
0.451% bonds due 2021	**10,000**	10,000	**88,013**
Loans from banks, insurance companies and others due serially to 2024:			
Unsecured (bearing interest at rates from 0.55% to 1.92% at February 29, 2016)	**73,405**	82,226	**646,057**
	148,713	157,632	**1,308,863**
Less: Current portion of long-term debt	**(11,300)**	(31,406)	**(99,454)**
Total	**¥137,413**	¥126,226	**$1,209,409**

The current conversion price of 0.0% convertible bonds due 2018 issued by the Company is ¥1,445 ($12.71). At February 29, 2016, the convertible bonds were convertible into approximately 27,681 thousand shares of common stock.

The current conversion price of 0.0% convertible bonds due 2020 issued by the Company is ¥1,345 ($11.84). At February 29, 2016, the convertible bonds were convertible into approximately 18,587 thousand shares of common stock.

The aggregate annual maturities of long-term debt at February 29, 2016 are summarized below:

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2017	**¥ 11,300**	**$ 99,454**
2018	**7,560**	**66,538**
2019	**44,520**	**391,832**
2020	**7,520**	**66,186**
2021 and thereafter	**77,505**	**682,142**
Total	**¥148,405**	**$1,306,152**

10 COMMITMENT CONTRACT

The Company has entered into a loan commitment contract with six banks in order to procure operating funds efficiently. The unexercised loan balance related to the loan commitment at February 29, 2016 is summarized below.

Years ended February 29, 2016	Millions of yen	Thousands of U.S. dollars
Total amount of loan commitment	¥20,000	$176,025
Exercised loan balance	—	—
Unused balance	¥20,000	$176,025

11 DEPOSITED ASSETS

The deposited assets required by the Installment Sales Laws at February 29, 2016 and February 28, 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash and deposits	**¥1,305**	¥1,390	**$11,485**
Marketable securities	**2,000**	2,001	**17,603**
Investment securities	**2,000**	4,000	**17,603**
Leasehold and other deposits	**10**	10	**88**
Total	**¥5,315**	¥7,401	**$46,779**

12 INCOME TAXES

The Companies are subject to a number of taxes based on income. The aggregate statutory tax rate in Japan was approximately 35.6% for the year ended February 29, 2016.

The following table summarizes the significant differences between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended February 29, 2016 and February 28, 2015.

	%	
Years ended February 29, 2016 and February 28, 2015	**2016**	2015
Statutory tax rate	**35.6%**	37.9%
Permanent differences (including dividends)	**(2.5)**	(2.4)
Difference in statutory tax rate of foreign subsidiaries	**(2.6)**	(3.8)
Elimination of dividends received	**2.4**	2.7
Increase in valuation allowance	**5.6**	2.2
Equity in gain of affiliated companies	**(2.6)**	(3.0)
Effect arising from change in tax rate	**5.2**	1.3
Others	**0.3**	0.5
Effective tax rate	**41.4%**	35.4%

Significant components of the Companies' deferred tax assets and liabilities as of February 29, 2016 and February 28, 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets (current):			
Accrued enterprise tax	**¥ 870**	¥ 779	**$ 7,657**
Undeductible allowance for doubtful accounts	**134**	136	**1,180**
Accrued bonuses	**69**	71	**607**
Undeductible write-down of inventories	**503**	416	**4,427**
Allowance for Point Gift Certificates	**1,707**	1,782	**15,024**
Adjustment of gift certificates	**6,135**	5,510	**53,996**
Others	**758**	858	**6,671**
Gross deferred tax assets	**10,176**	9,552	**89,562**
Less: Valuation allowance	**(32)**	(11)	**(282)**
Total deferred tax assets	**10,144**	9,541	**89,280**
Net deferred tax liabilities	**(835)**	(1,040)	**(7,349)**
Net deferred tax assets	**¥ 9,309**	¥ 8,501	**$ 81,931**
Deferred tax liabilities (current):			
Adjustments of allowance for doubtful accounts	**¥ 38**	¥ 39	**$ 334**
Adjustment of gift certificates	**797**	1,000	**7,015**
Others	**0**	1	**0**
Total deferred tax liabilities	**835**	1,040	**7,349**
Net deferred tax assets	**(835)**	(1,040)	**(7,349)**
Net deferred tax liabilities	**¥ 0**	¥ 0	**$ 0**
Deferred tax assets (non-current):			
Unrealized intercompany profits	**¥ 2,202**	¥ 2,173	**$ 19,380**
Undeductible net defined benefit liability	**20,064**	22,468	**176,589**
Undeductible write-down of securities	**768**	838	**6,759**
Undeductible amortization of software costs	**184**	291	**1,619**
Loss on impairment of property and equipment	**304**	702	**2,676**
Tax loss carryforward	**3,427**	2,041	**30,162**
Undeductible allowance for doubtful accounts	**700**	653	**6,161**
Devaluation of property and equipment resulting from spin-off	**733**	770	**6,451**
Allowance for loss on repair construction of building	**1,703**	—	**14,989**
Allowance for environmental measures	**121**	222	**1,065**
Others	**1,935**	2,925	**17,031**
Gross deferred tax assets	**32,141**	33,083	**282,882**
Less: Valuation allowance	**(5,626)**	(2,832)	**(49,516)**
Total deferred tax assets	**26,515**	30,251	**233,366**
Net deferred tax liabilities	**(16,743)**	(24,118)	**(147,360)**
Net deferred tax assets	**¥ 9,772**	¥ 6,133	**$ 86,006**
Deferred tax liabilities (non-current):			
Reserve for deferred capital gains of property	**¥ 9,414**	¥10,475	**$ 82,855**
Unrealized holding gains on securities	**7,321**	15,323	**64,434**
Others	**58**	555	**511**
Gross deferred tax liabilities	**16,793**	26,353	**147,800**
Net deferred tax assets	**(16,743)**	(24,118)	**(147,360)**
Net deferred tax liabilities	**¥ 50**	¥ 2,235	**$ 440**

Effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities

Following the promulgation on March 31, 2015 of the "Act for Partial Revision of the Income Tax Act" (Act No. 9 of 2015) and "Act for Partial Revision of the Local Tax Act" (Act No. 2 of 2015), the corporate tax rate and others will change from the fiscal year beginning on or after April 1, 2015. In line with this revision, the Company's statutory tax rate used to calculate deferred tax assets and liabilities for temporary differences expected to be eliminated in the consolidated fiscal year commencing from March 1, 2016 will change from 35.6% to 33.1%.

Also, the Company's statutory tax rate used to calculate deferred tax assets and liabilities for temporary differences expected to be eliminated in the consolidated fiscal year commencing from March 1, 2017 will change from 35.6% to 32.3%.

The effect of this change was to decrease the current deferred tax assets by ¥711 million ($6,258 thousand), to decrease the non-current tax assets by ¥726 million ($6,390 thousand), and to decrease the tax deferred liabilities to land evaluation by ¥453 million ($3,987 thousand), and remeasurement of defined benefit plans will decrease by ¥26 million ($229 thousand).

In addition, the land revaluation difference, net of tax increased by ¥453 million ($3,987 thousand), and unrealized gains (losses) on available-for-sale securities, net of taxes increased by ¥752 million ($6,619 thousand).

As the result of these, income taxes-deferred increased by ¥2,162 million ($19,028 thousand).

Changes in effective statutory tax rate after the consolidated fiscal year-end date

Following the promulgation on March 31, 2016 of the "Act for Partial Revision of the Income Tax Act" (Act No. 15 of 2016) and "Act for Partial Revision of the Local Tax Act" (Act No. 13 of 2016), the corporate tax rate and others will change from the fiscal year beginning in or after April 1, 2016. In line with this revision, the Company's statutory tax rate used to calculate deferred tax assets and liabilities for temporary differences expected to be eliminated in or after the consolidated fiscal year commencing from March 1, 2017 will change from 32.3% to 30.9%.

Also, the Company's statutory tax rate used to calculate deferred tax assets and liabilities for temporary differences expected to be eliminated in or after the consolidated fiscal year commencing from March 1, 2019 will change from 32.3% to 30.6%.

If the Company takes the above change into consideration and uses it as a basis for recalculating the temporary differences at the end of the current consolidated fiscal year, the current deferred tax assets will decrease by ¥168 million ($1,479 thousand), the non-current deferred tax assets will decrease by ¥361 million ($3,177 thousand), the deferred tax liabilities to land evaluation will decrease by ¥236 million ($2,077 thousand), and remeasurement of defined benefit plans will decrease by ¥24 million ($211 thousand).

In addition, the land revaluation difference, net of tax will increase by ¥236 million ($2,077 thousand), and unrealized gains (losses) on available-for-sale securities, net of taxes will increase by ¥282 million ($2,482 thousand).

As the result of these, income taxes-deferred will increase by ¥787 million ($6,927 thousand).

13 RENTAL PROPERTY

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

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

The carrying amounts of these properties in the Consolidated Balance Sheets, their changes during the current fiscal year, their fair value, and the method for calculating the fair value at February 29, 2016 and February 28, 2015 were as follows:

Amounts on the Consolidated Balance Sheets

	Millions of yen			
	2016			
	Book value			Fair value
	March 1, 2015	Increase (decrease)	February 29, 2016	February 29, 2016
Rental property	**¥ 51,288**	**¥(1,116)**	**¥ 50,172**	**¥ 59,094**
Real estate including spaces used as rental properties	**360,971**	**241**	**361,212**	**482,116**

	Millions of yen			
	2015			
	Book value			Fair value
	March 1, 2014	Increase (decrease)	February 28, 2015	February 28, 2015
Rental property	¥ 58,776	¥ (7,488)	¥ 51,288	¥ 58,621
Real estate including spaces used as rental properties	254,545	106,426	360,971	457,336

	Thousands of U.S. dollars			
	2016			
	Book value			Fair value
	March 1, 2015	Increase (decrease)	February 29, 2016	February 29, 2016
Rental property	**$ 451,399**	**$(9,822)**	**$ 441,577**	**$ 520,102**
Real estate including spaces used as rental properties	**3,177,002**	**2,121**	**3,179,123**	**4,243,232**

Notes: 1. The amounts presented on the Consolidated Balance Sheets are the acquisition value minus accumulated depreciation and minus accumulated impairment loss.
2. Rental property: The increase during the year ended February 29, 2016 primarily represents acquisition of rental properties, and the decrease primarily represents depreciation.
3. Real estate including spaces used as rental properties: The increase during the year ended February 29, 2016 primarily represents the acquisition, and the decrease primarily represents depreciation.
4. The fair value as of the end of the fiscal year was calculated by the Company based on Real Estate Appraisal and Valuation Standards (including adjustments made using indicators and other information).

Profit (loss) on rental property and the portion of real estate including spaces used as rental properties during the years ended February 29, 2016 and February 28, 2015 were as follows:

	Millions of yen			
	2016			
	Rental income	Rental expenses	Difference	Other, net
Rental property	**¥14,898**	**¥10,807**	**¥4,091**	**¥ (37)**
Real estate including spaces used as rental properties	**21,759**	**16,850**	**4,909**	**(6,041)**

	Millions of yen			
	2015			
	Rental income	Rental expenses	Difference	Other, net
Rental property	¥14,853	¥10,803	¥4,050	¥ 48
Real estate including spaces used as rental properties	19,539	14,138	5,401	1,459

	Thousands of U.S. dollars			
	2016			
	Rental income	Rental expenses	Difference	Other, net
Rental property	**$131,121**	**$ 95,115**	**$36,006**	**$ (326)**
Real estate including spaces used as rental properties	**191,507**	**148,302**	**43,205**	**(53,168)**

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

14 CONTINGENT LIABILITIES

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Guarantees on loans from financial institutions:			
Keppel Land Watco II Co., Ltd.	**¥1,616**	¥1,697	**$14,223**
Keppel Land Watco III Co., Ltd.	**1,154**	1,211	**10,157**
Loan guarantees made for employees and others	**151**	209	**1,329**
Total	**¥2,921**	¥3,117	**$25,709**

15 EMPLOYEES' RETIREMENT BENEFITS

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

The Company and domestic consolidated subsidiaries have defined benefit plans (i.e., welfare pension plans and corporate pension plans) and lump-sum pension plans. The Company and some consolidated subsidiaries have adopted a defined contribution pension plan for part of their retirement benefit plans. Under the defined-benefit plans owned by some consolidated subsidiaries, retirement benefit liability and employees' retirement benefit cost are calculated using the simplified method.

2. Defined benefit obligation

(1) The changes in defined benefit obligation for the years ended February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of the year	**¥117,500**	¥ 99,704	**$1,034,149**
Cumulative effect of changes in accounting policies	**—**	22,116	**—**
Restated balance	**117,500**	121,820	**1,034,149**
Service cost	**2,930**	2,983	**25,788**
Interest cost	**785**	814	**6,909**
Actuarial losses	**5**	(262)	**44**
Benefit paid	**(7,384)**	(7,855)	**(64,989)**
Balance at end of the year	**¥113,836**	¥117,500	**$1,001,901**

(2) The changes in plan assets for the years ended February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of the year	**¥55,896**	¥53,332	**$491,956**
Expected return on plan assets	**1,398**	1,333	**12,304**
Actuarial gains	**(2,433)**	2,840	**(21,414)**
Contribution from the employer	**2,326**	2,349	**20,472**
Benefit paid	**(3,840)**	(3,958)	**(33,797)**
Balance at end of the year	**¥53,347**	¥55,896	**$469,521**

(3) Reconciliation between the liability recorded in the Consolidated Balance Sheet and the balance of benefit obligation and plan assets as of February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded defined benefit obligation	**¥62,214**	¥64,537	**$547,562**
Plan assets	**(53,347)**	(55,896)	**(469,521)**
	8,867	8,641	**78,041**
Unfunded defined benefit obligation	**51,622**	52,963	**454,339**
Net liability for defined benefit obligation	**¥60,489**	¥61,604	**$532,380**
Net defined benefit liabilities	**60,489**	61,604	**532,380**
Net liability for defined benefit obligation	**¥60,489**	¥61,604	**$532,380**

(4) The components of periodic benefit costs for the years ended February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥2,930**	¥3,116	**$25,788**
Interest cost	**785**	814	**6,909**
Expected return on plan assets	**(1,397)**	(1,333)	**(12,296)**
Recognized actuarial losses	**1,672**	2,090	**14,716**
Recognized prior service cost	**—**	(363)	**—**
Total	**¥3,990**	¥4,324	**$35,117**

(5) The components of other comprehensive income on defined retirement benefits plans, before tax, on February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Prior service cost	**¥ —**	¥ (363)	**$ —**
Actuarial losses	**(766)**	5,193	**(6,742)**
Total	**¥(766)**	¥4,830	**$(6,742)**

(6) Accumulated other comprehensive income on defined retirement benefits plans, before tax, on February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized prior service cost	**¥ —**	¥ —	**$ —**
Unrecognized actuarial losses	**(1,520)**	(728)	**(13,378)**
Total	**¥(1,520)**	¥(728)	**$(13,378)**

(7) Plan assets

1) Components of plan assets are as follows:

	%	
	2016	2015
Debt investments	**70%**	67%
Equity investments	**20**	24
General accounts with life insurance companies	**9**	8
Cash and deposits	**1**	1
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, 2016 and February 28, 2015 are as follows:

Discount rate	
Relating to defined benefit obligation	**Mainly 0.8%**
Relating to unfunded defined benefit obligation	**Mainly 0.5%**
Expected rate of return on plan assets	**2.5%**
Assumed salary increase rate	**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, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of the year	**¥1,380**	¥1,310	**$12,146**
Employees' retirement benefit cost	**215**	188	**1,892**
Benefit paid	**(209)**	(118)	**(1,839)**
Balance at end of the year	**¥1,386**	¥1,380	**$12,199**

(2) Reconciliation between the liability recorded in the Consolidated Balance Sheet and the balance of benefit obligation and plan assets as of February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded defined benefit obligation	**¥ —**	¥ —	**$ —**
Plan assets	**—**	—	**—**
	—	—	**—**
Unfunded defined benefit obligation	**1,386**	1,380	**12,199**
Net liability for defined benefit obligation	**¥1,386**	¥1,380	**$12,199**
Net defined benefit liability	**1,386**	1,380	**12,199**
Net liability for defined benefit obligation	**¥1,386**	¥1,380	**$12,199**

(3) Employees' benefit cost of the conventional method is ¥215 million ($1,892 thousand) for the year ended February 29, 2016 and ¥319 million for the year ended February 28, 2015.

4. Defined contribution pension plan

The Companies paid ¥675 million ($5,941 thousand) as defined contribution pension costs for the year ended February 29, 2016 and ¥542 million for the year ended February 28, 2015.

16 NET ASSETS

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

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

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

17 LAND REVALUATION

In accordance with the Law Concerning Revaluation of Land, land used for business owned by the Company and two consolidated subsidiaries was revalued. The unrealized gain, net deferred tax, was excluded from earnings and reported as "Land revaluation difference, net of taxes" in net assets, and the relevant deferred tax was included as "Deferred tax liabilities related to land revaluation" in liabilities.

Related information is shown as follows:

Date of revaluation:	
The Company	December 31, 2000 and February 28, 2001
A consolidated subsidiary	February 28, 2001
A consolidated subsidiary	March 31, 2002

18 LEASES

Operating leases

Future minimum lease payments subsequent to February 29, 2016 for noncancellable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending February 28 and 29	**2016**	**2016**
2016	**¥ 1,547**	**$ 13,616**
2017 and thereafter	**87,575**	**770,771**
Total	**¥89,122**	**$784,387**

19 DERIVATIVE TRANSACTIONS

1. Derivatives to which hedge accounting is not applied

(1) Currency related derivatives

		Millions of yen			
		2015			
Classification	Type of derivatives	Contract amount	Contract amount due after one year	Fair value	Valuation loss
Non-market transactions	Swaps				
	Receive: Singapore dollars				
	Sell: CN yuan	¥733	¥—	¥(54)	¥(54)
Total		¥733	¥—	¥(54)	¥(54)

There were no unhedged currency related derivatives in fiscal 2016 (as of February 29, 2016).

2. Derivatives to which hedge accounting is applied

(1) Currency related derivatives

			Millions of yen		
			2016		
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		**¥298**	**¥—**	**¥(13)**
	To buy Euros		**372**	**—**	**(8)**
	To buy G.B. pounds		**3**	**—**	**(0)**
Total			**¥673**	**¥—**	**¥(21)**

			Millions of yen		
			2015		
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		¥271	¥—	¥ 2
	To buy Euros		237	—	(5)
	To buy G.B. pounds		1	—	0
Total			¥509	¥—	¥(3)

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2016		
			Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable-trade			
	To buy U.S. dollars		**$2,623**	**$—**	**$(114)**
	To buy Euros		**3,274**	**—**	**(70)**
	To buy G.B. pounds		**26**	**—**	**(0)**
Total			**$5,923**	**$—**	**$(184)**

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

(2) Interest rate related derivatives

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2016		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Long-term debt			
	Receive floating rate		**¥32,000**	**¥32,000**	**¥—**
	Pay fixed rate				
Total			**¥32,000**	**¥32,000**	**¥—**

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2015		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Long-term debt			
	Receive floating rate		¥39,000	¥16,000	¥—
	Pay fixed rate				
Total			¥39,000	¥16,000	¥—

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2016		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps	Long-term debt			
	Receive floating rate		**$281,641**	**$281,641**	**$—**
	Pay fixed rate				
Total			**$281,641**	**$281,641**	**$—**

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

(3) Interest rate and currency related derivatives

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2016		
			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**	**¥—**

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2015		
			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	¥—

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2016		
			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	**$88,013**	**$88,013**	**$—**
Total			**$88,013**	**$88,013**	**$—**

Note: The interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the amount paid or received under the swap agreements is recognized and included in 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.

20 PER SHARE INFORMATION

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended February 29, 2016 and February 28, 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Basic net income per share			
Income (numerator):			
Net income	**¥ 23,830**	¥ 22,581	**$209,734**
Amounts not belonging to common stock	**—**	—	**—**
Net income available to common shareholders	**23,830**	22,581	**209,734**
Shares, thousands (denominator):			
Weighted average number of shares	**351,052**	340,596	**—**
Basic EPS (yen and U.S. dollars)	**¥ 67.88**	¥ 66.29	**$ 0.60**
Diluted net income per share			
Income (numerator):			
Net income	**¥ 23,830**	¥ 22,581	**$209,734**
Amounts not belonging to common stock	**—**	—	**—**
Net income available to common shareholders	**23,830**	22,581	**209,734**
Effect of dilutive securities — convertible bonds	**(63)**	(61)	**(554)**
Adjusted net income	**23,767**	22,520	**209,180**
Shares, thousands (denominator):			
Weighted average number of shares	**351,052**	340,596	**—**
Assumed conversion of convertible bonds	**46,269**	61,189	**—**
Adjusted weighted average number of shares	**397,321**	401,785	**—**
Diluted EPS (yen and U.S. dollars)	**¥ 59.81**	¥ 56.05	**$ 0.53**

Net assets per share as of February 29, 2016 and February 28, 2015 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net assets per share			
Net assets (numerator):			
Total net assets	**¥ 407,386**	¥ 408,478	**$3,585,513**
Minority interests in consolidated subsidiaries	**(8,459)**	(7,371)	**(74,450)**
Adjusted net assets	**398,927**	401,107	**3,511,063**
Common stock, thousands (denominator):			
Issued number of shares	**355,519**	355,519	—
Treasury stock	**(6,028)**	(961)	—
Outstanding number of shares	**349,491**	354,558	—
Net assets per share (yen and U.S. dollars)	**¥1,141.45**	¥1,131.28	**$ 10.05**

21 SEGMENT INFORMATION

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

1. General information about reportable segments

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

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

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

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

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

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

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

(a) Business segment information

Business segment information for the years ended February 29, 2016 and February 28, 2015 was as follows:

	Millions of yen								
Year ended February 29, 2016	Department Store	Real Estate	Finance	Contract & Design	Total of Reportable Segments	Other	Total	Adjustments	Consolidated
Sales and other operating revenue:									
Outside customers	**¥814,095**	**¥ 39,943**	**¥12,866**	**¥26,710**	**¥893,614**	**¥35,975**	**¥929,589**	**¥ —**	**¥929,589**
Intersegment	**6,405**	**4,536**	**4,379**	**4,417**	**19,737**	**27,322**	**47,059**	**(47,059)**	**—**
Total	**820,500**	**44,479**	**17,245**	**31,127**	**913,351**	**63,297**	**976,648**	**(47,059)**	**929,589**
Segment income	**¥ 14,976**	**¥ 10,294**	**¥ 4,377**	**¥ 1,899**	**¥ 31,546**	**¥ 1,497**	**¥ 33,043**	**¥ (70)**	**¥ 32,973**
Segment assets	**¥638,195**	**¥168,450**	**¥96,185**	**¥19,463**	**¥922,293**	**¥25,041**	**¥947,334**	**¥27,087**	**¥974,421**
Goodwill amortization	**—**	**188**	**—**	**—**	**188**	**18**	**206**	**—**	**206**
Investment expenditures for affiliated company accounted for by equity method	**16,009**	**25,982**	**—**	**—**	**41,991**	**43**	**42,034**	**—**	**42,034**
Depreciation	**15,116**	**3,880**	**102**	**51**	**19,149**	**526**	**19,675**	**93**	**19,768**
Increase in property, plant and equipment, and intangibles	**21,212**	**4,886**	**0**	**59**	**26,157**	**359**	**26,516**	**(423)**	**26,093**

	Millions of yen								
Year ended February 28, 2015	Department Store	Real Estate	Finance	Contract & Design	Total of Reportable Segments	Other	Total	Adjustments	Consolidated
Sales and other operating revenue:									
Outside customers	¥802,957	¥ 38,102	¥12,385	¥24,659	¥878,103	¥34,420	¥912,523	¥ —	¥912,523
Intersegment	6,288	4,381	4,393	4,396	19,458	29,360	48,818	(48,818)	—
Total	809,245	42,483	16,778	29,055	897,561	63,780	961,341	(48,818)	912,523
Segment income	¥ 15,520	¥ 9,528	¥ 4,177	¥ 1,439	¥ 30,664	¥ 1,591	¥ 32,255	¥ (232)	¥ 32,023
Segment assets	¥637,464	¥167,454	¥97,280	¥18,166	¥920,364	¥23,136	¥943,500	¥ 36,112	¥979,612
Goodwill amortization	—	188	—	—	188	18	206	—	206
Investment expenditures for affiliated company accounted for by equity method	15,382	26,605	—	—	41,987	98	42,085	—	42,085
Depreciation	14,791	3,912	113	38	18,854	484	19,338	7	19,345
Increase in property, plant and equipment, and intangibles	120,102	4,063	4	60	124,229	723	124,952	(441)	124,511

	Thousands of U.S. dollars								
Year ended February 29, 2016	Department Store	Real Estate	Finance	Contract & Design	Total of Reportable Segments	Other	Total	Adjustments	Consolidated
Sales and other operating revenue:									
Outside customers	**$7,165,067**	**$ 351,549**	**$113,237**	**$235,082**	**$7,864,935**	**$316,626**	**$8,181,561**	**$ —**	**$8,181,561**
Intersegment	**56,372**	**39,923**	**38,541**	**38,875**	**173,711**	**240,468**	**414,179**	**(414,179)**	**—**
Total	**7,221,439**	**391,472**	**151,778**	**273,957**	**8,038,646**	**557,094**	**8,595,740**	**(414,179)**	**8,181,561**
Segment income	**$ 131,808**	**$ 90,600**	**$ 38,523**	**$ 16,714**	**$ 277,645**	**$ 13,175**	**$ 290,820**	**$ (616)**	**$ 290,204**
Segment assets	**$5,616,925**	**$1,482,573**	**$846,550**	**$171,299**	**$8,117,347**	**$220,393**	**$8,337,740**	**$238,400**	**$8,576,140**
Goodwill amortization	**—**	**1,655**	**—**	**—**	**1,655**	**158**	**1,813**	**—**	**1,813**
Investment expenditures for affiliated company accounted for by equity method	**140,899**	**228,675**	**—**	**—**	**369,574**	**378**	**369,952**	**—**	**369,952**
Depreciation	**133,040**	**34,149**	**898**	**449**	**168,536**	**4,629**	**173,165**	**819**	**173,984**
Increase in property, plant and equipment, and intangibles	**186,692**	**43,003**	**0**	**519**	**230,214**	**3,160**	**233,374**	**(3,723)**	**229,651**

(b) Related information

Amortization of goodwill and unamortized balance by reportable segment

As of and for the year ended February 29, 2016	Department Store	Real Estate	Finance	Contract & Design	Total of Reportable Segments	Other	Adjustments	Consolidated
	Millions of yen							
Goodwill:								
Amortization	**¥—**	**¥188**	**¥—**	**¥ —**	**¥188**	**¥ 18**	**¥—**	**¥206**
Unamortized balance	**¥—**	**¥751**	**¥—**	**¥ —**	**¥751**	**¥116**	**¥—**	**¥867**
Negative goodwill:								
Amortization	**¥—**	**¥ —**	**¥—**	**¥ 93**	**¥ 93**	**¥ —**	**¥—**	**¥ 93**
Unamortized balance	**¥—**	**¥ —**	**¥—**	**¥462**	**¥462**	**¥ —**	**¥—**	**¥462**

As of and for the year ended February 28, 2015	Department Store	Real Estate	Finance	Contract & Design	Total of Reportable Segments	Other	Adjustments	Consolidated
	Millions of yen							
Goodwill:								
Amortization	¥—	¥188	¥—	¥ —	¥188	¥ 18	¥—	¥ 206
Unamortized balance	¥—	¥939	¥—	¥ —	¥939	¥134	¥—	¥1,073
Negative goodwill:								
Amortization	¥—	¥ —	¥—	¥ 93	¥ 93	¥ —	¥—	¥ 93
Unamortized balance	¥—	¥ —	¥—	¥555	¥555	¥ —	¥—	¥ 555

As of and for the year ended February 29, 2016	Department Store	Real Estate	Finance	Contract & Design	Total of Reportable Segments	Other	Adjustments	Consolidated
	Thousands of U.S. dollars							
Goodwill:								
Amortization	**$—**	**$1,655**	**$—**	**$ —**	**$1,655**	**$ 158**	**$—**	**$1,813**
Unamortized balance	**$—**	**$6,610**	**$—**	**$ —**	**$6,610**	**$1,021**	**$—**	**$7,631**
Negative goodwill:								
Amortization	**$—**	**$ —**	**$—**	**$ 819**	**$ 819**	**$ —**	**$—**	**$ 819**
Unamortized balance	**$—**	**$ —**	**$—**	**$4,066**	**$4,066**	**$ —**	**$—**	**$4,066**

22 PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

The partial offsetting of goodwill by negative goodwill at February 29, 2016 and February 28, 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Goodwill	**¥867**	¥1,073	**$7,631**
Negative goodwill	**462**	555	**4,066**
Goodwill, net	**¥405**	¥ 518	**$3,565**

23 CASH DIVIDENDS

On May 24, 2016, the shareholders of the Company approved the following appropriations.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	**¥2,097**	**$18,456**

KPMG

Independent Auditor's Report

To the Board of Directors of Takashimaya Company, Limited

We have audited the accompanying consolidated financial statements of Takashimaya Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at February 29, 2016 and February 28, 2015, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Takashimaya Company, Limited and its consolidated subsidiaries as at February 29, 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(s) to the consolidated financial statements, Takashimaya Company, Limited and domestic subsidiaries applied the revised accounting standard for retirement benefits from the beginning of the annual period beginning on March 1, 2014.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2016 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

May 24, 2016
Tokyo, Japan

Takashimaya

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