TAKASHIMAYA

FINANCIAL STATEMENTS 2022

Years ended February 28, 2022 and February 28, 2021

Takashimaya has celebrated its 190th anniversary.
In celebration, we have collaborated with the fashion brand MUVEIL, and created and sold the “190th Rose-chan.”
A portion of these profits have been donated to public interest incorporated foundations that support the next generation of children,for whom support is particularly necessary, in order to realize a sustainable society.

Takashimaya

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
February 28, 2022 and February 28 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2022**	2021	**2022**
Current assets:			
Cash and deposits (Notes 3, 4 and 5)	**¥90,672**	¥106,675	**$784,699**
Securities (Notes 4 and 6)	**—**	8	**—**
Notes and accounts receivable:			
Trade (Notes 4 and 8)	**95,118**	99,634	**823,176**
Non-consolidated subsidiaries and affiliated companies (Note 4)	**1,002**	1,048	**8,672**
Other (Note 8)	**17,973**	13,047	**155,543**
Less: Allowance for doubtful accounts (Note 4)	**(688)**	(665)	**(5,954)**
	113,405	113,064	**981,437**
Inventories (Note 7)	**39,299**	43,311	**340,104**
Other	**26,452**	20,549	**228,923**
Total current assets	**269,828**	283,607	**2,335,163**
Property, plant and equipment:			
Land (Notes 11 and 12)	**418,388**	411,031	**3,620,839**
Buildings and structures (Notes 9 and 13)	**449,411**	433,370	**3,889,321**
Equipment and fixtures (Note 9)	**44,909**	43,922	**388,654**
Leased assets	**7,651**	7,587	**66,214**
Construction in progress	**8,864**	17,096	**76,711**
Right-of-use assets	**103,698**	95,132	**897,430**
	1,032,921	1,008,138	**8,939,169**
Less: Accumulated depreciation	**(326,614)**	(301,602)	**(2,826,603)**
Total property, plant and equipment	**706,307**	706,536	**6,112,566**
Intangible assets:			
Goodwill (Note 15)	**2,381**	2,355	**20,606**
Leasehold interests in land (Note 9)	**10,603**	10,070	**91,761**
Right-of-use assets	**5,974**	4,673	**51,701**
Other	**16,974**	19,342	**146,897**
Total intangible assets	**35,932**	36,440	**310,965**
Investments and other assets:			
Investment securities (Notes 4 and 6)	**23,407**	27,207	**202,570**
Investments in non-consolidated subsidiaries and affiliated companies (Note 4)	**51,626**	48,016	**446,785**
Guarantee deposits (Notes 4, 5 and 14)	**27,926**	26,563	**241,679**
Deferred tax assets (Note 10)	**26,375**	19,960	**228,256**
Other	**5,145**	4,741	**44,526**
Less: Allowance for doubtful accounts	**(2,210)**	(2,563)	**(19,126)**
Total investments and other assets	**132,269**	123,924	**1,144,690**
Total assets (Note 15)	**¥1,144,336**	¥1,150,507	**$9,903,384**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2022	2021	Thousands of U.S. dollars (Note 1) 2022
Current liabilities:			
Short-term bank loans (Notes 4 and 16)	¥15,000	¥15,000	$129,814
Current portion of long-term debt (Notes 4, 9, 16 and 17)	3,215	23,312	27,823
Commercial papers (Note 4)	—	10,000	—
Lease obligations (Note 4)	8,942	7,982	77,386
Notes and accounts payable:			
Trade (Notes 4 and 17)	87,697	81,673	758,953
Non-consolidated subsidiaries and affiliated companies (Note 4)	6,002	5,292	51,943
Other	22,369	44,400	193,587
	116,068	131,365	1,004,483
Income taxes payable	1,041	8,357	9,009
Accrued expenses	2,171	2,383	18,788
Gift certificates	58,207	54,074	503,739
Advances received	118,105	112,897	1,022,112
Deposits received (Note 4)	23,937	26,030	207,157
Provision for point card certificates	944	2,428	8,170
Provision for loss on repair construction of building	—	3,662	—
Other	5,186	5,135	44,881
Total current liabilities	352,816	402,625	3,053,362
Non-current liabilities:			
Long-term debt (Notes 4, 9, 16 and 17)	196,548	158,842	1,700,978
Lease obligations (Notes 3 and 4)	78,530	78,410	679,619
Retirement benefit liability (Note 18)	51,556	53,084	446,179
Provision for retirement benefits for directors and other officers	257	311	2,224
Deferred tax liabilities (Note 10)	2,056	1,650	17,793
Deferred tax liabilities related to land revaluation (Note 12)	9,050	9,051	78,321
Asset retirement obligations	5,452	5,028	47,183
Provision for environmental measures	82	241	710
Other	27,499	26,153	237,984
Total non-current liabilities	371,030	332,770	3,210,991
Total liabilities	723,846	735,395	6,264,353
Contingent liabilities (Note 19)			
Net assets			
Shareholders' equity (Note 20):			
Common stock	66,025	66,025	571,398
Authorized: 300,000 thousand shares			
Issued: 177,759,481 shares in 2022 and 2021			
Capital surplus	54,791	54,791	474,176
Retained earnings	271,974	270,615	2,353,734
Less: Treasury shares	(15,994)	(15,993)	(138,416)
At cost:11,027,076 shares in 2022			
11,026,374 shares in 2021			
Total shareholders' equity	376,796	375,438	3,260,892
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	7,430	8,874	64,301
Deferred gains or losses on hedges	(0)	1	(0)
Revaluation reserve for land (Note 12)	2,945	2,945	25,487
Foreign currency translation adjustment	10,996	5,970	95,162
Remeasurements of defined benefit plans	403	1,090	3,488
Total accumulated other comprehensive income	21,774	18,880	188,438
Non-controlling interests:	21,920	20,794	189,701
Total net assets	420,490	415,112	3,639,031
Total liabilities and net assets	¥1,144,336	¥1,150,507	$9,903,384

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2022 and February 28, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Operating revenue (Note 15):			
Net sales	¥695,694	¥620,886	$6,020,718
Other operating revenue	65,431	60,013	566,257
	761,125	680,899	6,586,975
Operating expenses:			
Cost of sales	527,981	471,621	4,569,286
Selling, general and administrative expenses	229,033	222,775	1,982,111
	757,014	694,396	6,551,397
Operating profit (loss) (Note 15)	4,111	(13,497)	35,578
Other income (expenses):			
Interest and dividend income	1,607	1,666	13,907
Interest expenses (Note 17)	(4,651)	(4,736)	(40,251)
Gain (Loss) on sales and retirement of non-current assets, net (Note 22)	(2,884)	(1,868)	(24,959)
Gain （loss） on sales of investment securities, net (Note 6)	2,501	14	21,644
Share of profit of entities accounted for using the equity method	1,462	1,012	12,653
Impairment loss (Notes 15 and 23)	(2,619)	(6,846)	(22,666)
Exchange gain （loss）, net	1,023	111	8,853
Loss on valuation of investment securities (Note 6)	—	(3,349)	—
Subsidy income (Note 24)	4,188	4,879	36,245
Gain on forgiveness of lease obligations	467	1,681	4,042
Loss related to Covid-19 (Note 24)	(2,208)	(10,321)	(19,109)
Provision for loss on repair construction of building	—	(145)	—
Gain on sale of non-current assets(Note 22)	126	—	1,090
Gain on forgiveness of debts	314	—	2,717
Other, net (Note 11)	231	(440)	2,000
	(443)	(18,342)	(3,834)
Profit (Loss) before income taxes	3,668	(31,839)	31,744
Income taxes (Note 10):			
Current	2,645	4,152	22,890
Deferred	(5,029)	(2,870)	(43,522)
	(2,384)	1,282	(20,632)
Profit (Loss)	6,052	(33,121)	52,376
Profit attributable to non-controlling interests	(692)	(849)	(5,989)
Profit (Loss) attributable to owners of parent	¥5,360	¥(33,970)	$46,387

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2022 and February 28, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Profit (Loss)	**¥6,052**	¥(33,121)	**$52,376**
Other comprehensive income			
Valuation difference on available-for-sale securities	**(1,622)**	3,416	**(14,037)**
Deferred gains or losses on hedges	**(1)**	1	**(9)**
Revaluation reserve for land	**—**	(2,792)	**—**
Foreign currency translation adjustment	**3,990**	(2,844)	**34,530**
Remeasurements of defined benefit plans, net of tax	**(790)**	702	**(6,837)**
Share of other comprehensive income of entities accounted for using the equity method	**2,121**	(1,229)	**18,356**
Total other comprehensive income (Note 25)	**3,698**	(2,746)	**32,003**
Comprehensive income	**¥9,750**	¥(35,867)	**$84,379**
Comprehensive income attributable to:			
Owners of parent	**8,254**	(36,148)	**71,432**
Non-controlling interests	**1,496**	281	**12,947**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2022 and February 28, 2021

		Millions of yen				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, February 29, 2020	177,759,481	¥66,025	¥55,026	¥308,398	¥(15,993)	¥413,456
Dividends of surplus				(4,002)		(4,002)
Profit (Loss) attributable to owners of parent				(33,970)		(33,970)
Purchase of treasury shares and disposal of treasury shares			(0)		(0)	(0)
Reversal of revaluation reserve for land				189		189
Change in ownership interest of parent due to transactions with non-controlling interests			(235)			(235)
Net changes of items other than shareholders' equity						—
Balance, February 28, 2021	177,759,481	¥66,025	¥54,791	¥270,615	¥(15,993)	¥375,438
Dividends of surplus				**(4,001)**		**(4,001)**
Profit attributable to owners of parent				**5,360**		**5,360**
Purchase of treasury shares and disposal of treasury shares			**0**		**(1)**	**(1)**
Reversal of revaluation reserve for land						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes of items other than shareholders' equity						—
Balance, February 28, 2022	**177,759,481**	**¥66,025**	**¥54,791**	**¥271,974**	**¥(15,994)**	**¥376,796**

	Millions of yen							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive Income	Non-controlling interests	Total net assets
Balance, February 29, 2020	¥5,990	¥(0)	¥5,927	¥8,949	¥381	¥21,247	¥21,168	¥455,871
Dividends of surplus						—		(4,002)
Profit (Loss) attributable to owners of parent						—		(33,970)
Purchase of treasury shares and disposal of treasury shares						—		(0)
Reversal of revaluation reserve for land						—		189
Change in ownership interest of parent due to transactions with non-controlling interests						—		(235)
Net changes of items other than shareholders' equity	2,884	1	(2,982)	(2,979)	709	(2,367)	(374)	(2,741)
Balance, February 28, 2021	¥8,874	¥1	¥2,945	¥5,970	¥1,090	¥18,880	¥20,794	¥415,112
Dividends of surplus						—		**(4,001)**
Profit attributable to owners of parent						—		**5,360**
Purchase of treasury shares and disposal of treasury shares						—		**(1)**
Reversal of revaluation reserve for land						—		—
Change in ownership interest of parent due to transactions with non-controlling interests						—		—
Net changes of items other than shareholders' equity	**(1,444)**	**(1)**		**5,026**	**(687)**	**2,894**	**1,126**	**4,020**
Balance, February 28, 2022	**¥7,430**	**¥(0)**	**¥2,945**	**¥10,996**	**¥403**	**¥21,774**	**¥21,920**	**¥420,490**

The accompanying notes are an integral part of these statements.

	Number of shares issued	Thousands of U.S. dollars (Note 1) Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance, February 28, 2021	177,759,481	$571,398	$474,176	$2,341,973	$(138,407)	$3,249,140
Dividends of surplus				(34,626)		(34,626)
Profit attributable to owners of parent				46,387		46,387
Purchase of treasury shares and disposal of treasury shares			0		(9)	(9)
Reversal of revaluation reserve for land						—
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes of items other than shareholders' equity						—
Balance, February 28, 2022	177,759,481	$571,398	$474,176	$2,353,734	$(138,416)	$3,260,892

	Thousands of U.S. dollars (Note 1) Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance, February 28, 2021	$76,798	$9	$25,487	$51,666	$9,433	$163,393	$179,957	$3,592,490
Dividends of surplus						—		(34,626)
Profit attributable to owners of parent						—		46,387
Purchase of treasury shares and disposal of treasury shares						—		(9)
Reversal of revaluation reserve for land						—		—
Change in ownership interest of parent due to transactions with non-controlling interests						—		—
Net changes of items other than shareholders' equity	(12,497)	(9)		43,496	(5,945)	25,045	9,744	34,789
Balance, February 28, 2022	$64,301	$(0)	$25,487	$95,162	$3,488	$188,438	$189,701	$3,639,031

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2022 and February 28, 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from operating activities:			
Profit (Loss) before income taxes	¥3,668	¥(31,839)	$31,744
Depreciation	31,428	27,982	271,986
Impairment loss	2,619	6,846	22,666
Amortization of goodwill	240	135	2,077
Increase（Decrease） in allowance for doubtful accounts	(330)	271	(2,856)
Increase（Decrease） in retirement benefit liability	(2,662)	(2,049)	(23,038)
Increase（Decrease） in provision for retirement benefits for directors (and other officers)	(54)	34	(467)
Increase（Decrease） in provision for point card certificates	(1,492)	(369)	(12,912)
Increase（Decrease） in allowance for loss on repair construction of building	(3,662)	71	(31,692)
Interest and dividend income	(1,607)	(1,666)	(13,907)
Interest expenses	4,651	4,736	40,251
Share of loss（profit） of entities accounted for using equity method	(1,462)	(1,012)	(12,653)
Loss on retirement of property, plant and equipment	2,884	630	24,959
Subsidy income	(1,111)	(3,250)	(9,615)
Gain on forgiveness of lease obligations	(467)	(1,681)	(4,042)
Loss related to Covid-19	2,208	10,321	19,109
Loss (Gain) on sales of investment securities, net (Note 6)	(2,501)	234	(21,644)
Gain on forgiveness of debt	(314)	—	(2,717)
Decrease (Increase) in notes and accounts receivable-trade	4,613	15,151	39,922
Decrease (Increase) in inventories	4,179	1,999	36,166
Increase (Decrease) in notes and accounts payable-trade	6,041	(14,846)	52,280
Increase (Decrease) in advances received	5,058	11,196	43,773
Increase (Decrease) in notes and accounts payable-other	(12,552)	12,572	(108,628)
Other, net	(6,956)	17,280	(60,199)
Subtotal	32,419	52,746	280,563
Interest and dividend income received	2,799	2,442	24,223
Interest expenses paid	(4,666)	(4,707)	(40,381)
Proceeds from subsidy income	1,111	3,250	9,615
Payment for loss related to Covid-19	(1,630)	(7,161)	(14,106)
Income taxes paid	(8,989)	(2,849)	(77,793)
Net cash provided by (used in) operating activities	21,044	43,721	182,121
Cash flows from investing activities:			
Payments into time deposits	(188)	—	(1,627)
Proceeds from withdrawal of time deposits	—	3	—
Purchase of short-term and long-term investment securities	(33)	(33)	(286)
Proceeds from sales and redemption of short-term and long-term investment securities	1,154	316	9,987
Purchase of property, plant and equipment and intangible assets	(32,940)	(23,421)	(285,071)
Proceeds from sales of property, plant and equipment and intangible assets	—	—	—
Payments for asset retirement obligations	(114)	(1,847)	(987)
Purchase of shares of subsidiaries and associates	(457)	(2,410)	(3,955)
Proceeds from sales of shares of subsidiaries and associates	—	378	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(638)	—
Net increase(decrease) in short-term loans recievable	(2,773)	—	(23,998)
Other, net	(1,769)	618	(15,309)
Net cash provided by (used in) investing activities	(37,120)	(27,034)	(321,246)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	2022
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	—	7,500	—
Proceeds from long-term loans payable	21,185	56,416	183,341
Repayment of long-term loans payable	(13,160)	(34,665)	(113,890)
Increase (decrease) in commercial papers	(10,000)	10,000	(86,543)
Proceeds from issuance of bonds	20,000	—	173,085
Redemption of bonds	(10,092)	(25,105)	(87,339)
Repayments of lease obligations	(8,320)	(7,305)	(72,003)
Purchase of treasury shares	—	(0)	—
Cash dividends paid	(4,001)	(4,002)	(34,626)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(200)	—
Other, net	(371)	(336)	(3,211)
Net cash provided by (used in) financing activities	(4,759)	2,303	(41,186)
Effect of exchange rate changes on cash and cash equivalents	4,511	(2,080)	39,039
Net increase (decrease) in cash and cash equivalents	(16,324)	16,910	(141,272)
Cash and cash equivalents at the beginning of the period	105,321	88,411	911,475
Cash and cash equivalents at the end of the period (Note 3)	¥88,997	¥105,321	$770,203

The accompanying notes are an integral part of these statements.

1 BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Takashimaya Company, Limited (hereinafter, the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (hereinafter, the “Japanese GAAP”) which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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

(a) Goodwill not subject to amortization

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

(c) Capitalized expenditures for research and development activities

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

(e) Reclassification adjustments for measuring subsequent changes in fair value of equity instruments recognized in other comprehensive income

The accompanying Consolidated Financial Statements have been restructured and translated into English (with some expanded descriptions) from the Consolidated Financial Statements of the Companies, prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese-language Consolidated Financial Statements, but not required for fair presentation, is not presented in the accompanying Consolidated Financial Statements. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 28, 2022, which was ¥115.55 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

The Consolidated Financial Statements include the accounts of the Company and its significant subsidiaries (hereinafter, the "Companies").

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

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

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

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

The differences between the cost and underlying net equity of investments in consolidated subsidiaries ("Goodwill") are amortized on a straight line basis 11 or 12 years with the exception of minor differences, which are charged to income in the period of acquisition.

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

From the year ended February 28, 2022, there has been a change in the scope of consolidation:

In the year ended February 28, 2022, A&S Takashimaya Duty Free Co., Ltd. was excluded from the scope of consolidation due to the completion of its liquidation.

In the year ended February 28, 2022, TAN PHU LONG JOINT STOCK COMPANY, which was invested in by VNLL Holdings PTE. LTD., a wholly owned subsidiary of Toshin Development Co., Ltd., a consolidated subsidiary, and TTC LIFESTYLE Co., Ltd., which was established by the Company and its consolidated subsidiaries Toshin Development Co., Ltd. and Culture Convenience Club Co., Ltd., are included in the scope of application of the equity method.

All non-consolidated subsidiaries of the Company are of a limited scale in terms of total assets, operating revenue, profit, retained earnings and other indicators, and taken together they do not have a significant impact on the Consolidated Financial Statements.

(b) Foreign currency translation

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

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

(c) Cash and cash equivalents

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

(d) Securities

No trading securities are held by the Companies. Held-to-maturity securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.

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

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

(e) Derivatives and hedging transactions

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

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

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

(1) If a forward exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the Statements of Income in the period which includes the inception date, and
   (ii) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.

(2) If a forward exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward exchange contract are recognized.
   Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.
   In addition, special treatment is applied to interest rate swaps if they meet the requirements for special treatment.

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

The related hedged items are trade receivables, trade payables, loans payable and interest on foreign currency bonds.

(f) Allowance for doubtful accounts

Allowance for doubtful accounts is provided principally for amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amounts with respect to specific items and possible losses on collection calculated by applying a percentage based on collection experience to the remaining items.

(g) Inventories

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

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

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

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

(i) Intangible assets (except leased assets and right-of-use assets)

Intangible assets are stated at cost and depreciated by using mainly the straight line method over the estimated useful lives of the assets as prescribed by Japanese tax laws.
The Companies amortize capitalized software using the straight line method over its estimated useful life (five years).

(j) Lease assets

Lease assets arising from transactions under finance lease contracts that do not transfer ownership to the lessee are amortized to a residual value of zero by the straight line method using the lease term as the useful life.

(k) Right-of-use assets

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

(l) Provision for Point Card Certificates

The Company provides its customers with credit points when they make purchases using the Takashimaya Card and, upon request, issues gift certificates (Point Card Certificates) to those customers who have earned sufficient points.
The Company provides a provision for the estimated future costs of the issuance of the certificates based on the number of credit points outstanding at each fiscal year end.

(m) Retirement benefit liability

(1) Attribution method for projected retirement benefits

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

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

The unrecognized prior service cost obligation is recognized as expense and recorded in equal amounts mainly 9 years from their recognition, which is less than the average remaining years of employment of the employees.
Actuarial gains or losses incurred during the year are amortized by using the straight line method over a certain period of time (mainly 9 years), which is less than the average remaining years of employment of the employees, commencing from the succeeding fiscal year.

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

(n) Provision for bonuses for directors and other officers

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

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

Provision for retirement for directors and other officers is provided based on the consolidated subsidiaries' pertinent rules and is calculated as the estimated amounts which would be payable if all officers were to retire at the balance sheet date.
The payments are subject to approval of the shareholders' meeting.

(p) Provision for environmental measures

Provision for environmental measures is provided based on the estimated costs for treatment of Poly Chlorinated Biphenyl ("PCB") waste, which is obligated to be treated by the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Waste.

(q) Provision for loss on repair construction of building

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

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

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

(s) Income taxes

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

(t) Per share information

Profit per share is based on the weighted average number of shares of common stock outstanding during each year and diluted profit per share reflects the potential dilution that could occur if it were converted into common stock.
Cash dividends per share represent interim dividends declared by the Board of Directors in each year and year-end dividends approved by the shareholders at the annual meeting held subsequent to the end of the fiscal year.

(u) Accounting standards not yet adopted

The Company and certain of its domestic consolidated subsidiaries

(Accounting Standard for Revenue Recognition, etc.)

· “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued by ASBJ on March 31, 2020)

· “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by ASBJ on March 31, 2020)

(1) Overview

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

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

(2) Scheduled date of adoption

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

(3) Effects of adoption of these accounting standards

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

The Company and certain of its domestic consolidated subsidiaries

(Accounting Standards for Fair Value Measurement, etc.)

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

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

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

· “Implementation Guidance on Accounting Standard for Fair Value Measurement of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

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

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

(Accounting treatment and disclosure when applying the group tax sharing system)
· “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF No. 42, August 12, 2021)
(1) Overview
With the transition to the group tax sharing system, it stipulates the accounting treatment and disclosure of corporate tax, local corporate tax and tax effect accounting when applying the group tax sharing system.
(2) Scheduled date of application
It is scheduled to be applied from the beginning of the year ending February 29, 2024.
(3) Effects of application of the accounting standards
The effects of the application of the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" on the consolidated financial statements are currently under evaluation.

(v) Changes in presentation method
(Application of the “Accounting Standard for Disclosure of Accounting Estimates”)
The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) is applied from the end of the fiscal year ended February 28, 2022. The consolidated financial statements for the year ended February 28, 2022 include notes regarding significant accounting estimates. However, in the notes, the details related to the year ended February 28, 2021 are not stated in accordance with the transitional treatment stipulated in the proviso of Paragraph 11 of the relevant accounting standards.

(Consolidated Statements of Income)
Because the monetary importance has increased for “Foreign exchange gains,” which had been included in the “Other” section of “Non-operating income” in the previous fiscal year, it has been listed independently from the current fiscal year. To reflect this change to the presentation method, we have reclassified the consolidated financial statements for the previous fiscal year.
As a result, the ¥903 million presented in the “Other” section of “Non-operating income” in the previous fiscal year’s consolidated statements of income has been reclassified to ¥111 million in “Foreign exchange gains” and ¥792 million in “Other.”

Because the monetary importance has increased for “Gain on sale of investment securities,” which had been included in the “Other” section of “Extraordinary income” in the previous fiscal year, it has been listed independently from the current fiscal year. To reflect this change to the presentation method, we have reclassified the consolidated financial statements for the previous fiscal year.
As a result, the ¥173 million presented in the “Other” section of “Extraordinary income” in the previous fiscal year’s consolidated profit and loss statement has been reclassified to ¥13 million in “Gain on sale of investment securities” and ¥159 million in “Other.”

(w) Additional Information
(Accounting Estimates related to the impact of COVID-19)
Due to the emergence of new variants, it is difficult to accurately predict when the novel coronavirus infection will end, and such things as the duration and degree of impact. However, based on the premise that personal consumption will gradually recover, such as from the progress of the government's third vaccination and the relaxation of new border entry restrictions, the Company is making accounting estimates for impairment of non-current assets and recoverability of deferred tax assets under the assumption that profit levels will recover going into fiscal 2023 by executing the "3-Year Plan".

(Application of the consolidated taxation system)
The Company and certain of its domestic consolidated subsidiaries have applied the consolidated taxation system from the year ended February 28, 2022.

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

(x) Significant accounting estimates

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

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

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

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

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

(i) Calculation method

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

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

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

(ii) Key assumptions

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

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

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

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

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

The amount of deferred tax assets recorded in the Company's non-consolidated financial statements that make up the consolidated financial statements is the same as the amount stated in Note 10, "Tax effect accounting" to the financial statements.

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

(i) Calculation method

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

(ii) Key assumptions

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

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

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

3
CASH AND CASH EQUIVALENTS

1. Cash and Cash Equivalents

Cash and cash equivalents on February 28, 2022 and February 28, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Cash and deposits	**¥90,672**	¥106,675	**$784,699**
Time deposits with maturities exceeding three months	**(1,675)**	(1,354)	**(14,496)**
Cash and cash equivalents at the end of period	**¥88,997**	¥105,321	**$770,203**

4 FINANCIAL INSTRUMENTS

1. Matters related to financial instruments

(1) Policies for financial instruments

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

(2) Financial instruments and their risks

Notes and accounts receivable as operating receivables are exposed to credit risk. Securities and investment securities are exposed to market price volatility risk. Guarantee deposits are exposed to credit risk of counterparties.
Notes and accounts payable as operating payables are almost all subject to payment deadlines of one year or less. A certain portion of trade obligations is related to the import of goods and as such are denominated in foreign currencies. Long-term debt, commercial papers, corporate bonds and lease obligations are for the purpose of procuring needed funds mainly for capital investment. Some of them are exposed to interest rate risk because of variable interest rates.
Derivative transactions employed in an effort to offset the above-mentioned risk include forward exchange contracts; interest rate swap contracts, which seek to provide hedges for the risks of fluctuation in foreign exchange of trade receivables and trade obligations; and interest rates applicable to loans and bonds payable, respectively. For details of hedge instruments and hedge targets, hedging policy, the method of assessing the effectiveness of hedges and other details in connection with hedge accounting, refer to Note 2 (e) “Derivatives and hedging transactions”. Moreover, operating payables and long-term debt are exposed to the liquidity risk of the inability to make payment by the payment due date.

(3) Risk management systems relating to financial instruments

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

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

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

The Companies utilize forward exchange contracts in an effort to offset the risks of fluctuation in foreign exchange in connection with operating payables denominated in foreign currencies, and interest rate swap contracts aimed at converting floating rates of interest applicable to loans and bonds payable to fixed rate interest.
With respect to investment securities, the Companies regularly monitor fair value as well as the financial status of issuers (counterparties), and review its holdings on a continuous basis taking into consideration its relationships with counterparties.

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

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

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

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

2. Matters related to fair value of financial instruments

The book value recorded in the Consolidated Balance Sheets for the years ended February 28, 2022 and February 28, 2021, and fair value and their differences are as follows. Figures for which fair value is not readily recognized are not included in the following tables (See Note 2).

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

	Millions of yen		
	2021		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥106,675	¥106,675	¥—
(2) Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies	100,682		
Allowance for doubtful accounts (＊1)	(665)		
	100,017	101,187	1,170
(3) Securities and investment securities			
1) Held-to-maturity securities	8	8	—
2) Available-for-sale securities	24,677	24,677	—
	24,685	24,685	—
(4) Guarantee deposits (＊2)	5,414	5,408	(6)
Total assets	¥236,791	¥237,955	¥1,164
(1) Notes and accounts payable-trade, non-consolidated subsidiaries and affiliated companies	¥86,965	¥86,965	¥—
(2) Short-term bank loans	15,000	15,000	—
(3) Commercial papers	10,000	10,000	—
(4) Deposits received	26,030	26,030	—
(5) Long-term debt (＊3)	182,154	181,926	(228)
(6) Lease obligations (＊4)	86,392	88,141	1,749
Total liabilities	¥406,541	¥408,062	¥1,521
Derivatives (＊5)			
Amount subject to hedge accounting	1	1	—
Total derivatives	¥1	¥1	¥—

	Thousands of U.S. dollars		
	2022		
	Book Value	Fair Value	Difference
(1) Cash and deposits	$784,699	$784,699	$—
(2) Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies	831,848		
Allowance for doubtful accounts (＊1)	(3,886)		
	827,962	838,754	10,792
(3) Securities and investment securities			
1) Available-for-sale securities	180,216	180,216	—
	180,216	180,216	—
(4) Guarantee deposits (＊2)	44,768	44,682	(86)
Total assets	$1,837,645	$1,848,351	$10,706
(1) Notes and accounts payable-trade, non-consolidated subsidiaries and affiliated companies	$810,896	$810,896	$—
(2) Short-term bank loans	129,814	129,814	—
(3) Deposits received	207,157	207,157	—
(4) Long-term debt (＊3)	1,728,801	1,733,405	4,604
(5) Lease obligations (＊4)	757,005	752,765	(4,240)
Total liabilities	$3,633,673	$3,634,037	$364
Derivatives (＊5)			
Amount subject to hedge accounting	(0)	(0)	—
Total derivatives	$(0)	$(0)	$—

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

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

(3) Securities and investment securities

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

(4) Guarantee deposits

The fair value of guarantee deposits 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) Commercial papers (4) Deposits received

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

(4) Long-term debt (including the current portion)

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

(5) Lease obligations (including the current portion)

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

Derivatives

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

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
(a) Stock of subsidiaries	**¥4,343**	¥5,895	**$37,585**
(b) Stock of affiliates	**46,813**	42,121	**405,132**
(c) Unlisted stocks	**2,583**	2,530	**22,354**
(d) Guarantee deposits	**23,662**	22,281	**204,777**

(a) Stock of subsidiaries, (b) Stock of affiliates and (c) Unlisted stocks

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

(d) Guarantee deposits

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

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

	Millions of yen			
	2022			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥90,672	¥—	¥—	¥—
Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies	93,252	2,367	482	19
Securities and investment securities				
1) Held-to-maturity securities	—	—	—	—
2) Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits	776	2,825	1,382	190
Total	¥184,700	¥5,192	¥1,864	¥209

	Millions of yen			
	2021			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥106,675	¥—	¥—	¥—
Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies	98,510	1,739	349	84
Securities and investment securities				
1) Held-to-maturity securities	8	—	—	—
2) Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits	854	2,867	1,424	269
Total	¥206,047	¥4,606	¥1,773	¥353

	Thousands of U.S. dollars			
	2022			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	$784,699	$—	$—	$—
Notes and accounts receivable-trade, non-consolidated subsidiaries and affiliated companies	807,027	20,485	4,171	165
Securities and investment securities				
1) Held-to-maturity securities	—	—	—	—
2) Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits	6,716	24,448	11,960	1,644
Total	$1,598,442	$44,933	$16,131	$1,809

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

	Millions of yen					
	2022					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt—Corporate bonds	¥55	¥—	¥—	¥—	¥10,000	¥70,000
Long-term debt—Long-term loans	¥3,160	¥4,660	¥38,580	¥29,920	¥3,185	¥40,000
Lease obligations	8,942	9,080	9,004	6,960	5,616	47,870
Total	¥12,157	¥13,740	¥47,584	¥36,880	¥18,801	¥157,870

	Millions of yen					
	2021					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt—Corporate bonds	¥10,091	¥44	¥—	¥—	¥—	¥60,000
Long-term debt—Long-term loans	¥13,221	¥3,201	¥4,700	¥38,620	¥29,541	¥22,503
Lease obligations	7,982	8,154	8,163	8,064	6,211	47,818
Total	¥31,294	¥11,399	¥12,863	¥46,684	¥35,752	¥130,321

	Thousands of U.S. dollars					
	2022					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt—Corporate bonds	$476	$—	$—	$—	$86,543	$605,798
Long-term debt—Long-term loans	$27,347	$40,329	$333,881	$258,936	$27,564	$346,170
Lease obligations	77,386	78,581	77,923	60,234	48,602	414,279
Total	$105,209	$118,910	$411,804	$319,170	$162,709	$1,366,247

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

5 DEPOSITED ASSETS

The Guarantee deposits required by lease arrangements at February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash and deposits	¥1,475	¥1,355	$12,765
Guarantee deposits	10	20	87
Total	¥1,485	¥1,375	$12,852

6 SECURITIES

The following tables summarize acquisition costs, book value and fair value of securities with available fair value as of February 28, 2022 and February 28, 2021:

(1) Held-to-maturity securities:

	Millions of yen					
	2022			2021		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with available fair value exceeding book value:						
Government bonds	¥—	¥—	¥—	¥—	¥—	¥—
Corporate bonds	—	—	—	—	—	—
Securities with available fair value exceeding book value	—	—	—	—	—	—
Securities with available fair value not exceeding book value:						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	8	8	—
Securities with available fair value not exceeding book value	—	—	—	8	8	—
Total held-to-maturity securities	¥—	¥—	¥—	¥8	¥8	¥—

	Thousands of U.S. dollars		
	2022		
Type	Book value	Fair value	Difference
Securities with available fair value exceeding book value			
Government bonds	$—	$—	$—
Corporate bonds	—	—	—
Securities with available fair value exceeding book value	—	—	—
Securities with available fair value not exceeding book value			
Government bonds	—	—	—
Corporate bonds	—	—	—
Securities with available fair value not exceeding book value	—	—	—
Total held-to-maturity securities	$—	$—	$—

(2) Available-for-sale securities

	Millions of yen					
	2022			2021		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:						
Equity securities	¥5,340	¥14,556	¥9,216	¥11,951	¥23,767	¥11,816
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	47	65	18	59	69	10
Securities with book value exceeding acquisition cost	5,387	14,621	9,234	12,010	23,836	11,826
Securities with book value not exceeding acquisition cost:						
Equity securities	6,348	6,203	(145)	890	841	(49)
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities with book value not exceeding acquisition cost:	6,348	6,203	(145)	890	841	(49)
Total available-for-sale securities	¥11,735	¥20,824	¥9,089	¥12,900	¥24,677	¥11,777

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

＊2 The amount of unlisted stocks (¥2,530 million recorded in the Consolidated Balance Sheets as of February 28,2021) is not included in "Others" as they have no market value and their fair value is not readily determinable.

Type	Thousands of U.S. dollars		
	2022		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	$46,214	$125,971	$79,757
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	407	563	156
Securities with book value exceeding acquisition cost	46,621	126,534	79,913
Securities with book value not exceeding acquisition cost:			
Equity securities	54,937	53,682	(1,255)
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Securities with book value not exceeding acquisition cost:	54,937	53,682	(1,255)
Total available-for-sale securities	$101,558	$180,216	$78,658

(3) Available-for-sale securities sold

Type	Millions of yen					
	2022			2021		
	Amount sold	Gain on sales	Loss on sales	Amount sold	Gain on sales	Loss on sales
Equity securities	¥3,660	¥2,501	¥—	¥272	¥14	¥248
Corporate bonds	—	—	—	—	—	—
Others	0	—	—	—	—	—
Total available-for-sale securities	¥3,660	¥2,501	¥—	¥272	¥14	¥248

Type	Thousands of U.S. dollars		
	2022		
	Amount sold	Gain on sales	Loss on sales
Equity securities	$31,675	$21,644	$—
Corporate bonds	—	—	—
Others	0	—	—
Total available-for-sale securities	$31,675	$21,644	$—

(4) Impairment losses on securities

Impairment losses on the Company's securities for the years ended February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen	
	2022	2021
	Book value	Book value
Loss on valuation of investment securities	¥—	¥3,349

	Thousands of U.S. dollars
	2022
	Book value
Loss on valuation of investment securities	$—

7 INVENTORIES

Inventories as of February 28, 2022 and February 28, 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Merchandise	¥37,841	¥41,815	$327,486
Products	26	29	225
Work in process	324	327	2,804
Raw materials	—	—	—
Supplies	1,108	1,140	9,589
Total	¥39,299	¥43,311	$340,104

8 LIQUIDATION OF RECEIVABLES

The liquidation of receivables on February 28, 2022 and February 28, 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Notes and accounts receivable-trade	¥42,070	¥28,520	$364,085
Notes and accounts receivable-other	2,000	2,000	17,309

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

9 ASSETS PLEDGED AS COLLATERAL AND SECURED LIABILITIES

The assets pledged as collateral for bonds mainly from banks and certain other obligations on February 28, 2022 and February 28, 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Buildings and structures	¥1,954	¥2,104	$16,911
Equipment and fixtures	—	2	—
Leasehold interests in land	5,602	5,571	48,481
Total	¥7,556	¥7,677	$65,392

The secured liabilities on February 28, 2022 and February 28, 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current portion of long-term bonds	¥55	¥91	$476
Long-term bonds	—	44	—
Total	¥55	¥135	$476

10 INCOME TAXES

The Companies are subject to a number of taxes based on income. The aggregate statutory tax rate in Japan was approximately 30.6% for the year ended February 28, 2022 as well as for the year ended February 28, 2021.

The following table summarizes the significant difference between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended February 28, 2022 and February 28, 2021.

	%	
Years ended February 28, 2022 and February 28, 2021	2022	2021
Statutory tax rate	30.6%	The note was omitted for the FY2021 because the Companies recorded a net loss before income taxes.
Items that are not temporary differences such as dividend income	(5.8)	
Decrease in valuation allowance	(71.1)	
Difference in statutory tax rate of foreign subsidiaries	(6.7)	
Equity in gain of affiliated companies	(12.2)	
Others	0.2	
Effective tax rate	△65.0%	

Significant components of the Companies' deferred tax assets and liabilities as of February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Accrued enterprise tax	¥471	¥940	$4,076
Accrued bonuses	70	70	606
Nondeductible allowance for doubtful accounts	875	993	7,572
Provision for point card certificates	1,229	1,453	10,636
Nondeductible write-down of inventories	612	579	5,296
Adjustment of gift certificates	9,265	8,440	80,182
Unrealized intercompany profits	548	805	4,743
Tax loss carryforward (＊2)	19,907	17,581	172,280
Nondeductible amortization of software costs	54	65	467
Nondeductible retirement benefit liability	15,921	16,440	137,785
Provision for environmental measures	23	74	199
Nondeductible write-down of securities	1,520	1,526	13,155
Investment in subsidiaries and associates scheduled for liquidation	—	1,516	—
Impairment loss of property, plant and equipment	5,157	4,758	44,630
Provision for loss on repair construction of building	—	1,120	—
Others	2,742	2,592	23,730
Total gross deferred tax assets	58,394	58,952	505,357
Less: Valuation allowance for tax loss carryforward (＊2)	(8,602)	(12,762)	(74,444)
Less: Valuation allowance for deductible temporary differences	(6,150)	(8,096)	(53,224)
Less: Total valuation allowance (＊1)	(14,752)	(20,858)	(127,668)
Total deferred tax assets	43,642	38,094	377,689
Deferred tax liabilities:			
Adjustments of allowance for doubtful accounts	(63)	(54)	(545)
Adjustment of gift certificates	(345)	(536)	(2,986)
Reserve for deferred capital gains of property	(13,511)	(13,521)	(116,928)
Valuation difference on available-for-sale securities	(2,436)	(3,252)	(21,082)
Valuation difference on assets of subsidiaries	(2,056)	(1,875)	(17,793)
Others	(912)	(546)	(7,892)
Total deferred tax liabilities	(19,323)	(19,784)	(167,226)
Net deferred tax assets	¥24,319	¥18,310	$210,463

＊1 The valuation allowance has decreased by ¥6,106 million ($52,843 thousand) primarily due to an increase in the recoverable amount of tax loss carryforwards with the approval of the business adaptation plan by the Minister of Economy, Trade and Industry based on the "Act for Partial Amendment of the Industrial Competitiveness Enhancement Act, etc." (Act No. 70 of 2021).

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

	Millions of yen						
	2022						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carryforward	¥920	¥558	¥713	¥434	¥340	¥16,942	¥19,907
Less: Valuation allowance	(916)	(558)	(703)	(434)	(340)	(5,651)	(8,602)
Deferred tax assets	4	—	10	—	—	11,291	11,305

	Millions of yen						
	2021						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carryforward	¥649	¥957	¥614	¥741	¥500	¥14,120	¥17,581
Less: Valuation allowance	(646)	(957)	(614)	(741)	(500)	(9,304)	(12,762)
Deferred tax assets	3	—	—	—	—	4,816	4,819

	Thousands of U.S. dollars						
	2022						
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carryforward	$7,962	$4,829	$6,170	$3,756	$2,942	$146,621	$172,280
Less: Valuation allowance	(7,927)	(4,829)	(6,084)	(3,756)	(2,943)	(48,905)	(74,444)
Deferred tax assets	35	—	86	—	—	97,715	97,836

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

*2 The Company recorded deferred tax assets of ¥11,305 million ($97,836 thousand) for tax loss carryforward of ¥19,907 million ($172,280 thousand), (calculated using the effective statutory tax rate), since the Company judged that based on the expected future taxable income, the deferred tax assets for the tax loss carryforwards are recoverable.

11 RENTAL PROPERTIES

The Company and certain of its consolidated subsidiaries own some rental properties, such as office buildings and commercial properties principally in areas where they conduct operations.
Certain domestic commercial properties are not recognized as rental properties but as real estate including spaces used as rental properties since the Company or certain consolidated subsidiaries use some of the floor space of these properties.
The book value of these properties in the Consolidated Balance Sheets, their changes during the current fiscal year, their fair value and the method for calculating the fair value on February 28, 2022 and February 28, 2021 were as follows:

Amounts on the Consolidated Balance Sheets

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

	Millions of yen			
	2021			
	Book value			Fair value
	March 1, 2020	Increase (Net)	February 28, 2021	February 28, 2021
Rental properties	¥70,999	¥2,111	¥73,110	¥91,597
Real estate including spaces used as rental properties	424,375	32,419	456,794	669,158

	Thousands of U.S. dollars			
	2022			
	Book value			Fair value
	March 1, 2021	Increase (Net)	February 28, 2022	February 28, 2022
Rental properties	$632,713	$46,214	$678,927	$759,325
Real estate including spaces used as rental properties	3,953,215	123,332	4,076,547	4,892,220

Notes
1. The amounts presented on the Consolidated Balance Sheets are the acquisition costs minus accumulated depreciation.
2. Rental properties:The increase during the years ended February 28, 2022 and February 28, 2021 is primarily for the acquisition, and the decrease is for the depreciation.
3. Real estate including spaces used as rental properties: The increase during the years ended February 28, 2022 and February 28, 2021 is primarily for the acquisition, and the decrease is for the depreciation.
4. The fair value as of the end of the fiscal year was calculated by the Company based on Real Estate Appraisal and Valuation Standards (including adjustments made using indicators and other information).

Profit (Loss) on rental property and the portion of real estate including spaces used as rental properties during the years ended February 28, 2022 and February 28, 2021 were as follows:

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

	Millions of yen			
	2021			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	¥13,253	¥9,993	¥3,260	¥—
Real estate including spaces used as rental properties	26,852	27,115	(263)	(4,752)

	Thousands of U.S. dollars			
	2022			
	Rental income	Rental expenses	Difference	Other, net
Rental properties	$50,757	$36,798	$13,959	$1,090
Real estate including spaces used as rental properties	325,781	300,415	25,366	(16,132)

Note:
1. Since the real estate including spaces used as rental properties includes the spaces used by the Company and certain of its consolidated subsidiaries for the purpose of providing service and management, the rental income for the such spaces is not recorded. However, the expenses (depreciation, maintenance, insurance, taxes etc.) related to the such spaces are included in rental expenses.
2. The amounts recorded in the "Other, net" of fiscal year of 2022 mainly consisted of gain on sales of property and impairment loss, which was recorded in other income and other expenses whereas fiscal year of 2021 mainly consists of impairment loss of property, plant and equipment, and was recorded in other expenses.

12 LAND REVALUATION

In accordance with the Law Concerning Revaluation of Land, land used for business owned by the Company and two consolidated subsidiaries was revalued. The unrealized gains, net of deferred tax, were excluded from earnings and reported as “Revaluation reserve for land” in net assets, and the relevant deferred tax was included as “Deferred tax liabilities related to land revaluation” in non-current liabilities.

Related information is shown as follows:

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

13 REDUCTION ENTRY

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Buildings and structures	¥91	¥86	$788
Tools, furniture and fixtures	¥3	¥—	$26
Total	¥94	¥86	$814

For property, plant and equipment acquired in the year ended February 28, 2022, the amounts of reduction entry deducted from the acquisition costs are ¥5 million for buildings and structures, and ¥3 million for tools, appliances and equipment.

14 GUARANTEE DEPOSITS

The Companies conduct a substantial portion of their retail business through leased properties. The terms of the relevant leases for stores are generally from 10 to 20 years with options for renewal, subject to renegotiation of rental fees every 2 or 5 years.
In connection with such leases, lessors require, under certain circumstances, large deposits relative to the amounts of annual lease rental payments, and such deposits bear no interest or interest only at nominal rates.

15 SEGMENT INFORMATION

1. General information about reportable segments

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

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

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

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

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

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

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

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

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

(a) Reportable segment information

Reportable segment information for the years ended February 28, 2022 and February 28, 2021 were as follows:

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

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

＊2 Adjustments are as follows:

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

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

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

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

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

FY ended February 28, 2021	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others (＊1)	Total	Adjustments (＊2)	Consolidated
	Millions of yen								
Operating revenue:									
Outside customers	¥570,478	¥36,982	¥16,251	¥19,080	¥642,791	¥38,108	¥680,899	¥—	¥680,899
Intersegment	9,059	10,746	3,325	863	23,993	14,543	38,536	(38,536)	—
Total	579,537	47,728	19,576	19,943	666,784	52,651	719,435	(38,536)	680,899
Segment profit	¥(21,323)	¥5,868	¥4,288	¥(980)	¥(12,147)	¥1,458	¥(10,689)	¥(2,808)	¥(13,497)
Segment assets	¥699,868	¥260,167	¥103,999	¥15,475	¥1,079,509	¥24,945	¥1,104,454	¥46,053	¥1,150,507
Depreciation	18,054	8,252	41	164	26,511	312	26,823	1,159	27,982
Goodwill amortization	—	227	—	—	227	—	227	—	227
Investment expenditures for affiliated company accounted for by the equity method	16,391	22,142	—	—	38,533	—	38,533	—	38,533
Increase in property, plant and equipment and intangible assets	14,524	17,567	140	14	32,245	250	32,495	47	32,542

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

＊2 Adjustments are as follows:

(1) Adjustments to segment profit (loss) of △¥2,808 million (△$26,428 thousand) consist of △¥1,657 million (△$15,595 thousand) in eliminations of intersegment transactions and △¥1,151 million (△$10,833 thousand) in depreciation of company-wide assets not allocated to each reportable segment.

(2) Adjustments to segment assets of ¥46,053 million ($433,440 thousand) include △¥104,196 million (△$980,668 thousand) in eliminations of intersegment receivables and payables and ¥150,249 million ($1,414,108 thousand) in company-wide assets not allocated to each reportable segment. Company-wide assets consist mainly of assets not belonging to the reportable segments such as the Company's surplus funds (cash and deposits, securities) and long-term investment funds (investment securities), as well as assets related to the administrative operations.

(3) Adjustments to depreciation of ¥1,159 million ($10,908 thousand) include ¥8 million ($75 thousand) in adjustments for unrealized intersegment profit and ¥1,151 million ($10,833 thousand) in depreciation of company-wide assets not allocated to each reportable segment.

(4) Adjustments to increases in property, plant and equipment, and intangible assets of ¥47 million ($443 thousand) include △¥50 million (△$470 thousand) in adjustments for unrealized intersegment profit and ¥97 million ($913 thousand) in increases in property, plant and equipment, and intangible assets for company-wide assets not allocated to each reportable segment.

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

FY ended February 28, 2022	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others (＊1)	Total	Adjustments (＊2)	Consolidated
	Thousands of U.S. dollars								
Operating revenue:									
Outside customers	$5,611,095	$356,434	$142,934	$141,341	$6,251,804	$335,171	$6,586,975	$—	$6,586,975
Intersegment	77,741	92,055	31,415	13,986	215,197	77,101	292,298	(292,298)	—
Total	5,688,836	448,489	174,349	155,327	6,467,001	412,272	6,879,273	(292,298)	6,586,975
Segment profit (loss)	$(56,789)	$62,994	$37,724	$(4,362)	$39,567	$13,960	$53,527	$(17,949)	$35,578
Segment assets	$6,200,840	$2,326,854	$981,696	$132,315	$9,641,705	$193,388	$9,835,093	$68,291	$9,903,384
Depreciation	174,392	85,547	467	1,212	261,618	3,081	264,699	7,287	271,986
Goodwill amortization	—	2,077	—	—	2,077	—	2,077	—	2,077
Investment expenditures for affiliated company accounted for by the equity method	144,665	230,203	—	—	374,868	—	374,868	—	374,868
Increase in property, plant and equipment and intangible assets	136,348	151,908	320	260	288,836	9,840	298,676	26	298,702

(b) Related information

1. Information by product and service

Information by product and service at February 28, 2022 and February 28, 2021 has been omitted, because similar information is disclosed as above.

2. Information by geographical area

(1) Operating revenue

This information at February 28, 2022 and February 28, 2021 has been omitted as operating revenue from customers inside Japan accounts for more than 90% of the operating revenue recorded in the Consolidated Statements of Income.

(2) Property, plant and equipment

Information at February 28, 2022 and February 29, 2021 has been presented below as the amount of property, plant and equipment located overseas accounts for more than 10% of the amount recorded in the Consolidated Balance Sheets.

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

	Millions of yen			
FY ended February 28, 2021	Japan	Singapore	Others	Total
Property, plant and equipment	¥614,996	¥69,856	¥21,684	¥706,536

	Thousands of U.S. dollars			
FY ended February 28, 2022	Japan	Singapore	Others	Total
Property, plant and equipment	**$5,321,298**	**$591,467**	**$199,801**	**$6,112,566**

3. Information by major customer

This information at February 28, 2022 and February 28, 2021 has been omitted because there are no customers accounting for over 10% of the operating revenue on the Consolidated Statements of Income.

Amortization of goodwill and unamortized balance by reportable segments

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

FY ended February 28, 2021	Millions of yen							
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	¥—	¥227	¥—	¥—	¥227	¥—	¥—	¥227
Unamortized balance	¥—	¥2,355	¥—	¥—	¥2,355	¥—	¥—	¥2,355
Negative goodwill:								
Amortization	¥—	¥—	¥—	¥92	¥92	¥—	¥—	¥92
Unamortized balance	¥—	¥—	¥—	¥—	¥—	¥—	¥—	¥—

FY ended February 28, 2022	Thousands of U.S. dollars							
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	$—	**$2,077**	$—	$—	**$2,077**	$—	$—	**$2,077**
Unamortized balance	$—	**$20,606**	$—	$—	**$20,606**	$—	$—	**$20,606**
Negative goodwill:								
Amortization	$—	$—	$—	$—	$—	$—	$—	$—
Unamortized balance	$—	$—	$—	$—	$—	$—	$—	$—

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

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

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

FY ended February 28, 2021	Millions of yen							
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment loss	¥6,779	¥—	¥—	¥—	¥6,779	¥67	¥—	¥6,846

FY ended February 28, 2022	Thousands of U.S. dollars							
	Department Store	Commercial Property Development	Finance	Construction & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment loss	**$6,058**	**$16,253**	$—	$—	**$22,311**	**$355**	$—	**$22,666**

* The amount stated in the "Others" segment is related to the temporary personnel business.

16 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding were generally represented by bank over drafts and notes issued by the Companies to banks bearing interest at average rates of 0.21% and 0.23% as of February 28, 2022 and February 28, 2021, respectively.

Short-term loans and current portion of long-term debt as of February 28, 2022 and February 28, 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Short-term bank loans	¥15,000	¥15,000	$129,814
Current portion of long-term debt	3,215	23,312	27,823
Commercial paper	—	10,000	—
Total	¥18,215	¥48,312	$157,637

Long-term debt as of February 28, 2022 and February 28, 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
0.0% convertible bonds due 2028 ＊	¥60,203	¥60,233	$521,012
0.451% bonds due 2021	—	10,000	—
0.250% bonds due 2026	10,000	—	86,543
0.5% bonds due 2031	10,000	—	86,543
8.1% one hundred and seven（107） secured non-convertible Vietnam Dong bonds	55	135	476
Loans from banks, insurance companies and others due serially to 2031:			
Unsecured(bearing interest at rates from 0.30％ to 0.33％ at February 28, 2022)	119,505	111,786	1,034,227
Subtotal	199,763	182,154	1,728,801
Less: Current portion of Long-term debt	(3,215)	(23,312)	(27,823)
Total	¥196,548	¥158,842	$1,700,978

＊ The current conversion price of 0.0% convertible bonds due 2028 issued by the Company is ¥2,180.0($18.87). On February 28, 2022, the convertible bonds were convertible into 27,522,935 shares of common stock.

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

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2023	¥3,215	$27,824
2024	4,660	40,329
2025	38,580	333,881
2026	29,920	258,936
2027 and thereafter	123,185	1,066,075
Total	¥199,560	$1,727,045

17 DERIVATIVE TRANSACTIONS

1. Derivatives to which hedge accounting is not applied

Not applicable.

2. Derivatives to which hedge accounting is applied

(1) Currency-related derivatives

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2022		
			Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable-trade			
	To buy U.S. dollars		¥127	¥—	¥1
	To buy Euros		304	—	(1)
Total			¥431	¥—	¥(0)

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2022		
			Contract amount	Contract amount due after one year	Fair value
Allocation processing for foreign exchange contracts, etc.	Forward contracts	Short-term loans receivable			
	To buy U.S. dollars		¥2,715	¥—	¥10
Total			¥2,715	¥—	¥10

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2021		
			Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable-trade			
	To buy U.S. dollars		¥93	¥—	¥1
	To buy Euros		7	—	0
Total			¥100	¥—	¥1

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2022		
			Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable-trade			
	To buy U.S. dollars		$1,099	$—	$9
	To buy Euros		2,631	—	(9)
Total			$3,730	$—	$(0)

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2022		
			Contract amount	Contract amount due after one year	Fair value
Allocation processing for foreign exchange contracts, etc.	Forward contracts	Short-term loans receivable			
	To buy U.S. dollars		$23,497	$—	$82
Total			$23,497	$—	$82

＊1 The fair value was based on the quoted price obtained from the financial institutions with which the derivatives are transacted.
＊2 These forward exchange contracts are used to avoid future risks of fluctuation in foreign exchange with regards to foreign currency loans to consolidated subsidiaries by the Company submitting the consolidated financial statements.

(2) Interest-rate-related derivatives

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

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2021		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Interest expenses on long-term debt	¥10,000	¥10,000	¥—
Total			¥10,000	¥10,000	¥—

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2022		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Interest expenses on long-term debt	$86,543	$86,543	$—
Total			$86,543	$86,543	$—

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

(3) Interest rate and currency-related derivatives

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2022		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps Receive U.S. dollars at floating rate Pay Yen at fixed rate	Long-term debt	¥—	¥—	¥—
Total			¥—	¥—	¥—

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen		
			2021		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps Receive U.S. dollars at floating rate Pay Yen at fixed rate	Long-term debt	¥10,000	¥—	¥—
Total			¥10,000	¥—	¥—

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2022		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps Receive U.S. dollars at floating rate Pay Yen at fixed rate	Long-term debt	$—	$—	$—
Total			$—	$—	$—

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

18 RETIREMENT BENEFIT LIABILITY

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

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

2. Defined benefit obligation

(1) The changes in defined benefit obligation for the years ended February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the year	¥103,830	¥105,960	$898,572
Transfer amount from simplified method to principle method	—	1	—
Service cost	2,257	2,469	19,533
Interest cost	219	222	1,895
Actuarial gains or losses	7	631	61
Benefit paid	(5,610)	(5,453)	(48,551)
Balance at the end of the year	¥100,703	¥103,830	$871,510

(2) The changes in plan assets for the years ended February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the year	¥52,197	¥51,197	$451,727
Expected return on plan assets	1,305	1,280	11,294
Actuarial gains or losses	(501)	2,052	(4,336)
Contribution from the employer	595	613	5,149
Benefit paid	(2,829)	(2,945)	(24,483)
Balance at the end of the year	¥50,767	¥52,197	$439,351

(3) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as of February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded defined benefit obligation	¥57,241	¥59,149	$495,379
Plan assets	(50,767)	(52,197)	(439,351)
	6,474	6,952	56,028
Unfunded defined benefit obligation	43,462	44,681	376,131
Net liability for defined benefit obligation	¥49,936	¥51,633	$432,159
Retirement benefit liability	49,936	51,633	432,159
Net liability for defined benefit obligation	¥49,936	¥51,633	$432,159

(4) The components of periodic benefit costs for the years ended February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥2,257	¥2,469	$19,533
Interest cost	219	222	1,895
Expected return on plan assets	(1,305)	(1,280)	(11,294)
Amortization of actuarial gains and losses	(444)	(238)	(3,842)
Amounts of prior service cost recognized	(182)	(182)	(1,575)
Total	¥545	¥991	$4,717

(5) The components of other comprehensive income on defined retirement benefits plans, before tax, on February 28, 2022 and February 28, 2021 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Prior service cost	¥(182)	¥(182)	$(1,575)
Actuarial gains and losses	(952)	1,184	(8,239)
Total	¥(1,134)	¥1,002	$(9,814)

(6) Accumulated other comprehensive income on defined retirement benefits plans, before tax, on February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized prior service cost	¥822	¥1,005	$7,114
Unrecognized actuarial gains and losses	(296)	655	(2,562)
Total	¥526	¥1,660	$4,552

(7) Plan assets

1) Components of plan assets were as follows:

	%	
	2022	2021
Debt investments	66%	63%
Equity investments	23	22
General accounts with life insurance companies	10	10
Cash and deposits	1	5
Total	100%	100%

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

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

(8) The assumptions used for the years ended February 28, 2022 and February 28, 2021 were as follows:

	%			
	2022		2021	
Discount rate				
Relating to defined benefit obligation	Mainly	0.0%	Mainly	0.0%
Relating to unfunded defined benefit obligation	Mainly	0.5%	Mainly	0.5%
Expected rate of return on plan assets		2.5%		2.5%
Assumed salary increase rate		1.5%		1.5%

3. Defined benefit obligation of the simplified method

(1) The changes in defined benefit obligation of the simplified method for the years ended February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Balance at the beginning of the year	¥1,451	¥1,375	$12,557
Transfer amount from simplified method to principle method	—	(1)	—
Employees' retirement benefit cost	251	278	2,172
Benefit paid	(82)	(201)	(709)
Balance at the end of the year	¥1,620	¥1,451	$14,020

(2) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as of February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded defined benefit obligation	¥127	¥129	$1,099
Plan assets	(135)	(139)	(1,168)
	(8)	(10)	(69)
Unfunded defined benefit obligation	1,628	1,461	14,089
Net liability for defined benefit obligation	¥1,628	¥1,461	$14,089
Retirement benefit liability	1,620	1,451	14,020
Net liability for defined benefit obligation	¥1,620	¥1,451	$14,020

(3) Employees' benefit cost of the simplified method for the years ended February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Employees' benefit cost of the simplified method	¥251	¥278	$2,172

4. Defined contribution pension plan

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Required contribution amount of the Company and its consolidated subsidiaries to the defined contribution plan	¥690	¥699	$5,971

19 CONTINGENT LIABILITIES

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Guarantees on loans from financial institutions:			
Keppel Land Watco II Co., Ltd. (＊1)	¥2,096	¥4,574	$18,140
Keppel Land Watco III Co., Ltd. (＊1)	—	1,203	—
Edusmart Tay Ho Education Co., Ltd. (＊2 ＊3)	373	103	3,228
TAN PHU LONG JOINT STOCK COMPANY	569	—	4,924
VNLL Holdings Pte.Ltd.	3,172	—	27,451
TAKAHIRO CORPORATION	17	—	147
Loan guarantees made for employees	5	11	43
Total	¥6,232	¥5,891	$53,933

＊1 ¥567 million ($5,336 thousand) of ¥5,777 million ($54,371 thousand) for guarantees on loans from financial institutions for the year ended February 28, 2021 have been counter-guaranteed from Keppel Land Ltd.

＊2 ¥77 million ($725 thousand) of ¥103 million ($970 thousand) for guarantees on loans from financial institutions for the year ended February 28, 2021 have been counter-guaranteed from Edufit International Education Corporation Joint Stock Company.

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

20 SHAREHOLDERS' EQUITY

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

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

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

1. Number of shares issued

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

	Number of shares			
	2021			
Common stock	March 1, 2020	Increase	Decrease	February 28, 2021
Number of shares issued	177,759,481	—	—	177,759,481

2. Treasury shares

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

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

	Number of shares			
	2021			
Common stock	March 1, 2020	Increase	Decrease	February 28, 2021
Treasury shares	11,026,113	361	100	11,026,374

＊1 The number of treasury shares increased by 361 shares due to the purchase of fractional shares of less than one voting unit.
＊2 The number of treasury shares decreased by 100 shares due to the transfer of fractional shares in response to purchase requests.

3. Stock options

Not applicable.

4. Dividends

(1) Payments of dividends

2022

Approval	Type of shares	Total dividends		Dividends per share		Record date	Effective date
May 25, 2021 shareholders' meeting	**Common stock**	**¥2,001 millions**	**$17,317 thousands**	**¥12.00**	**$0.10**	**February 28, 2021**	**May 26, 2021**
October 14, 2021 board of directors	**Common stock**	**¥2,001 millions**	**$17,317 thousands**	**¥12.00**	**$0.10**	**August 31, 2021**	**November 22, 2021**

2021

Approval	Type of shares	Total dividends	Dividends per share	Record date	Effective date
May 19, 2020 shareholders' meeting	Common stock	¥2,001 millions	¥12.00	February 29, 2020	May 20, 2020
October 13, 2020 board of directors	Common stock	¥2,001 millions	¥12.00	August 31, 2020	November 20, 2020

(2) Dividends payment whose record date is attributable to the accounting period ended February 28, 2022 and February 28, 2021 but which becomes effective after the said accounting period

2022

Approval	Type of shares	Source of dividends	Total dividends		Dividends per share		Record date	Effective date
May 24, 2022 shareholders' meeting	**Common stock**	**Retained earnings**	**¥2,001 millions**	**$17,317 thousands**	**¥12.00**	**$0.10**	**February 28, 2022**	**May 25, 2022**

2021

Approval	Type of shares	Source of dividends	Total dividends	Dividends per share	Record date	Effective date
May 25, 2021 shareholders' meeting	Common stock	Retained earnings	¥2,001 millions	¥12.00	February 28, 2021	May 26, 2021

21 PER SHARE INFORMATION

Per share information for the years ended February 28, 2022 and February 28, 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Basic profit (loss) attributable to owners of parent per share			
Income (Loss) (numerator):			
Profit (Loss) attributable to owners of parent	¥5,360	¥(33,970)	$46,387
Amounts not belonging to common shareholders	—	—	—
Profit (Loss) attributable to owners of parent concerning common stock	5,360	(33,970)	46,387
Shares (denominator):			
Weighted average number of shares	166,733,003	166,733,259	166,733,003
Basic earnings (loss) per share	¥32.14	¥(203.74)	$0.28
Diluted profit attributable to owners of parent per share			
Income (Loss) (numerator):			
Profit (Loss) attributable to owners of parent	¥5,360	¥(33,970)	$46,387
Amounts not belonging to common shareholders	—	—	—
Profit (Loss) attributable to owners of parent concerning common stock	5,360	(33,970)	46,387
Effect of dilutive securities — convertible bonds	(20)	—	(173)
Adjusted profit attributable to owners of parent	5,340	(33,970)	46,214
Shares (denominator):			
Weighted average number of shares	166,733,003	166,733,259	166,733,003
Assumed conversion of convertible bonds	27,522,935	—	27,522,935
Adjusted weighted average number of shares	194,255,938	166,733,259	194,255,938
Diluted earnings per share	¥27.48	¥—	$0.24

* "Diluted earnings per share" for the previous fiscal year is not shown because the Companies recorded a net loss per share, despite the existence of dilutive potential shares.

Net assets per share as of February 28, 2022 and February 28, 2021 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net assets per share			
Net assets (numerator):			
Total net assets	¥420,490	¥415,112	$3,639,031
Non-controlling interests	(21,920)	(20,794)	(189,702)
Adjusted net assets	398,570	394,318	3,449,329
Common stock (denominator):			
Issued number of shares	177,759,481	177,759,481	177,759,481
Treasury shares	(11,027,076)	(11,026,374)	(11,027,076)
Outstanding number of shares	166,732,405	166,733,107	166,732,405
Net assets per share	¥2,390.47	¥2,364.96	$20.69

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

1. Gain on sales of non-current assets

Gain on sales of non-current assets for the years ended February 28, 2022 and February 28, 2021 consisted of the following:

	Millions of yen	
	2022	2021
	Book value	Book value
Buildings	¥126	¥—
Land	0	¥—
Total	¥126	¥—

	Thousands of U.S. dollars
	2022
	Book value
Buildings	$1,090
Land	0
Total	$1,090

2. Loss on retirement of non-current assets

Loss on retirement of non-current assets for the years ended February 28, 2022 and February 28, 2021 consisted of the following:

	Millions of yen	
	2022	2021
	Book value	Book value
Buildings and structures	¥398	¥496
Other non-current assets	1,603	133
Cost of restoration	883	1,239
Total	¥2,884	¥1,868

	Thousands of U.S. dollars
	2022
	Book value
Buildings and structures	$3,444
Other non-current assets	13,873
Cost of restoration	7,642
Total	$24,959

23 IMPAIRMENT LOSS

Impairment loss is recognized for the following asset groups.

	Location	Category by use	Assets	Millions of yen 2022	Thousands of U.S. dollars 2022
				Impairment loss	
The Company Tachikawa Store	Tachikawa, Japan	Stores	Buildings	¥193	$1,670
			Others	75	649
The Company Sakai Store	Sakai, Japan	Stores	Buildings	25	216
			Others	48	415
The Company Senboku Store	Sakai, Japan	Stores	Buildings	33	286
			Others	60	519
Okayama Takashimaya Co.,Ltd.	Okayama, Japan	Stores	Buildings	62	537
			Others	137	1,186
Toshin Development Co., Ltd.	Tokyo, Japan	Stores	Buildings	1,592	13,778
			Others	286	2,475
Others		Stores	Buildings	61	528
			Others	47	407
Total				¥2,619	$22,666

The Company and its subsidiaries group their assets mainly by store as a basic and minimum unit that generates cash flows.
The book value of the asset group that is expected to post consecutive losses from operating activities has been reduced to the recoverable amount, and such reduction was recorded as an impairment loss of ¥6,846 million ($64,433 thousand) under other expenses.
The recoverable amount is based on the value in use or net realizable value. The value in use is assessed as zero, as no future cash flow is expected to be generated from the asset groups.
In addition, net realizable value is calculated based on real estate appraisal value and others.

	Location	Category by use	Assets	Millions of yen 2021
				Impairment loss
The Company Tachikawa Store	Tachikawa, Japan	Stores	Land	¥2,760
			Buildings	¥1,991
			Others	157
The Company Sakai Store	Sakai, Japan	Stores	Buildings	1,117
			Others	36
The Company Senboku Store	Sakai, Japan	Stores	Buildings	535
			Others	34
Others		Stores	Buildings	148
			Others	68
Total				¥6,846

The Company and its subsidiaries group their assets mainly by store as a basic and minimum unit that generates cash flows.
The book value of the asset group that is expected to post consecutive losses from operating activities has been reduced to the recoverable amount, and such reduction was recorded as an impairment loss of ¥8,980 million under other expenses.
The recoverable amount is based on the value in use or net realizable value. The value in use is calculated by discounting future cash flows by 4.5%, but such value is assessed as zero when no future cash flows are expected to be generated.
In addition, net realizable value is calculated based on real estate appraisal value when the book value is material, and otherwise calculated based on roadside land price and others.

24 LOSS AND GAIN ON THE COVID-19 PANDEMIC

Subsidy income is the subsidies received, including ¥1,111 million ($9,615 thousand) of government subsidies for the employment adjustment received in relation to “Loss related to COVID-19”.
Loss related to COVID-19 is the fixed costs (personnel expenses, rent expenses, depreciation, and others) incurred because of temporary closure of the Companies’ commercial facilities due to requests from the government and local authorities.

25 OTHER COMPREHENSIVE INCOME

The recycling and effect of deferred income taxes on the other comprehensive income for the years ended February 28, 2022 and February 28, 2021 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Valuation difference on available-for-sale securities			
Occurrence amount	¥63	¥1,352	¥545
Recycling	(2,501)	3,583	(21,644)
Before tax effect	(2,438)	4,935	(21,099)
Tax effect	816	(1,519)	7,062
Valuation difference on available-for-sale securities	(1,622)	3,416	(14,037)
Deferred gains or losses on hedges			
Occurrence amount	(2)	2	(17)
Tax effect	1	(1)	8
Deferred gains or losses on hedges	(1)	1	(9)
Revaluation reserve for land			
Tax effect	—	(2,792)	—
Foreign currency translation adjustments realized for the year			
Occurrence amount	3,990	(2,844)	34,530
Remeasurements of defined benefit plans, net of tax			
Occurrence amount	(507)	1,422	(4,388)
Recycling	(627)	(420)	(5,426)
Before tax effect	(1,134)	1,002	(9,814)
Tax effect	344	(300)	2,977
Remeasurements of defined benefit plans, net of tax	(790)	702	(6,837)
Share of other comprehensive income of entities accounted for using the equity method			
Occurrence amount	2,075	(1,236)	17,958
Recycling	46	7	398
Share of other comprehensive income of entities accounted for using the equity method	2,121	(1,229)	18,356
Total other comprehensive income	¥3,698	¥(2,746)	$32,003

26 SIGNIFICANT SUBSEQUENT EVENTS

Not applicable

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Independent Auditor's Report

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

Opinion

We have audited the accompanying consolidated financial statements of Takashimaya Company, Limited. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at February 28, 2022 and 2021, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at February 28, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of Takashimaya Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet for the current fiscal year, property, plant and equipment of ¥706,307 million and intangible assets of ¥35,932 million were recognized. As stated in Note 2, "Significant accounting estimates" to the consolidated financial statements, Takashimaya Co., Ltd. (hereinafter referred to as the "Company"), which operates a department store business, had non-current assets of ¥505,984 million (consisting of property, plant and equipment of ¥486,612 million and intangible assets of ¥19,372 million), which accounted for 44.2% of total assets in the consolidated financial statements. Of these amounts, the non-current assets of the five largest stores (Osaka, Kyoto, Nihonbashi, Yokohama and Shinjuku) totaled ¥356,458 million, which	The primary procedures we performed to assess the reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of each of the five largest stores and those of the larger unit including the five largest stores and common assets of the Company included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimate of the total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on the non-current assets of each store and those of a larger unit

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Reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of Takashimaya Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
accounted for 31.1% of total assets in the consolidated financial statements. The Company groups assets mainly based on individual stores, which are considered as the smallest units that produce largely independent cash flows. These non-current assets except for land are depreciated on a systematic basis, but if there is an indication of impairment, the Company determines if it is necessary to recognize an impairment loss by comparing the total amount of undiscounted future cash flows to be generated from an asset group with its carrying amount. In addition, if there is an indication of impairment for a larger unit of asset groups including common assets, the Company determines whether an impairment loss should be recognized on the larger unit of asset groups including common assets. If, as a result of the assessment, it is determined that an impairment loss needs to be recognized, the carrying amount is reduced to the recoverable amount and the resulting decrease in the carrying amount is recognized as an impairment loss. In the current fiscal year, in addition to the operating income of the five largest stores being negative for two consecutive fiscal years due to the slow recovery of sales, a decline in product profitability, and high operating expenses amid the prolonged coronavirus pandemic, the Company's operating income in its financial statements on a stand-alone basis has also been negative for two consecutive fiscal years. Accordingly, the Company identified indications of impairment for each asset group representing each of the five largest stores as well as a larger unit including those asset groups and common assets, and assessed whether an impairment loss should be recognized. As a result of this assessment, because the total amount of undiscounted future cash flows estimated for each asset group comprising the five largest stores and for the larger unit including those asset groups and common assets exceeded their respective carrying amounts, the Company determined it was not necessary to recognize an impairment loss on any of the five largest stores or the larger unit including the five largest stores and common assets. The total amount of undiscounted future cash flows was estimated based on the three-year business plan of the Takashimaya Group. Since the business plan was formulated based on expectations, including the recovery of store sales, the effect of measures to	including the stores and common assets of the Company. **(2) Assessment of the reasonableness of the estimated total amount of undiscounted future cash flows** In order to assess whether key assumptions embedded in the business plan underlying the estimated total amount of undiscounted future cash flows from each of the five largest stores and the larger unit including the five largest stores and common assets were appropriate, we confirmed that the Board of Directors had resolved to approve the Takashimaya Group's three-year plan, and then inquired of management and the personnel responsible for relevant departments about the basis on which those assumptions were developed. In addition, we: ● compared the recovery of store sales with the results of the current and previous fiscal years, and forecast reports published by third-party organizations, among others; ● assessed the consistency of the effect of measures to increase revenue with available external information, and compared them with the results of similar measures undertaken in the past; and ● inspected the worksheets that calculated the effect of each item of operating cost reductions, compared them with the results of similar measures undertaken in the past, and then analyzed the impact, if any, on the business plan when specific uncertainties were incorporated into the assumptions. In addition, in order to evaluate the reasonableness of the valuation method and key assumptions used in calculating the real estate appraisal value, which formed a portion of the net realizable value included in the total amount of undiscounted future cash flows from each of the five largest stores and the larger unit including the five largest stores and common assets, we inquired of management, the personnel responsible for relevant departments, and the experts engaged by management about their rationale, with the assistance of real estate valuation specialists within our network firms. In addition, we: ● inspected the real estate appraisal report used by the Company and assessed the

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Reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of Takashima ya Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
increase revenue, and the effect of operating cost reductions through reforms in the cost structure considering the results of past fiscal years, it involved a high degree of subjective judgment by management in addition to estimation uncertainty. In addition, a portion of the net realizable value included in the total amount of undiscounted future cash flows was based on the real estate appraisal value calculated by the real estate appraiser. However, the valuation method for the real estate appraisal and key assumptions that formed the basis of the calculation not only involved subjective judgment of management, but also required a high degree of real estate valuation expertise. We, therefore, determined that our assessment of the reasonableness of the estimated total amount of undiscounted future cash flows used in determining whether an impairment loss should be recognized on non-current assets of each of the five largest stores and those of the larger unit including the five largest stores and common assets of the Company was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	appropriateness of the valuation method for the real estate appraisal; and ● compared key assumptions that form the basis for the calculation with historical results and market data, among others.

Reasonableness of the estimated future taxable income that served as the basis for determining the recoverability of deferred tax assets of Takashimaya Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet for the current fiscal year, deferred tax assets of ¥26,375 million were recognized. Of this amount, deferred tax assets of ¥18,417 million were recognized in the financial statements of Takashimaya Co., Ltd. (hereinafter referred to as the "Company") on a stand-alone basis that were included in the consolidated financial statements. As described in the Note on "Income Taxes" to the non-consolidated financial statements, the amount of total deferred tax assets before being offset by deferred tax liabilities amounted to ¥34,338 million, which was the total gross deferred tax assets of ¥48,682 million for deductible temporary differences and tax loss carryforwards, less valuation allowances of ¥14,343 million. Deferred tax assets are recognized to the extent that deductible temporary differences and tax loss carryforwards are expected to offset future taxable income and reduce income tax payments. As stated	The primary procedures we performed to assess the reasonableness of the estimated future taxable income that serves as the basis for determining the recoverability of deferred tax assets of the Company included the following: **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the estimate of future taxable income that served as the basis for determining the recoverability of its deferred tax assets. **(2) Assessment of the reasonableness of the estimated future taxable income of the Company** In order to assess whether key assumptions embedded in the Company's business plan underlying the estimated future taxable income were

Reasonableness of the estimated future taxable income that served as the basis for determining the recoverability of deferred tax assets of Takashimaya Co., Ltd.	
The key audit matter	**How the matter was addressed in our audit**
in Note 2, "Summary of significant accounting policies" to the consolidated financial statements, the Company has elected to file a consolidated income tax return with certain of its domestic subsidiaries (hereinafter referred to as "consolidated tax return group companies"), and determines the recoverability of its deferred tax assets related to corporate income tax and local corporate income tax in consideration of future taxable income of the whole consolidated tax return group companies as one taxpayer (hereinafter referred to as the "consolidated tax-paying entity"). The estimated amount of future taxable income for the consolidated taxpaying entity was calculated using the business plan of each of the consolidated tax return group companies developed based on the Takashimaya Group's three-year plan. Since the Company's business plan, in particular, was formulated based on expectations, including the recovery of store sales, the effect of measures to increase revenue, and the effect of operating cost reductions through reforms in the cost structure considering the results of past fiscal years, it involved a high degree of subjective judgment by management in addition to estimation uncertainty. We, therefore, determined that our assessment of the reasonableness of the estimated future taxable income that served as the basis for determining the recoverability of deferred tax assets of the Company was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	appropriate, we confirmed that the Board of Directors had resolved to approve the Takashimaya Group's three-year plan, and then inquired of management and the personnel responsible for relevant departments about the basis on which those assumptions were developed. In addition, we: ● compared the recovery of store sales with the results of the current and previous fiscal years, and forecast reports published by third-party organizations, among others; ● assessed the consistency of the effect of measures to increase revenue with available external information, and compared them with the results of similar measures undertaken in the past; and ● inspected the worksheets that calculated the effect of each item of operating cost reductions and compared them with the results of similar measures undertaken in the past, and then analyzed the impact, if any, on the business plan when specific uncertainties were incorporated into the assumptions.

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

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

前野 充次

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August 29, 2022

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Printed in Japan