Takashimaya

TAKASHIMAYA FINANCIAL STATEMENTS

For the Year Ended February 28, 2009

CONTENTS

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28 (29), 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
ASSETS	**2009**	2008	2007	**2009**
Current assets:				
Cash and deposits (Notes 3 and 11)	**¥ 31,166**	¥ 35,131	¥ 40,010	**$ 318,638**
Marketable securities (Notes 3, 4 and 11)	**20**	5,000	15,600	**204**
Notes and accounts receivable:				
Trade	**98,126**	95,900	72,089	**1,003,231**
Non-consolidated subsidiaries and affiliated companies	**834**	497	534	**8,527**
Other	**9,184**	10,926	6,836	**93,896**
Less: Allowance for doubtful accounts	**(903)**	(949)	(612)	**(9,232)**
	107,241	106,374	78,847	**1,096,422**
Inventories (Note 5)	**44,890**	43,730	41,494	**458,951**
Deferred tax assets (Note 12)	**8,321**	8,011	6,211	**85,073**
Other current assets	**14,980**	14,643	76,696	**153,154**
Total current assets	**206,618**	212,889	258,858	**2,112,442**
Investments and advances:				
Investment securities (Notes 4 and 11)	**47,118**	55,574	70,886	**481,730**
Investments in and advances to:				
Non-consolidated subsidiaries and affiliated companies	**27,736**	31,454	29,276	**283,570**
Other	**8,020**	7,825	89,152	**81,996**
Less: Allowance for doubtful accounts	**(3,554)**	(3,017)	(3,078)	**(36,336)**
	32,202	36,262	115,350	**329,230**
Total investments and advances	**79,320**	91,836	186,236	**810,960**
Property and equipment:				
Land (Notes 6, 10 and 16)	**202,166**	201,016	142,230	**2,066,926**
Buildings and structures (Notes 6 and 10)	**330,882**	325,840	273,640	**3,382,906**
Equipment and fixtures (Note 6)	**30,957**	31,107	30,035	**316,501**
Construction in progress	**9,898**	11,429	15,357	**101,196**
	573,903	569,392	461,262	**5,867,529**
Less: Accumulated depreciation	**(191,094)**	(184,783)	(179,868)	**(1,953,727)**
Total property and equipment	**382,809**	384,609	281,394	**3,913,802**
Leasehold and other deposits (Notes 7 and 11)	**43,788**	42,937	36,876	**447,684**
Goodwill (Note 22)	**955**	1,050	1,145	**9,764**
Deferred tax assets (Note 12)	**19,150**	10,889	3,738	**195,788**
Other assets	**18,318**	14,661	14,749	**187,282**
Total assets	**¥750,958**	¥ 758,871	¥ 782,996	**$7,677,722**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	2007	Thousands of U.S. dollars (Note 1) 2009
Current liabilities:				
Short-term bank loans (Note 8)	**¥ 5,800**	¥ 5,800	¥ 5,800	**$ 59,299**
Current portion of long-term debt (Note 8)	**19,681**	10,273	55,099	**201,217**
Commercial paper (Note 8)	**13,000**	—	—	**132,911**
Notes and accounts payable:				
Trade	**85,623**	96,334	95,750	**875,401**
Non-consolidated subsidiaries and affiliated companies	**3,565**	3,588	3,271	**36,448**
Other	**14,097**	11,623	15,913	**144,127**
	103,285	111,545	114,934	**1,055,976**
Accrued income taxes (Note 12)	**3,572**	8,940	9,959	**36,520**
Accrued expenses	**7,759**	8,069	9,039	**79,327**
Allowance for directors' and corporate auditors' bonuses	**14**	81	92	**143**
Gift certificates outstanding	**49,573**	51,515	44,638	**506,829**
Advances received	**73,537**	71,631	67,877	**751,835**
Employees' saving deposits	**15,792**	16,041	16,374	**161,456**
Allowance for Point Gift Certificates	**4,178**	4,437	3,732	**42,715**
Allowance for loss on disposal of property and equipment	**811**	1,451	2,379	**8,292**
Other current liabilities	**16,829**	12,251	11,135	**172,058**
Total current liabilities	**313,831**	302,034	341,058	**3,208,578**
Long-term debt (Note 8)	**63,756**	68,686	55,593	**651,835**
Deposits from tenants	**23,532**	29,659	31,353	**240,589**
Allowance for employees' retirement benefits (Note 14)	**56,639**	55,574	56,824	**579,072**
Allowance for directors' and corporate auditors' retirement benefits	**284**	285	606	**2,903**
Deferred tax liabilities (Note 12)	**72**	113	124	**736**
Deferred tax liabilities related to land revaluation (Note 16)	**10,267**	10,081	10,184	**104,969**
Long-term accounts payable	**196**	235	13	**2,004**
Other long-term liabilities	**470**	951	412	**4,805**
Total liabilities	**469,047**	467,618	496,167	**4,795,491**
Contingent liabilities (Note 13)				
Net assets				
Owners' equity (Note 15):				
Common stock:				
Authorized: 600,000 thousand shares				
Issued: 330,827,625 shares in 2009				
330,827,625 shares in 2008	**56,025**	56,025	56,025	**572,794**
330,827,625 shares in 2007				
Capital surplus	**45,085**	45,081	45,077	**460,945**
Retained earnings	**169,705**	161,524	145,975	**1,735,047**
Less: Treasury stock, at cost, 883,094 shares in 2009				
862,336 shares in 2008	**(502)**	(478)	(425)	**(5,132)**
827,002 shares in 2007				
Total owners' equity	**270,313**	262,152	246,652	**2,763,654**
Accumulated gains from revaluation and translation adjustments				
Unrealized gains on available-for-sale securities, net of taxes	**2,296**	14,282	25,631	**23,474**
Unrealized losses on hedging derivatives, net of taxes	**(39)**	(3)	(1)	**(398)**
Land revaluation difference, net of taxes (Note 16)	**8,625**	8,354	8,506	**88,181**
Foreign currency translation adjustments	**(2,795)**	3,085	2,803	**(28,576)**
Total accumulated gains from revaluation and translation adjustments	**8,087**	25,718	36,939	**82,681**
Minority interests in consolidated subsidiaries	**3,511**	3,383	3,238	**35,896**
Total net assets	**281,911**	291,253	286,829	**2,882,231**
Total liabilities and net assets	**¥750,958**	¥ 758,871	¥ 782,996	**$7,677,722**

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28 (29), 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Sales and other operating revenue (Note 20)**:**				
Net sales	**¥926,282**	¥ 994,585	¥ 1,007,476	**$9,470,218**
Other operating revenue	**49,835**	48,126	41,930	**509,508**
	976,117	1,042,711	1,049,406	**9,979,726**
Operating expenses (Note 20)**:**				
Cost of sales	**678,702**	725,994	734,084	**6,938,984**
Selling, general and administrative expenses	**272,605**	279,018	281,461	**2,787,087**
	951,307	1,005,012	1,015,545	**9,726,071**
Operating income (Note 20)	**24,810**	37,699	33,861	**253,655**
Other income (expenses):				
Interest and dividend income	**1,211**	1,452	3,549	**12,381**
Interest expenses	**(1,424)**	(1,550)	(2,852)	**(14,559)**
Reversal for doubtful accounts	**(3)**	(15)	8,613	**(31)**
Loss on sale and disposal of property and equipment, net	**(3,084)**	(1,412)	(1,243)	**(31,531)**
Gain on sale of securities, net	**—**	4,038	580	**—**
Gain on sale of consolidated subsidiaries	**191**	—	1,671	**1,953**
One-time write-off of bonus gift certificates	**—**	—	(1,120)	**—**
Extra retirement bonus	**—**	(1,945)	(2,579)	**—**
Provision for loss on disposal of property and equipment	**(811)**	(1,451)	(2,379)	**(8,292)**
Gain on liquidation of gift certificates outstanding, net	**808**	871	1,653	**8,261**
Write-down of securities	**(3,176)**	(243)	—	**(32,471)**
Equity in gain of affiliated companies	**1,679**	2,504	2,152	**17,166**
Loss on impairment of property and equipment (Note 6)	**—**	—	(44)	**—**
Loss on adjustment of gift certificates	**—**	(8,580)	—	**—**
Other, net	**(245)**	818	1,075	**(2,504)**
	(4,854)	(5,513)	9,076	**(49,627)**
Income before income taxes and minority interests	**19,956**	32,186	42,937	**204,028**
Income taxes (Note 20)**:**				
Current	**8,939**	14,445	12,819	**91,391**
Deferred	**(901)**	(1,145)	4,666	**(9,212)**
	8,038	13,300	17,485	**82,179**
	11,918	18,886	25,452	**121,849**
Minority interests in earnings of consolidated subsidiaries	**(168)**	(189)	(132)	**(1,718)**
Net income	**¥ 11,750**	¥ 18,697	¥ 25,320	**$ 120,131**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28 (29), 2009, 2008 and 2007

	Number of shares issued	Millions of yen Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 28, 2006	309,024,920	39,162	28,227	127,264	(345)	194,308
Issuance of common stock under public offering	18,400,000	15,033	15,022			30,055
Increase due to conversion of convertible bonds	3,402,705	1,830	1,825			3,655
Cash dividends paid				(2,857)		(2,857)
Net income for the fiscal year				25,320		25,320
Gain on sales of treasury stock and increase in treasury stock, net			3		(80)	(77)
Reversal of revaluation reserve for land				(3,752)		(3,752)
Net changes during the year						—
Balance, February 28, 2007	330,827,625	56,025	45,077	145,975	(425)	246,652
Cash dividends paid				(3,300)		(3,300)
Net income for the fiscal year				18,697		18,697
Gain on sales of treasury stock and increase in treasury stock, net			4		(53)	(49)
Reversal of revaluation reserve for land				152		152
Net changes during the year						—
Balance, February 29, 2008	330,827,625	56,025	45,081	161,524	(478)	262,152
Cash dividends paid				(3,299)		(3,299)
Net income for the fiscal year				11,750		11,750
Gain on sales of treasury stock and increase in treasury stock, net			4		(24)	(20)
Reversal of revaluation reserve for land				(270)		(270)
Net changes during the year						—
Balance, February 28, 2009	330,827,625	56,025	45,085	169,705	(502)	270,313

	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Millions of yen Foreign currency translation adjustments	Total accumulated gains from revaluation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance, February 28, 2006	27,180	—	4,754	1,013	32,947	532	227,787
Issuance of common stock under public offering					—		30,055
Increase due to conversion of convertible bonds					—		3,655
Cash dividends paid					—		(2,857)
Net income for the fiscal year					—		25,320
Gain on sales of treasury stock and increase in treasury stock, net					—		(77)
Reversal of revaluation reserve for land					—		(3,752)
Net changes during the year	(1,549)	(1)	3,752	1,790	3,992	2,706	6,698
Balance, February 28, 2007	25,631	(1)	8,506	2,803	36,939	3,238	286,829
Cash dividends paid					—		(3,300)
Net income for the fiscal year					—		18,697
Gain on sales of treasury stock and increase in treasury stock, net					—		(49)
Reversal of revaluation reserve for land					—		152
Net changes during the year	(11,349)	(2)	(152)	282	(11,221)	145	(11,076)
Balance, February 29, 2008	14,282	(3)	8,354	3,085	25,718	3,383	291,253
Cash dividends paid					—		(3,299)
Net income for the fiscal year					—		11,750
Gain on sales of treasury stock and increase in treasury stock, net					—		(20)
Reversal of revaluation reserve for land					—		(270)
Net changes during the year	(11,986)	(36)	271	(5,880)	(17,631)	128	(17,503)
Balance, February 28, 2009	2,296	(39)	8,625	(2,795)	8,087	3,511	281,911

See accompanying notes.

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 29, 2008	572,794	460,904	1,651,406	(4,887)	2,680,217
Cash dividends paid			(33,729)		(33,729)
Net income for the fiscal year			120,131		120,131
Gain on sales of treasury stock and increase in treasury stock, net		41		(245)	(204)
Reversal of revaluation reserve for land			(2,761)		(2,761)
Net changes during the year					
Balance, February 28, 2009	572,794	460,945	1,735,047	(5,132)	2,763,654

	Thousands of U.S. dollars (Note 1)						
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Total accumulated gains from revaluation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
Balance, February 29, 2008	146,018	(31)	85,410	31,541	262,938	34,587	2,977,742
Cash dividends paid					—		(33,729)
Net income for the fiscal year					—		120,131
Gain on sales of treasury stock and increase in treasury stock, net					—		(204)
Reversal of revaluation reserve for land					—		(2,761)
Net changes during the year	(122,544)	(367)	2,771	(60,117)	(180,257)	1,309	(178,948)
Balance, February 28, 2009	23,474	(398)	88,181	(28,576)	82,681	35,896	2,882,231

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28 (29), 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥19,956**	¥ 32,186	¥ 42,937	**$204,028**
Depreciation	**15,381**	14,687	12,226	**157,254**
Loss on impairment of property and equipment	**—**	—	44	**—**
Amortization of goodwill	**95**	95	95	**971**
Increase (decrease) in allowance for doubtful accounts	**490**	277	(9,037)	**5,010**
Decrease in allowance for directors' and corporate auditors' bonuses	**(67)**	(11)	(7)	**(685)**
Increase (decrease) in allowance for employees' retirement benefits	**1,066**	(1,251)	(545)	**10,899**
(Decrease) increase in allowance for directors' and corporate auditors' retirement benefits	**(2)**	(321)	69	**(20)**
Decrease (increase) in allowance for Point Gift Certificates	**(215)**	703	528	**(2,198)**
Loss on adjustment of gift certificates	**—**	8,580	—	**—**
(Decrease) increase in allowance for loss on disposal of property and equipment	**(640)**	(928)	2,379	**(6,543)**
Interest and dividend income	**(1,211)**	(1,452)	(3,549)	**(12,381)**
Interest expenses	**1,424**	1,550	2,852	**14,559**
Equity in gain of affiliated companies	**(1,679)**	(2,504)	(2,152)	**(17,166)**
Gain on sale of property and equipment, net	**(79)**	(1,603)	(3,567)	**(808)**
Loss on disposal of property and equipment	**2,809**	3,737	3,018	**28,719**
Gain on sale of securities, net	**(4)**	(4,037)	(833)	**(41)**
Gain on sale of consolidated subsidiaries	**—**	—	(1,418)	**—**
Write-down of securities	**3,176**	243	2	**32,471**
Increase in notes and accounts receivable	**(2,697)**	(23,383)	(9,989)	**(27,574)**
Increase in inventories	**(1,337)**	(2,254)	(284)	**(13,669)**
Decrease (increase) in notes and accounts payable	**(9,974)**	698	1,921	**(101,973)**
Decrease in leasehold and other deposits	**—**	55,041	6,819	**—**
Other	**2,481**	(220)	(4,819)	**25,364**
Subtotal	**28,973**	79,833	36,690	**296,217**
Interest and dividend income received	**1,960**	3,122	4,166	**20,039**
Interest expenses paid	**(1,631)**	(2,102)	(3,746)	**(16,675)**
Income taxes paid	**(14,615)**	(15,372)	(8,348)	**(149,423)**
Net cash provided by operating activities	**14,687**	65,481	28,762	**150,158**
Cash flows from investing activities:				
Purchase of time deposits	**(3,930)**	(56)	(61)	**(40,180)**
Repayment of time deposits	**213**	56	61	**2,178**
Purchase of securities	**(13,282)**	(6,015)	(2,025)	**(135,794)**
Proceeds from sale of securities	**1,843**	4,415	11,057	**18,843**
Purchase of property and equipment	**(23,352)**	(47,621)	(29,544)	**(238,749)**
Proceeds from sale of property and equipment	**269**	3,694	7,813	**2,750**
Increase in long-term advances	**(29)**	(48)	(30)	**(296)**
Proceeds from collection of long-term advances	**39**	53	1,059	**399**
Other	**(120)**	—	1,594	**(1,227)**
Net cash used in investing activities	**(38,349)**	(45,522)	(10,076)	**(392,076)**
Cash flows from financing activities:				
Net decrease in short-term bank loans	**—**	—	(50)	**—**
Net increase (decrease) in commercial paper	**13,000**	—	—	**132,911**
Proceeds from long-term bank loans	**15,000**	14,500	4,000	**153,359**
Payment of long-term bank loans	**(10,523)**	(46,233)	(38,907)	**(107,586)**
Proceeds from issuance of bonds	**—**	10,000	—	**—**
Redemption of bonds	**—**	(10,000)	(8,000)	**—**
Proceeds from sale of treasury stock	**13**	6	4	**133**
Cash dividends paid	**(3,300)**	(3,300)	(2,857)	**(33,739)**
Issuance of new shares	**—**	—	30,055	**—**
Other	**(68)**	(98)	(94)	**(696)**
Net cash used in financing activities	**14,122**	(35,125)	(15,849)	**144,382**
Effect of exchange rate changes	**(2,615)**	110	528	**(26,736)**
(Net decrease) net increase in cash and cash equivalents	**(12,155)**	(15,056)	3,365	**(124,272)**
Cash and cash equivalents at beginning of year	**39,905**	54,961	51,596	**407,985**
Cash and cash equivalents at end of year (Note 3)	**¥27,750**	¥ 39,905	¥ 54,961	**$283,713**

See accompanying notes.

1 BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

The accounts of overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statements of changes in net assets from 2006) from the consolidated financial statements of the Company, prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 28, 2009, which was ¥97.81 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

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

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

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

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

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

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

In the year ended February 28, 2009, Sunroser P&C Company, Limited merged with Fashion Plaza 21 Company, Ltd. and changed its name to Fashion Plaza Sunroser Company Limited.

The Golden Spa New Otani Co., Ltd. was excluded from the scope of equity method-affiliated companies due to the transfer of all shares held by the company to NEW OTANI CO., LTD.

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

(b) Foreign currency translation

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

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

(c) Cash and cash equivalents

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

(d) Securities

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

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

(e) Derivatives and hedging transactions

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

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

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

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

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

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

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

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

(f) Allowance for doubtful accounts

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

(g) Inventories

Inventories are valued at cost determined by the following methods:

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

(h) Property and equipment

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

In accordance with the revision of the Japanese Corporate Tax Law, the Company and certain domestic consolidated subsidiaries depreciate the difference between 5% of the acquisition price and the memorandum price of a tangible fixed asset acquired before March 31, 2007 over five years from the fiscal year following the year in which the tangible fixed asset is depreciated to 5% of the acquisition price, based on the depreciation method under the Japanese Corporate Tax Law before the revision.

There is no significant impact on income as a result of this change.

(i) Impairment of fixed assets

Calculation of the impairment of fixed assets is based on reasonable and supportable assumptions and projection of the grouping of assets and recoverable value, with due consideration for the specific conditions of each company. The recoverable amount of assets is calculated based on net selling price.

(j) Software

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

(k) Allowance for Point Gift Certificates

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

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

(l) Allowance for loss on disposal of property and equipment

In the fiscal year under review the Company has set aside a reasonable estimate of losses it expects to incur in association with the future disposal of buildings, etc. and related demolition costs due to large-scale sales floor remodelling and construction.

(m) One-time write-off of bonus gift certificates

Consolidated subsidiaries have, as a one-time write-off, expensed an amount equivalent to the bonus certificate portion of gift certificates collected in the past. The bonus certificate is a credit that the customer receives after paying 12 months worth of deposits into Takashimaya's gift certificate reserve.

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

An allowance for directors' and corporate auditors' bonuses is provided for the estimated amounts which the Company is obligated to pay to directors and corporate auditors subject to the resolution of the general shareholders' meeting subsequent to the fiscal year-end.

(o) Allowance for employees' retirement benefits

The Companies provide an allowance for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

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

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

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

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

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

(q) Accounting for leases

Finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, are accounted for in the same manner as operating leases.

(r) Income taxes

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

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

(s) Per share information

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

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

(t) Changes in Accounting Treatment

(1) Amount of Gift Certificates Recorded in the Consolidated Balance Sheets

Previously, the Companies had reversed gift certificates to other income after a certain period of time had passed, in accordance with a standard similar to that prescribed in the Corporation Tax Law. Following the publication of Audit Treatment for Reserves of Special Taxation Measures Law, and Allowances or Reserves of Special Law (Report No. 42 of the Japanese Institute of Certified Public Accountants Audit and Assurance Practice Committee), the Companies have reasonably estimated and recorded in the consolidated balance sheets the estimated amount of gift certificates to be redeemed from the year ended February 29, 2008. According to this change, the Companies have recorded a "Loss on adjustment of gift certificates" of ¥8,580 million in the consolidated statements of income. In comparison with the accounting method used in the previous year, income before income taxes and minority interests decreased by ¥9,378 million.

(2) Depreciation Method of Tangible Fixed Assets

According to the revision to the Corporation Tax Law (Law for Partial Revision of the Income Tax Law (Law No. 6, March 30, 2007) and the Cabinet Order for the Partial Amendment of the Corporation Tax Law Enforcement Regulations (Cabinet Order No. 83, March 30, 2007), the Company has changed the depreciation method on tangible fixed assets acquired on and after April 1, 2007 to a method based on the revised Corporation Tax Law. The impact of this change on profit and loss is immaterial. The impact of this change on segment information is described in the corresponding section.

(3) Change in Translation Method of Revenues and Expenses of Foreign Subsidiaries and Affiliates

Effective from the year ended February 28, 2009, the method for translation of revenues and expenses of foreign subsidiaries and affiliates to Japanese yen was changed from translation at the current rate at the end of the fiscal year to translation at the average rate during the fiscal year.

This change was made to properly reflect the related gains and losses that occur throughout the accounting period in the consolidated financial statements by averaging the impacts of temporary fluctuations in exchange rates.

In comparison with the accounting method used in the previous year, operating revenues, operating income and income before income taxes and minority interests increased by ¥5,593 million ($57,182 thousand), ¥386 million ($3,946 thousand) and ¥582 million ($5,950 thousand), respectively.

(u) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation. These changes had no impact on previously reported results of operations.

3 | CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents at February 28 (29), 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Cash and deposits	**¥31,166**	¥35,131	¥40,010	**$318,638**
Time deposits with maturities exceeding three months	**(3,416)**	(226)	(49)	**(34,925)**
Certificate of deposits	**—**	5,000	15,000	**—**
	¥27,750	¥39,905	¥54,961	**$283,713**

(b) Significant non-cash transactions

(1) Conversion of convertible bonds

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Increase in capital stock by conversion of convertible bonds	**¥—**	¥ —	¥ 1,830	**$—**
Increase in capital surplus by conversion of convertible bonds	**—**	—	1,825	**—**
Decrease in convertible bonds by conversion of convertible bonds	**—**	—	3,619	**—**

(2) Acquisition of tangible fixed assets through repayment of real estate convertible loan

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Decrease in long-term loans through conversion of real estate convertible loan	**¥—**	¥ 82,730	¥ —	**$—**
Acquisition of tangible fixed assets through the above conversion	**¥—**	¥ 81,007	¥ —	**$—**

4 | SECURITIES

(a) The following tables summarize the acquisition costs, book values and fair values of securities with available fair values as of February 28 (29), 2009 and 2008 and 2007:

(1) Held-to-maturity debt securities:

Securities with available fair values exceeding book values:

	Millions of yen								
	2009			2008			2007		
Type	**Book value**	**Fair value**	**Difference**	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	**¥12,009**	**¥12,509**	**¥500**	¥12,010	¥12,430	¥420	¥10,612	¥10,741	¥129

	Thousands of U.S. dollars		
	2009		
Type	**Book value**	**Fair value**	**Difference**
Government bonds	$122,779	$127,891	$5,112

(2) Available-for-sale securities:

Securities with book values exceeding acquisition costs:

	Millions of yen								
	2009			2008			2007		
Type	**Acquisition cost**	**Book value**	**Difference**	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥9,427**	**¥17,422**	**¥7,995**	¥15,376	¥38,576	¥23,200	¥17,308	¥59,270	¥41,962
Government bonds	**20**	**20**	**0**	20	20	0	20	20	0
Total	**¥9,447**	**¥17,442**	**¥7,995**	¥15,396	¥38,596	¥23,200	¥17,328	¥59,290	¥41,962

	Thousands of U.S. dollars		
	2009		
Type	Acquisition cost	Book value	Difference
Equity securities	$96,381	$178,121	$81,740
Government bonds	204	204	0
Total	$96,585	$178,325	$81,740

Other securities:

	Millions of yen								
	2009			2008			2007		
Type	**Acquisition cost**	**Book value**	**Difference**	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	**¥20,604**	**¥16,561**	**¥(4,043)**	¥4,638	¥3,839	¥(799)	¥515	¥437	¥(78)

	Thousands of U.S. dollars		
	2009		
Type	**Acquisition cost**	**Book value**	**Difference**
Equity securities	**$210,653**	**$169,318**	**$(41,335)**

The total sales for available-for-sale securities sold in the years ended February 28 (29), 2009, 2008 and 2007 amounted to ¥5,006 million ($51,181 thousand), ¥5,636 million and ¥5,751 million, respectively. The related gains amounted to ¥4 million ($41 thousand), ¥4,038 million and ¥580 million in the years ended February 28 (29), 2009, 2008 and 2007, respectively. The related losses amounted to ¥1 million ($10 thousand) in the year ended February 29, 2008.

(b) The following tables summarize the book values of securities with no available fair values as of February 28 (29), 2009, 2008 and 2007:

(1) Held-to-maturity debt securities:

Type	Millions of yen **2009**	2008	2007	Thousands of U.S. dollars **2009**
Corporate bonds	**¥4**	¥4	¥—	**$41**

(2) Equity securities of subsidiaries and affiliates:

Type	Millions of yen **2009**	2008	2007	Thousands of U.S. dollars **2009**
Subsidiaries	**¥ 2,717**	¥ 2,718	¥ 2,718	**$ 27,778**
Affiliates	**25,019**	28,736	26,558	**255,792**
Total	**¥27,736**	¥31,454	¥29,276	**$283,570**

(3) Available-for-sale securities:

Type	Millions of yen **2009**	2008	2007	Thousands of U.S. dollars **2009**
Unlisted securities	**¥1,122**	¥1,125	¥ 1,147	**$11,471**
Certificate of deposits	**—**	5,000	15,000	**—**
Total	**¥1,122**	¥6,125	¥16,147	**$11,471**

(c) Held-to-maturity debt securities and available-for-sale securities with maturities are as follows:

(1) Held-to-maturity debt securities:

Millions of yen

	2009				2008				2007			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	¥—	¥3,000	¥9,009	¥—	¥—	¥3,001	¥9,010	¥—	¥600	¥3,001	¥7,011	¥—
Corporate bonds	—	4	—	—	—	4	—	—	—	—	—	—
Total	¥—	¥3,004	¥9,009	¥—	¥—	¥3,005	¥9,010	¥—	¥600	¥3,001	¥7,011	¥—

Thousands of U.S. dollars

	2009			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	$—	$30,672	$92,107	$—
Corporate bonds	—	41	—	—
Total	$—	$30,713	$92,107	$—

(2) Available-for-sale securities:

Millions of yen

	2009				2008				2007			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	¥20	¥—	¥—	¥—	¥ —	¥20	¥—	¥—	¥ —	¥20	¥—	¥—
Other	—	—	—	—	5,000	—	—	—	15,000	—	—	—
Total	¥20	¥—	¥—	¥—	¥5,000	¥20	¥—	¥—	¥15,000	¥20	¥—	¥—

Thousands of U.S. dollars

	2009			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	$204	$—	$—	$—
Other	—	—	—	—
Total	$204	$—	$—	$—

5 | INVENTORIES

Inventories at February 28 (29), 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Merchandise	¥42,204	¥40,453	¥38,345	$431,490
Products	205	223	236	2,096
Work in process	1,959	2,465	2,346	20,028
Raw materials	115	138	174	1,176
Supplies	407	451	393	4,161
	¥44,890	¥43,730	¥41,494	$458,951

6 IMPAIRMENT OF PROPERTY AND EQUIPMENT

The Companies recorded impairment losses on the following asset group for the year ended February 28, 2007:

Location	Use	Classification	2009 (Millions of yen)	2008 (Millions of yen)	2007 (Millions of yen)
Takashimaya Logistics Co., Ltd.	Delivery center	Other	¥—	¥—	¥44

Location	Use	Classification	2009 (Thousands of U.S. dollars)
Takashimaya Logistics Co., Ltd.	Delivery center	Other	$—

The retail store is primarily considered as the lowest cash-generating unit. The book values of the cash-generating units which would incur operating losses continuously were reduced to the recoverable amount.

The amounts written down of ¥44 million for the year ended February 28, 2007 were recorded as a loss on impairment of property and equipment.

The recoverable amounts from those asset groups are based mainly on the net selling price. The net selling price is appraised as the amount of the inheritance tax evaluation in terms of land prices based on the accessibility method.

7 LEASEHOLD AND OTHER DEPOSITS

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

8 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding were generally represented by bank overdrafts and notes issued by the Companies to banks bearing interest at average rates of 1.14%, 1.05% and 0.89% at February 28 (29), 2009, 2008 and 2007, respectively.

At February 28, 2009, commercial paper bore an average annual rate of 0.30%.

Long-term debt at February 28 (29), 2009, 2008 and 2007 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
1.0% bonds due 2008	**¥ —**	¥ —	¥10,000	**$ —**
0.0% convertible bonds due 2010	**11,231**	11,231	11,231	**114,825**
2.03% bonds due 2008	**10,000**	10,000	—	**102,239**
Loans from banks, insurance companies and others due serially to 2016:				
Secured (bearing interest at rates from 1.35% to 4.85% at February 28, 2009)	**8,346**	12,533	55,687	**85,329**
Unsecured (bearing interest at rates from 1.01% to 3.04% at February 28, 2009)	**53,860**	45,195	33,774	**550,659**
	83,437	78,959	110,692	**853,052**
Less: Current portion of long-term debt	**(19,681)**	(10,273)	(55,099)	**(201,217)**
	¥63,756	¥68,686	¥55,593	**$651,835**

The current conversion price of 0.0% convertible bonds issued by the Company is ¥1,074 ($10.98). At February 28, 2009, the convertible bonds were convertible into approximately 10,560 thousand shares of common stock.

The aggregate annual maturities of long-term debt at February 28, 2009 are summarized below:

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2010	¥19,681	$201,217
2011	18,794	192,147
2012	8,283	84,685
2013	13,933	142,450
2014	12,146	124,180
2015 and thereafter	10,600	108,373
	¥83,437	$853,052

9 | COMMITMENT CONTRACT

The Company has entered into a loan commitment contract with six banks in order to procure operating funds efficiently. The unexercised loan balance related to the loan commitment at February 28, 2009 is summarized below.

	Millions of yen	Thousands of U.S. dollars
Total amount of loan commitment	¥20,000	$204,478
Exercised loan balance	—	—
Difference	¥20,000	$204,478

10 | PLEDGED ASSETS

The assets pledged as collateral for debts mainly from banks and certain other obligations at February 28 (29), 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Other current assets	**¥ —**	¥ —	¥ 60,588	**$ —**
Investment in and advances to—other	**—**	—	45,646	**—**
Land	**29,057**	35,315	20,687	**297,076**
Buildings and structures	**13,846**	14,629	9,720	**141,560**
	¥42,903	¥49,944	¥136,641	**$438,636**

11 | DEPOSITED ASSETS

The deposited assets required by the Installment Sales Law at February 28 (29), 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Cash and deposits	**¥ 840**	¥ 903	¥ 890	**$ 8,588**
Marketable securities	**20**	—	—	**204**
Investment securities	**12,009**	12,031	10,432	**122,779**
Leasehold and other deposits	**10**	10	10	**102**
	¥12,879	¥12,944	¥11,332	**$131,673**

12 | INCOME TAXES

The Companies are subject to a number of taxes based on income. The aggregate statutory tax rate in Japan was approximately 40.6% for the years ended February 28 (29), 2009, 2008 and 2007, respectively. The difference between the statutory tax rate and the Company's income tax burden after the application of tax effect accounting for the years ended February 28 (29), 2009, 2008 and 2007 is within 5% of the statutory tax rate, so this section has been omitted.

Significant components of the Companies' deferred tax assets and liabilities as of February 28 (29), 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Deferred tax assets (current):				
Accrued enterprise tax	**¥ 298**	¥ 708	¥ 747	**$ 3,047**
Undeductible allowance for doubtful accounts	**301**	241	198	**3,077**
Accrued bonuses	**242**	249	393	**2,474**
Tax effect due to liquidation of consolidated subsidiary	**503**	—	—	**5,142**
Tax loss carryforward	**678**	428	742	**6,932**
Undeductible write-down of inventories	**108**	133	144	**1,104**
Allowance for Point Gift Certificates	**2,226**	2,303	2,007	**22,758**
Allowance for disposal of property and equipment	**329**	589	966	**3,364**
Accrued severance	**—**	—	84	**—**
Accrued defined contribution plan liabilities	**—**	—	513	**—**
Adjustment of gift certificates	**4,296**	4,642	—	**43,922**
Others	**1,249**	496	488	**12,770**
Gross deferred tax assets	**10,230**	9,789	6,282	**104,590**
Less: Valuation allowance	**(341)**	(46)	(7)	**(3,486)**
Total deferred tax assets	**9,889**	9,743	6,275	**101,104**
Net deferred tax liabilities	**(1,568)**	(1,732)	(64)	**(16,031)**
Net deferred tax assets	**¥ 8,321**	¥ 8,011	¥ 6,211	**$ 85,073**
Deferred tax liabilities (current):				
Adjustments of allowance for doubtful accounts	**¥130**	¥ 211	¥ 64	**$ 1,329**
Adjustment of gift certificates	**1,438**	1,521	—	**14,702**
Others	**—**	—	—	**—**
Total deferred tax liabilities	**1,568**	1,732	64	**16,031**
Net deferred tax assets	**(1,568)**	(1,732)	(64)	**(16,031)**
Net deferred tax liabilities	**¥ —**	¥ —	¥ —	**$ —**
Deferred tax assets (noncurrent):				
Unrealized intercompany profits	**¥ 585**	¥ 1,110	¥ 590	**$ 5,981**
Undeductible allowance for employees' retirement benefits	**23,022**	22,460	22,931	**235,375**
Undeductible write-down of securities	**2,690**	1,412	2,354	**27,502**
Undeductible amortization of software costs	**879**	948	982	**8,986**
Loss on impairment of property and equipment	**691**	800	1,000	**7,065**
Tax loss carryforward	**1,571**	1,739	2,030	**16,062**
Undeductible write-down of memberships	**—**	267	273	**—**
Undeductible allowance for doubtful accounts	**1,187**	995	811	**12,136**
Devaluation of property and equipment resulting from spin-off	**1,316**	1,410	1,391	**13,455**
Others	**1,507**	1,127	720	**15,407**
Gross deferred tax assets	**33,448**	32,268	33,082	**341,969**
Less: Valuation allowance	**(3,449)**	(3,074)	(3,012)	**(35,262)**
Total deferred tax assets	**29,999**	29,194	30,070	**306,707**
Net deferred tax liabilities	**(10,849)**	(18,305)	(26,332)	**(110,919)**
Net deferred tax assets	**¥19,150**	¥ 10,889	¥ 3,738	**$195,788**
Deferred tax liabilities (noncurrent):				
Reserve for deferred capital gains on property	**¥ 9,232**	¥ 9,246	¥ 9,261	**$ 94,387**
Adjustments of allowance for doubtful accounts	**—**	—	71	**—**
Unrealized holding gains on securities	**1,605**	9,095	17,006	**16,409**
Others	**84**	77	118	**859**
Gross deferred tax liabilities	**10,921**	18,418	26,456	**111,655**
Net deferred tax assets	**(10,849)**	(18,305)	(26,332)	**(110,919)**
Net deferred tax liabilities	**¥ 72**	¥ 113	¥ 124	**$736**

13 CONTINGENT LIABILITIES

The Company and certain consolidated subsidiaries were contingently liable for loan guarantees made for employees and others of ¥1,113 million ($11,379 thousand), ¥1,364 million and ¥1,673 million at February 28 (29), 2009, 2008 and 2007, respectively.

14 ALLOWANCE FOR EMPLOYEES' RETIREMENT BENEFITS

The Companies have defined benefit pension plans, i.e., corporate pension plans, tax-qualified pension plans, lump-sum retirement plans and defined contribution pension plans, covering substantially all their employees, who are entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salaries. Premium retirement payments may be granted to employees according to the conditions under which the termination occurs.

The allowance for employees' retirement benefits as of February 28 (29), 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Projected benefit obligations	**¥123,616**	¥125,286	¥125,081	**$1,263,838**
Plan assets at fair value	**(48,757)**	(57,269)	(61,013)	**(498,487)**
Projected benefit obligations in excess of plan assets	**74,859**	68,017	64,068	**765,351**
Unrecognized prior service costs	**4,233**	4,967	5,731	**43,278**
Unrecognized actuarial differences	**(22,453)**	(17,410)	(12,975)	**(229,557)**
Allowance for employees' retirement benefits	**¥ 56,639**	¥ 55,574	¥ 56,824	**$ 579,072**

Note: Certain of the consolidated subsidiaries have adopted the conventional method in calculating their retirement benefit obligations as set forth in the accounting standard for employees' retirement benefits.

Employees' retirement benefit costs for the years ended February 28 (29), 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Service costs	**¥3,864**	¥ 3,720	¥ 4,001	**$39,505**
Interest cost on projected benefit obligations	**2,473**	2,463	2,536	**25,284**
Expected return on plan assets	**(1,307)**	(1,399)	(1,401)	**(13,363)**
Amortization of prior service costs	**(764)**	(764)	(763)	**(7,811)**
Amortization of actuarial differences	**2,657**	1,976	2,147	**27,165**
Premium retirement payment	**—**	1,945	2,579	**—**
Defined contribution pension costs and others	**959**	1,056	1,009	**9,805**
Employees' retirement benefit costs	**¥7,882**	¥ 8,997	¥ 10,108	**$80,585**

Assumptions used in the calculation of the above information were as follows:

	Millions of yen		
	2009	2008	2007
Discount rate	**2.0%**	2.0%	2.0%
Expected return on plan assets	**Mainly 2.3%**	Mainly 2.3%	Mainly 2.3%
Method of attributing the projected retirement benefits to periods of service	**Straight-line basis**	Straight-line basis	Straight-line basis
Amortization of unrecognized prior service costs	**Mainly 10 years**	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial differences	**Mainly 10 years**	Mainly 10 years	Mainly 10 years

15 | NET ASSETS

Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code").

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in the capital surplus.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, additional paid-in capital and legal earnings reserve may be transferred to retained earnings by the resolution of the shareholders' meeting as long as the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on May 19, 2009, the shareholders resolved cash dividends amounting to ¥1,650 million ($16,869 thousand). Such appropriations have not been accrued in the consolidated financial statements as of February 28, 2009, and are recognized in the period in which they were resolved.

16 | LAND REVALUATION

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

Related information is shown as follows:

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

17 | LEASES

Finance leases

(1) Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at February 28 (29), 2009, 2008 and 2007, which would have been reflected in the balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Acquisition costs: Equipment and fixtures	**¥5,755**	¥6,070	¥10,357	**$58,839**
Accumulated depreciation: Equipment and fixtures	**3,099**	3,507	7,810	**31,684**
Accumulated impairment loss: Equipment and fixtures	**16**	25	26	**164**
Net book value: Equipment and fixtures	**¥2,640**	¥2,538	¥ 2,521	**$26,991**

Lease payments relating to finance leases accounted for as operating leases amounted to ¥857 million ($8,762 thousand), ¥1,116 million and ¥1,772 million for the years ended February 28 (29), 2009, 2008 and 2007, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to February 28, 2009 for finance leases accounted for as operating leases are summarized as follows:

Years ending February 28	Millions of yen	Thousands of U.S. dollars
2010	¥ 894	$ 9,140
2011 and thereafter	1,747	17,861
Total	¥ 2,641	$ 27,001

(2) Operating leases

Future minimum lease payments subsequent to February 28, 2009 for noncancelable operating leases are summarized as follows:

Years ending February 28	Millions of yen	Thousands of U.S. dollars
2010	¥ 8,345	$ 85,318
2011 and thereafter	55,749	569,973
Total	¥ 64,094	$655,291

18 DERIVATIVE TRANSACTIONS

There were no derivative transactions as of February 28 (29), 2009, 2008 and 2007 for which hedge accounting had not been applied.

19 PER SHARE INFORMATION

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended February 28 (29), 2009, 2008 and 2007 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Basic net income per share				
Income (numerator):				
Net income	**¥11,750**	¥ 18,697	¥ 25,320	**$120,131**
Amounts not belonging to common stock (bonuses to directors from retained earnings)	**—**	—	—	**—**
Net income available to common shareholders	**11,750**	18,697	25,320	**120,131**
Shares, thousands (denominator):				
Weighted average number of shares	**329,958**	329,983	325,360	**—**
Basic EPS (yen and U.S. dollars)	**¥35.61**	¥ 56.66	¥ 77.82	**$ 0.36**
Diluted net income per share				
Income (numerator):				
Net income	**¥11,750**	¥ 18,697	¥ 25,320	**$120,131**
Amounts not belonging to common stock (bonuses to directors from retained earnings)	**—**	—	—	**—**
Net income available to common shareholders	**11,750**	18,697	25,320	**120,131**
Effect of dilutive securities — convertible bonds	**(10)**	(10)	(2)	**(102)**
Adjusted net income	**11,740**	18,687	25,318	**120,029**
Shares, thousands (denominator):				
Weighted average number of shares	**329,958**	329,983	325,360	**—**
Assumed conversion of convertible bonds	**10,560**	10,560	13,760	**—**
Adjusted weighted average number of shares	**340,518**	340,543	339,120	**—**
Diluted EPS (yen and U.S. dollars)	**¥ 34.47**	¥ 54.87	¥ 74.66	**$ 0.35**

Net assets per share as of February 28 (29), 2009, 2008 and 2007 were calculated as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net assets per share				
Net assets (numerator):				
Total net assets	**¥281,911**	¥291,253	¥286,829	**$2,882,231**
Minority interests in consolidated subsidiaries	**(3,512)**	(3,383)	(3,238)	**(35,906)**
Adjusted net assets	**278,399**	287,870	283,591	**2,846,325**
Common stock, thousands (denominator):				
Issued number of shares	**330,828**	330,828	330,828	**—**
Treasury stock	**(883)**	(862)	(827)	**—**
Outstanding number of shares	**329,945**	329,966	330,001	**—**
Net assets per share (yen and U.S. dollars)	**¥843.77**	¥ 872.42	¥ 859.37	**$ 8.63**

20 SEGMENT INFORMATION

(a) Business segment information

Business segment information for the years ended February 28 (29), 2009, 2008 and 2007 was as follows:

Millions of yen

	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 28, 2009								
Sales and other operating revenue:								
Outside customers	¥879,441	¥20,814	¥ 29,590	¥10,346	¥35,926	¥976,117	¥ —	¥976,117
Intersegment	6,089	4,077	5,759	4,779	35,583	56,287	(56,287)	—
Total	885,530	24,891	35,349	15,125	71,509	1,032,404	(56,287)	976,117
Operating expenses	870,408	24,826	28,367	13,594	70,238	1,007,433	(56,126)	951,307
Operating income	¥ 15,122	¥ 65	¥ 6,982	¥ 1,531	¥ 1,271	¥ 24,971	¥ (161)	¥ 24,810
Assets	¥505,275	¥16,132	¥105,029	¥82,037	¥19,757	¥728,230	¥22,728	¥750,958
Depreciation	11,722	89	3,312	14	133	15,270	111	15,381
Loss on impairment	—	—	—	—	—	—	—	—
Capital expenditure	15,613	134	7,639	1	87	23,474	(43)	23,431

Millions of yen

	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 29, 2008								
Sales and other operating revenue:								
Outside customers	¥940,086	¥25,862	¥29,041	¥ 8,739	¥38,983	¥1,042,711	¥ —	¥1,042,711
Intersegment	6,188	6,825	5,705	4,854	40,447	64,019	(64,019)	—
Total	946,274	32,687	34,746	13,593	79,430	1,106,730	(64,019)	1,042,711
Operating expenses	919,371	31,731	27,073	12,633	77,742	1,068,550	(63,538)	1,005,012
Operating income	¥ 26,903	¥ 956	¥ 7,673	¥ 960	¥ 1,688	¥ 38,180	¥ (481)	¥ 37,699
Assets	¥498,876	¥16,864	¥98,492	¥80,267	¥19,961	¥ 714,460	¥44,411	¥ 758,871
Depreciation	11,227	137	3,010	46	106	14,526	161	14,687
Loss on impairment	—	—	—	—	—	—	—	—
Capital expenditure	26,988	130	20,697	3	67	47,885	(3,807)	44,078

Millions of yen

	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 28, 2007								
Sales and other operating revenue:								
Outside customers	¥941,692	¥33,389	¥24,089	¥ 7,987	¥42,249	¥1,049,406	¥ —	¥1,049,406
Intersegment	6,315	5,389	5,605	4,255	49,453	71,017	(71,017)	—
Total	948,007	38,778	29,694	12,242	91,702	1,120,423	(71,017)	1,049,406
Operating expenses	924,664	38,303	23,378	10,157	89,616	1,086,118	(70,573)	1,015,545
Operating income	¥ 23,343	¥ 475	¥ 6,316	¥ 2,085	¥ 2,086	¥ 34,305	¥ (444)	¥ 33,861
Assets	¥539,447	¥19,597	¥81,735	¥66,087	¥19,602	¥ 726,468	¥56,528	¥ 782,996
Depreciation	9,353	92	2,361	107	79	11,992	234	12,226
Loss on impairment	—	—	—	—	44	44	—	44
Capital expenditure	25,032	239	8,280	—	59	33,610	(896)	32,714

	Thousands of U.S. dollars							
	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 28, 2009								
Sales and other operating revenue:								
Outside customers	$8,991,320	$212,800	$ 302,525	$105,777	$367,304	$9,979,726	$ —	$9,979,726
Intersegment	62,253	41,683	58,879	48,860	363,798	575,473	(575,473)	—
Total	9,053,573	254,483	361,404	154,637	731,102	10,555,199	(575,473)	9,979,726
Operating expenses	8,898,967	253,819	290,021	138,984	718,107	10,299,898	(573,827)	9,726,071
Operating income	$ 154,606	$ 664	$71,383	$ 15,653	$12,995	$ 255,301	$ (1,646)	$ 253,655
Assets	$5,165,883	$164,932	$1,073,806	$838,738	$201,994	$7,445,353	$232,369	$7,677,722
Depreciation	119,845	910	33,862	143	1,359	156,119	1,135	157,254
Loss on impairment	—	—	—	—	—	—	—	—
Capital expenditure	159,626	1,370	78,100	10	890	239,996	(440)	239,556

(b) Geographic segment information

Geographic segment information is not disclosed, due to sales and other operating revenue and total assets of overseas subsidiaries not being material compared to consolidated sales and other operating revenue and consolidated total assets, respectively.

(c) Information about overseas sales

Information about overseas sales is not disclosed, due to overseas sales and other operating revenue not being material compared to consolidated sales and other operating revenue.

21 | RELATED PARTIES

Significant transactions and balances with related parties as of and for the years ended February 28 (29), 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
SAGAMI RAILWAY Co., Ltd.				
(Masahiro Hoshino, representative director and chairman, is our director):				
Sales	**¥—**	¥ 4	¥ 9	**$ —**
Notes and accounts receivable	**—**	1	0	**—**
Kanagawa Kaihatsu Kanko Co., Ltd.				
(Naotaka Saeki, a representative director and president, is our auditor):				
Sales	**¥—**	¥ 1	¥ 11	**$ —**
Notes and accounts receivable	**—**	1	1	**—**
Other assets	**—**	21	21	**—**

1) Neither of the above have voting rights.

2) Commodities sold to SAGAMI RAILWAY Co., Ltd. by Takashimaya Group are generally seen as intended for third parties. The transaction conditions are the same as those used with other, non-related companies.

3) Sales and investment between Kanagawa Kaihatsu Kanko Co., Ltd. and Takashimaya Group are generally seen as intended for third parties. The transaction conditions are the same as those used with other, non-related companies.

22 | PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

The partial offsetting of goodwill by negative goodwill at February 28, 2009 is presented below:

	Millions of yen	Thousands of U.S. dollars
Goodwill	¥2,065	$21,112
Negative goodwill	1,110	11,348
Goodwill, net	¥ 955	$ 9,764

23 | SUBSEQUENT EVENT

(a) Cash dividends

On May 19, 2009, the shareholders of the Company approved the following appropriations:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥5.0 ($0.05) per share)	¥1,650	$16,869

(b) Significant Debt Financing

The Company made loan contracts and drew funds as follows:

(1) Syndicated loan

1. Purpose	Operating capital
2. Arranger	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
3. Agent	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
4. Contract date	March 5, 2009
5. Draw-down date	March 10, 2009
6. Amount	¥20 billion
7. Repayment terms	Lump-sum repayment on March 12, 2012
8. Assets provided as collateral	None

(2) Long-term loan contract

1. Purpose	Acquisition of shares in H_2O RETAILING CORPORATION.
2. Lender	Development Bank of Japan, Inc.
3. Contract date	March 25, 2009
4. Draw-down date	March 25, 2009
5. Amount	¥5 billion
6. Repayment terms	Lump-sum repayment on March 24, 2014
7. Assets provided as collateral	None

Independent Auditors' Report

To the Board of Directors of Takashimaya Company, Limited:

We have audited the accompanying consolidated balance sheets of Takashimaya Company, Limited and consolidated subsidiaries as of February 28, 2009, February 29, 2008 and February 28, 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Takashimaya Company, Limited and subsidiaries as of February 28, 2009, February 29, 2008 and February 28, 2007, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
(1)As discussed in Note 2 (t) (1) to the consolidated financial statements, effective from the year ended February 29, 2008, Takashimaya Company, Limited and its subsidiaries changed the method of accounting for the amount of gift certificates recorded in the consolidated balance sheets.

(2)As discussed in Note 2 (t) (3) to the consolidated financial statements, effective from the year ended February 28, 2009, Takashimaya Company, Limited changed the translation method of revenues and expenses of foreign subsidiaries and affiliates.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
May 19, 2009

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