Takashimaya

TAKASHIMAYA FINANCIAL STATEMENTS

For the Year Ended February 28, 2010

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Consolidated Balance Sheets

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2010 and 2009

ASSETS	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Current assets:			
Cash and deposits (Notes 3 and 10)	¥ 56,012	¥ 31,166	$ 626,322
Marketable securities (Notes 3, 4 and 10)	3,000	20	33,546
Notes and accounts receivable:			
Trade	101,670	98,126	1,136,867
Non-consolidated subsidiaries and affiliated companies	531	834	5,938
Other	12,785	9,184	142,961
Less: Allowance for doubtful accounts	(498)	(903)	(5,569)
	114,488	107,241	1,280,197
Inventories (Note 5)	43,220	44,890	483,283
Deferred tax assets (Note 11)	7,282	8,321	81,427
Other current assets	15,814	14,980	176,831
Total current assets	239,816	206,618	2,681,606
Investments and advances:			
Investment securities (Notes 4 and 10)	49,494	47,118	553,438
Investments in and advances to:			
Non-consolidated subsidiaries and affiliated companies	29,901	27,736	334,351
Other	8,741	8,020	97,741
Less: Allowance for doubtful accounts	(4,816)	(3,554)	(53,852)
	33,826	32,202	378,240
Total investments and advances	83,320	79,320	931,678
Property and equipment:			
Land (Notes 9 and 15)	201,608	202,166	2,254,367
Buildings and structures (Notes 9)	338,724	330,882	3,787,588
Equipment and fixtures	30,817	30,957	344,593
Lease assets	1,081	—	12,088
Construction in progress	7,767	9,898	86,850
	579,997	573,903	6,485,486
Less: Accumulated depreciation	(198,053)	(191,094)	(2,214,615)
Total property and equipment	381,944	382,809	4,270,871
Leasehold and other deposits (Notes 6 and 10)	42,761	43,788	478,151
Goodwill (Note 20)	859	955	9,605
Deferred tax assets (Note 11)	17,841	19,150	199,497
Other assets	18,558	18,318	207,514
Total assets	¥ 785,099	¥ 750,958	$ 8,778,922

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:			
Short-term bank loans (Note 7)	¥5,800	¥5,800	$64,855
Current portion of long-term debt (Note 7)	18,793	19,681	210,142
Commercial paper	—	13,000	—
Notes and accounts payable:			
Trade	82,037	85,623	917,332
Non-consolidated subsidiaries and affiliated companies	3,647	3,565	40,780
Other	14,402	14,097	161,043
	100,086	103,285	1,119,155
Accrued income taxes (Note 11)	3,203	3,572	35,816
Accrued expenses	7,963	7,759	89,042
Allowance for directors' and corporate auditors' bonuses	—	14	—
Gift certificates outstanding	59,490	49,573	665,213
Advances received	77,020	73,537	861,232
Employees' saving deposits	15,481	15,792	173,107
Allowance for Point Gift Certificates	3,743	4,178	41,854
Allowance for loss on disposal of property and equipment	—	811	—
Other current liabilities	10,865	16,829	121,492
Total current liabilities	302,444	313,831	3,381,908
Long-term debt (Note 7)	95,963	63,756	1,073,052
Deposits from tenants	28,416	23,532	317,746
Allowance for employees' retirement benefits (Note 13)	55,384	56,639	619,300
Allowance for directors' and corporate auditors' retirement benefits	252	284	2,818
Deferred tax liabilities (Note 11)	67	72	749
Deferred tax liabilities related to land revaluation (Note 15)	9,839	10,267	110,019
Long-term accounts payable	146	196	1,633
Other long-term liabilities	1,349	470	15,083
Total liabilities	493,860	469,047	5,522,308
Contingent liabilities (Note 12)			
Net assets (Note 14)			
Owners' equity			
Common stock:			
Authorized: 600,000 thousand shares			
Issued: 330,827,625 shares in 2010 330,827,625 shares in 2009	56,025	56,025	626,468
Capital surplus	45,085	45,085	504,137
Retained earnings	174,742	169,705	1,953,953
Less: Treasury stock, at cost, 901,423 shares in 2010 883,094 shares in 2009	(515)	(502)	(5,759)
Total owners' equity	275,337	270,313	3,078,799
Accumulated gains from revaluation and translation adjustments			
Unrealized gains on available-for-sale securities, net of taxes	6,048	2,296	67,628
Unrealized losses on hedging derivatives, net of taxes	(13)	(39)	(145)
Land revaluation difference, net of taxes (Note 15)	7,999	8,625	89,444
Foreign currency translation adjustments	(1,974)	(2,795)	(22,073)
Total accumulated gains from revaluation and translation adjustments	12,060	8,087	134,854
Minority interests in consolidated subsidiaries	3,842	3,511	42,961
Total net assets	291,239	281,911	3,256,614
Total liabilities and net assets	¥ 785,099	¥ 750,958	$ 8,778,922

See accompanying notes.

Consolidated Statements of Income

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Sales and other operating revenue (Note 19):			
Net sales	¥ 827,872	¥ 926,282	$ 9,257,207
Other operating revenue	49,890	49,835	557,866
	877,762	976,117	9,815,073
Operating expenses (Note 19):			
Cost of sales	609,816	678,702	6,818,920
Selling, general and administrative expenses	254,518	272,605	2,846,002
	864,334	951,307	9,664,922
Operating income (Note 19)	13,428	24,810	150,151
Other income (expenses):			
Interest and dividend income	1,175	1,211	13,139
Interest expenses	(1,687)	(1,424)	(18,864)
Reversal for doubtful accounts	132	(3)	1,477
Loss on sale and disposal of property and equipment, net	(1,751)	(3,084)	(19,580)
Gain on sale of shares in affiliates	—	191	—
Extra retirement bonus	(1,868)	—	(20,888)
Provision for loss on disposal of property and equipment	—	(811)	—
Gain on liquidation of gift certificates outstanding, net	964	808	10,779
Write-down of securities	(6)	(3,176)	(67)
Equity in gain of affiliated companies	1,353	1,679	15,129
Loss on valuation of inventories	(996)	—	(11,137)
Other, net	1,656	(245)	18,517
	(1,028)	(4,854)	(11,495)
Income before income taxes and minority interests	12,400	19,956	138,656
Income taxes (Note 11):			
Current	4,584	8,939	51,258
Deferred	(257)	(901)	(2,874)
	4,327	8,038	48,384
	8,073	11,918	90,272
Minority interests in earnings of consolidated subsidiaries	(363)	(168)	(4,059)
Net income	¥ 7,710	¥ 11,750	$ 86,213

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2010 and 2009

		Millions of yen				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
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
Cash dividends paid				(3,299)		(3,299)
Net income for the fiscal year				7,710		7,710
Gain on sales of treasury stock and increase in treasury stock, net			0		(13)	(13)
Reversal of revaluation reserve for land				626		626
Net changes during the year						
Balance, February 28, 2010	330,827,625	56,025	45,085	174,742	(515)	275,337

	Millions of yen						
	Unrealized gains on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Land revaluation difference, net of taxes	Foreign currency translation adjustments	Total accumulated gains from revaluation and translation adjustments	Minority interests in consolidated subsidiaries	Total net assets
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
Cash dividends paid					—		(3,299)
Net income for the fiscal year					—		7,710
Gain on sales of treasury stock and increase in treasury stock, net					—		(13)
Reversal of revaluation reserve for land					—		626
Net changes during the year	3,752	26	(626)	821	3,973	331	4,304
Balance, February 28, 2010	6,048	(13)	7,999	(1,974)	12,060	3,842	291,239

See accompanying notes.

	Thousand of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total owners' equity
Balance, February 28, 2009	626,468	504,137	1,897,629	(5,613)	3,022,621
Cash dividends paid			(36,889)		(36,889)
Net income for the fiscal year			86,213		86,213
Gain on sales of treasury stock and increase in treasury stock, net		0		(146)	(146)
Reversal of revaluation reserve for land			7,000		7,000
Net changes during the year					
Balance, February 28, 2010	626,468	504,137	1,953,953	(5,759)	3,078,799

	Thousand 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 28, 2009	25,674	(436)	96,444	(31,253)	90,429	39,260	3,152,310
Cash dividends paid							(36,889)
Net income for the fiscal year							86,213
Gain on sales of treasury stock and increase in treasury stock, net							(146)
Reversal of revaluation reserve for land							7,000
Net changes during the year	41,954	291	(7,000)	9,180	44,425	3,701	48,126
Balance, February 28, 2010	67,628	(145)	89,444	(22,073)	134,854	42,961	3,256,614

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 12,400	¥ 19,956	$ 138,656
Depreciation	15,684	15,381	175,377
Amortization of goodwill	95	95	1,062
Increase in allowance for doubtful accounts	857	490	9,583
Decrease in allowance for directors' and corporate auditors' bonuses	(14)	(67)	(157)
(Decrease) increase in allowance for employees' retirement benefits	(1,255)	1,066	(14,033)
Decrease in allowance for directors' and corporate auditors' retirement benefits	(32)	(2)	(358)
Decrease in allowance for Point Gift Certificates	(439)	(215)	(4,909)
Decrease in allowance for loss on disposal of property and equipment	(811)	(640)	(9,069)
Interest and dividend income	(1,175)	(1,211)	(13,139)
Interest expenses	1,687	1,424	18,864
Equity in gain of affiliated companies	(1,353)	(1,679)	(15,129)
Gain on sale of property and equipment, net	(685)	(79)	(7,660)
Loss on disposal of property and equipment	1,670	2,809	18,674
Write-down of securities	6	3,176	67
Increase in notes and accounts receivable	(595)	(2,697)	(6,653)
(Increase) decrease in inventories	1,694	(1,337)	18,942
Decrease in notes and accounts payable	(3,468)	(9,974)	(38,779)
Other	5,615	2,477	62,788
Subtotal	29,881	28,973	334,127
Interest and dividend income received	1,817	1,960	20,318
Interest expenses paid	(1,431)	(1,631)	(16,001)
Income taxes paid	(6,838)	(14,615)	(76,463)
Net cash provided by operating activities	23,429	14,687	261,981
Cash flows from investing activities:			
Purchase of time deposits	(56)	(3,930)	(626)
Repayment of time deposits	3,493	213	39,058
Purchase of securities	(617)	(13,282)	(6,899)
Proceeds from sale of securities	33	1,843	369
Purchase of property and equipment	(19,893)	(23,352)	(222,442)
Proceeds from sale of property and equipment	6,570	269	73,465
Increase in long-term advances	(26)	(29)	(291)
Proceeds from collection of long-term advances	48	39	537
Other	(60)	(120)	(671)
Net cash used in investing activities	(10,508)	(38,349)	(117,500)
Cash flows from financing activities:			
Net (Decrease) increase in commercial paper	(13,000)	13,000	(145,365)
Proceeds from long-term bank loans	31,000	15,000	346,640
Payment of long-term bank loans	(8,450)	(10,523)	(94,487)
Proceeds from issuance of bonds	20,000	—	223,639
Redemption of bonds	(11,231)	—	(125,584)
Proceeds from sale of treasury stock	3	13	34
Cash dividends paid	(3,299)	(3,300)	(36,889)
Other	(205)	(68)	(2,294)
Net cash provided by financing activities	14,818	14,122	165,694
Effect of exchange rate changes on cash and cash equivalents	474	(2,615)	5,300
Net increase (net decrease) in cash and cash equivalents	28,213	(12,155)	315,475
Cash and cash equivalents at beginning of year	27,750	39,905	310,299
Cash and cash equivalents at end of year (Note 3)	¥ 55,963	¥ 27,750	$ 625,774

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Prior to the year ended February 28, 2010, the accounts of consolidated overseas subsidiaries were maintained in accordance with accounting principles generally accepted in their respective countries of domicile.

For the year ended February 28, 2010, the accounts of consolidated overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified six items as applicable. 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, 2010, which was ¥89.43 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.

During the fiscal year, Takashimaya Hoken & Telecom Co., Ltd. was split into Takashimaya Hoken Co., Ltd. and Takashimaya Telecom Co., Ltd. through a company split. Also, Koei Lease Co., Ltd. was excluded from the scope of consolidation as a result of the company's liquidation.

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. Heldto-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 movingaverage 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

Prior to March 1, 2009, inventories held by the Company and consolidated domestic subsidiaries were stated at cost determined by the following method;

Merchandise:	principal ly retai l 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:	first-in, first-out method

As further discussed in Note 2(t)(4), effective March 1, 2009, the Company and its consolidated domestic subsidiaries adopted a new accounting standard for the measurement of inventories and stated the inventories at the lower of cost or net realizable value at February 28, 2010.

(h) Property and equipment

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

(i) 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) Lease assets

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

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

(l) 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.

(m) 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.

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

Consolidated subsidiaries have, as a one-time writeoff, 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.

(o) 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.

(p) 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.

(q) 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.

(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) 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, ¥386 million and ¥582 million, respectively.

(2) Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No.18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. As a tentative measure, however, PITF No. 18, allows a parent company to prepare consolidated financial statements by using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process to ensure that their impact on net income is accounted for in accordance with Japanese GAAP unless the impact is immaterial.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside of profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Retrospective application of a change in accounting policies
(f) Accounting for net income attributable to minority interests

As a result of adopting the new accounting standard, this change has no impact on the consolidated financial statements and segment information.

(3) New accounting standards for lease transactions as lessee

Prior to March 1, 2009, finance leases that do not transfer ownership of the leased property to the lessee were accounted for by the Company and its consolidated domestic subsidiaries as operating leases with disclosure of certain "as if capitalized" information in the notes to the consolidated financial statements.

On March 31, 2007, the Accounting Standards Board of Japan issued Statement No. 13, "Accounting Standard for Lease Transactions" and Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective March 1, 2009, the Company and its consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after February 28, 2009 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases that commenced prior to March 1, 2009 and that have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

The adoption of the new accounting standard has no material impact on the consolidated financial statements and segment information.

(4) New accounting standard for inventories

On July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." As permitted under the superseded accounting standard, the Company and its consolidated domestic subsidiaries previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value, which is defined as selling price less estimated additional manufacturing costs and estimated direct selling expenses.

The effect on gross profit and operating income is immaterial, but income before income taxes and minority interests decreased by ¥1,022 million ($11,428 thousand) for the year ended February 28, 2010 as a result of the adoption.

The effects on segment information are immaterial.

(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

Cash and cash equivalents at February 28, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and deposits	¥ 56,012	¥ 31,166	$ 626,322
Time deposits with maturities exceeding three months	(49)	(3,416)	(548)
	¥ 55,963	¥ 27,750	$ 625,774

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, 2010 and 2009:

(1) Held-to-maturity debt securities:

Securities with available fair values exceeding book values:

	Millions of yen					
	2010			2009		
Type	Book value	Fair value	Difference	Book value	Fair value	Difference
Government bonds	¥ 12,008	¥ 12,506	¥ 498	¥ 12,009	¥ 12,509	¥ 500

	Thousands of U.S. dollars		
	2010		
Type	Book value	Fair value	Difference
Government bonds	$ 134,273	$ 139,841	$ 5,568

(2) Available-for-sale securities:

Securities with book values exceeding acquisition costs:

	Millions of yen					
	2010			2009		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 13,301	¥ 24,556	¥ 11,255	¥ 9,427	¥ 17,422	¥ 7,995
Government bonds	15	15	0	20	20	0
Total	¥ 13,316	¥ 24,571	¥ 11,255	¥ 9,447	¥ 17,442	¥ 7,995

	Thousands of U.S. dollars		
	2010		
Type	Acquisition cost	Book value	Difference
Equity securities	$ 148,731	$ 274,583	$ 125,852
Government bonds	168	168	0
Total	$ 148,899	$ 274,751	$ 125,852

Other securities:

	Millions of yen					
	2010			2009		
Type	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 16,742	¥ 14,807	¥ (1,935)	¥ 20,604	¥ 16,561	¥ (4,043)

	Thousands of U.S. dollars		
	2010		
Type	Acquisition cost	Book value	Difference
Equity securities	$ 187,208	$ 165,571	$ (21,637)

The total sales for available-for-sale securities sold in the years ended February 28, 2010 and 2009 amounted to ¥20 million ($224 thousand) and ¥5,006 million, respectively. The related gains amounted to ¥- million ($- thousand) and ¥4 million in the years ended February 28, 2010 and 2009, respectively. The related losses amounted to ¥- million ($- thousand) in the year ended February 28, 2009.

(b) The following tables summarize the book values of securities with no available fair values as of February 28, 2010 and 2009:

(1) Held-to-maturity debt securities:

	Millions of yen		Thousands of U.S. dollars
Type	2010	2009	2010
Corporate bonds	¥ 4	¥ 4	$ 45

(2) Equity securities of subsidiaries and affiliates:

	Millions of yen		Thousands of U.S. dollars
Type	2010	2009	2010
Subsidiaries	¥ 2,717	¥ 2,717	$ 30,381
Affiliates	26,888	25,019	300,660
Total	¥ 29,605	¥ 27,736	$ 331,041

(3) Available-for-sale securities:

Type	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars 2010
Unlisted securities	¥ 1,105	¥ 1,122	$ 12,356
Certificate of deposits	295	—	3,299
Total	¥ 1,400	¥ 1,122	$ 15,655

(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							
	2010				2009			
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
Government bonds	¥ 3,000	¥ 2,997	¥ 6,011	¥ —	¥ —	¥ 3,000	¥ 9,009	¥ —
Corporate bonds	—	4	—	—	—	4	—	—
Total	¥ 3,000	¥ 3,001	¥ 6,011	¥ —	¥ —	¥ 3,004	¥ 9,009	¥ —

	Thousands of U.S. dollars			
	2010			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	$ 33,546	$ 33,512	$ 67,215	$ —
Corporate bonds	—	45	—	—
Total	$ 33,546	$ 33,557	$ 67,215	$ —

(2) Available-for-sale securities:

	Millions of yen							
	2010				2009			
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
Government bonds	¥ —	¥ 15	¥ —	¥ —	¥ 20	¥ —	¥ —	¥ —
Other	—	—	—	—	—	—	—	—
Total	¥ —	¥ 15	¥ —	¥ —	¥ 20	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2010			
Type	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Government bonds	$ —	$ 168	$ —	$ —
Other	—	—	—	—
Total	$ —	$ 168	$ —	$ —

5 INVENTORIES

Inventories at February 28, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise	¥ 39,473	¥ 42,204	$ 441,384
Products	193	205	2,158
Work in process	2,945	1,959	32,931
Raw materials	105	115	1,174
Supplies	504	407	5,636
Total	¥ 43,220	¥ 44,890	$ 483,283

6 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.

7 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding were generally represented by bank overdrafts and notes issued by the Companies to banks bearing interest at average rates of 0.97% and 1.14% at February 28, 2010 and 2009, respectively.

Long-term debt at February 28, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
0.0% convertible bonds due 2014	¥ 20,000	¥ —	$ 223,639
0.0% convertible bonds due 2010	—	11,231	—
2.03% bonds due 2014	10,000	10,000	111,819
Loans from banks, insurance companies and others due serially to 2016:			
Secured (bearing interest at rates from 1.35% to 4.75% at February 28, 2010)	8,346	8,346	93,325
Unsecured (bearing interest at rates from 0.98% to 2.80% at February 28, 2010)	76,410	53,860	854,411
	114,756	83,437	1,283,194
Less: Current portion of long-term debt	(18,793)	(19,681)	(210,142)
Total	¥ 95,963	¥ 63,756	$ 1,073,052

The current conversion price of 0.0% convertible bonds issued by the Company is ¥810 ($9.06). At February 28, 2010, the convertible bonds were convertible into approximately 24,691 thousand shares of common stock.

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2011	¥ 18,793	$ 210,142
2012	8,283	92,620
2013	34,012	380,320
2014	12,068	134,944
2015	41,000	458,459
2016 and thereafter	600	6,709
Total	¥ 114,756	$ 1,283,194

8 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, 2010 is summarized below.

	Millions of yen	Thousands of U.S. dollars
Total amount of loan commitment	¥ 20,000	$ 223,639
Exercised loan balance	—	—
Unused balance	¥ 20,000	$ 223,639

9 PLEDGED ASSETS

The assets pledged as collateral for debts mainly from banks and certain other obligations at February 28, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land	¥ 29,057	¥ 29,057	$ 324,914
Buildings and structures	13,331	13,846	149,066
Total	¥ 42,388	¥ 42,903	$ 473,980

10 DEPOSITED ASSETS

The deposited assets required by the Installment Sales Law at February 28, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and deposits	¥ 791	¥ 840	$ 8,845
Marketable securities	3,000	20	33,546
Investment securities	9,022	12,009	100,883
Leasehold and other deposits	10	10	112
Total	¥ 12,823	¥ 12,879	$ 143,386

11 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, 2010 and 2009.

The following table summarizes the significant differences between the statutory effective tax rate and the Companies' effective tax rate for financial statement purposes for the year ended February 28, 2010.

The difference between the statutory tax rate and the Company's income tax burden following application of tax effect accounting for the year ended February 28, 2009 is within 5% of the statutory tax rate, so this section has been omitted.

	2010
Statutory tax rate	40.6%
Permanent differences (including entertainment)	1.2
Decrease in valuation allowance	(4.0)
Elimination of dividends received	4.4
Equity in gain of affiliated companies	(4.4)
Others	(2.9)
Effective tax rate	34.9%

Significant components of the Companies' deferred tax assets and liabilities as of February 28, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets (current):			
Accrued enterprise tax	¥ 149	¥ 298	$ 1,666
Undeductible allowance for doubtful accounts	177	301	1,979
Accrued bonuses	280	242	3,131
Accrued retirement benefits	366	—	4,093
Tax effect due to liquidation of consolidated subsidiary	—	503	—
Tax loss carryforward	356	678	3,980
Undeductible write-down of inventories	367	108	4,104
Allowance for Point Gift Certificates	2,131	2,226	23,829
Allowance for disposal of property and equipment	—	329	—
Adjustment of gift certificates	4,392	4,296	49,111
Others	771	1,249	8,621
Gross deferred tax assets	8,989	10,230	100,514
Less: Valuation allowance	(49)	(341)	(548)
Total deferred tax assets	8,940	9,889	99,966
Net deferred tax liabilities	(1,658)	(1,568)	(18,539)
Net deferred tax assets	¥ 7,282	¥ 8,321	$ 81,427
Deferred tax liabilities (current):			
Adjustments of allowance for doubtful accounts	¥ 39	¥ 130	$436
Adjustment of gift certificates	1,437	1,438	16,068
Others	182	—	2,035
Total deferred tax liabilities	1,658	1,568	18,539
Net deferred tax assets	(1,658)	(1,568)	(18,539)
Net deferred tax liabilities	¥ —	¥ —	$ —
Deferred tax assets (noncurrent):			
Unrealized intercompany profits	¥ 596	¥ 585	$ 6,664
Undeductible allowance for employees' retirement benefits	22,553	23,022	252,186
Undeductible write-down of securities	912	2,690	10,198
Undeductible amortization of software costs	648	879	7,246
Loss on impairment of property and equipment	655	691	7,324
Tax loss carryforward	3,570	1,571	39,919
Undeductible allowance for doubtful accounts	1,575	1,187	17,162
Devaluation of property and equipment resulting from spin-off	1,283	1,316	14,347
Others	1,648	1,507	18,428
Gross deferred tax assets	33,440	33,448	373,924
Less: Valuation allowance	(2,594)	(3,449)	(29,006)
Total deferred tax assets	30,846	29,999	344,918
Net deferred tax liabilities	(13,005)	(10,849)	(145,421)
Net deferred tax assets	¥ 17,841	¥ 19,150	$ 199,497
Deferred tax liabilities (noncurrent):			
Reserve for deferred capital gains on property	¥9,210	¥ 9,232	$ 102,986
Unrealized holding gains on securities	3,784	1,605	42,312
Others	78	84	872
Gross deferred tax liabilities	13,072	10,921	146,170
Net deferred tax assets	(13,005)	(10,849)	(145,421)
Net deferred tax liabilities	¥ 67	¥ 72	$ 749

12 CONTINGENT LIABILITIES

The Company and certain consolidated subsidiaries were contingently liable for loan guarantees made for employees and others of ¥885 million ($9,896 thousand) and ¥1,113 million at February 28, 2010 and 2009, respectively.

13 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 lumpsum 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, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligations	**¥ 117,778**	¥ 123,616	**$ 1,316,985**
Plan assets at fair value	**(47,733)**	(48,757)	**(533,747)**
Projected benefit obligations in excess of plan assets	**70,045**	74,859	**783,238**
Unrecognized prior service costs	**3,468**	4,233	**38,779**
Unrecognized actuarial differences	**(18,129)**	(22,453)	**(202,717)**
Allowance for employees' retirement benefits	**¥ 55,384**	¥ 56,639	**$ 619,300**

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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service costs	**¥ 3,645**	¥ 3,864	**$ 40,758**
Interest cost on projected benefit obligations	**2,442**	2,473	**27,306**
Expected return on plan assets	**(1,115)**	(1,307)	**(12,468)**
Amortization of prior service costs	**(772)**	(764)	**(8,632)**
Amortization of actuarial differences	**3,544**	2,657	**39,629**
Extra retirement bonus	**1,868**	—	**20,888**
Defined contribution pension costs and others	**926**	959	**10,354**
Employees' retirement benefit costs	**¥ 10,538**	¥ 7,882	**$ 117,835**

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

	Millions of yen	
	2010	2009
Discount rate	**2.00%**	2.00%
Expected return on plan assets	**Mainly 2.3%**	Mainly 2.3%
Method of attributing the projected retirement benefits to periods of service	**Straight-line basis**	Straight-line basis
Amortization of unrecognized prior service costs	**Mainly 10 years**	Mainly 10 years
Amortization of unrecognized actuarial differences	**Mainly 10 years**	Mainly 10 years

14 NET ASSETS

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

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

15 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

16 LEASES

(1) Finance leases

Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at February 28, 2010 and 2009, which would have been reflected in the balance sheets if finance lease accounting had been applied to finance leases commencing on or before February 28, 2009 other than those deemed to transfer ownership to the lessee:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Acquisition costs: Equipment and fixtures	¥ 4,094	¥ 5,755	$ 45,779
Accumulated depreciation: Equipment and fixtures	2,367	3,099	26,468
Accumulated impairment loss: Equipment and fixtures	—	16	—
Net book value: Equipment and fixtures	¥ 1,727	¥ 2,640	$ 19,311

Lease payments relating to finance leases commencing on or before February 28, 2009 other than those deemed to transfer ownership to the lessee amounted to ¥907 million ($10,142 thousand) and ¥857 million for the years ended February 28, 2010 and 2009, respectively. Future minimum lease payments (including the interest portion thereon) subsequent to February 28, 2010 for finance leases commencing on or before February 28, 2009 other than those deemed to transfer ownership to the lessee are summarized as follows:

Years ending February 28	Millions of yen	Thousands of U.S. dollars
2011	¥ 593	$ 6,631
2012 and thereafter	1,134	12,680
Total	¥ 1,727	$ 19,311

(2) Operating leases

Future minimum lease payments subsequent to February 28, 2010 for noncancelable operating leases are summarized as follows:

Years ending February 28	Millions of yen	Thousands of U.S. dollars
2011	¥ 8,345	$ 93,313
2012 and thereafter	47,405	530,080
Total	¥ 55,750	$ 623,393

17 DERIVATIVE TRANSACTIONS

There was no derivative transaction as of February 28, 2010 and 2009 for which hedge accounting had not been applied.

18 PER SHARE INFORMATION

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended February 28, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Basic net income per share			
Income (numerator):			
Net income	¥ 7,710	¥ 11,750	$ 86,213
Amounts not belonging to common stock (bonuses to directors from retained earnings)	—	—	—
Net income available to common shareholders	7,710	11,750	86,213
Shares, thousands (denominator):			
Weighted average number of shares	329,935	329,958	—
Basic EPS (yen and U.S. dollars)	¥ 23.36	¥ 35.61	$ 0.26
Diluted net income per share			
Income (numerator):			
Net income	¥ 7,710	¥ 11,750	$ 86,213
Amounts not belonging to common stock (bonuses to directors from retained earnings)	—	—	—
Net income available to common shareholders	7,710	11,750	86,213
Effect of dilutive securities — convertible bonds	(10)	(10)	(112)
Adjusted net income	7,700	11,740	86,101
Shares, thousands (denominator):			
Weighted average number of shares	329,935	329,958	—
Assumed conversion of convertible bonds	18,157	10,560	—
Adjusted weighted average number of shares	348,092	340,518	—
Diluted EPS (yen and U.S. dollars)	¥ 22.11	¥ 34.47	$ 0.25

Net assets per share as of February 28, 2010 and 2009 were calculated as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net assets per share			
Net assets (numerator):			
Total net assets	¥ 291,239	¥ 281,911	$ 3,256,614
Minority interests in consolidated subsidiaries	(3,842)	(3,512)	(42,961)
Adjusted net assets	287,397	278,399	3,213,653
Common stock, thousands (denominator):			
Issued number of shares	330,828	330,828	—
Treasury stock	(901)	(883)	—
Outstanding number of shares	329,927	329,945	—
Net assets per share (yen and U.S. dollars)	¥ 871.09	¥ 843.77	$ 9.74

19 SEGMENT INFORMATION

(a) Business segment information

Business segment information for the years ended February 28, 2010 and 2009 was as follows:

	Millions of yen							
	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 28, 2010								
Sales and other operating revenue:								
Outside customers	¥ 786,987	¥ 15,738	¥ 29,402	¥ 10,916	¥ 34,719	¥ 877,762	—	¥ 877,762
Intersegment	5,720	5,170	5,618	4,331	31,377	52,216	(52,216)	—
Total	792,707	20,908	35,020	15,247	66,096	929,978	(52,216)	877,762
Operating expenses	787,610	21,410	28,527	13,634	65,158	916,339	(52,005)	864,334
Operating income (loss)	¥ 5,097	¥ (502)	¥ 6,493	¥ 1,613	¥ 938	¥ 13,639	(211)	¥ 13,428
Assets	¥ 504,817	¥ 17,912	¥ 108,160	¥ 86,497	¥ 19,981	¥ 737,367	¥ 47,732	¥ 785,099
Depreciation	11,592	72	3,740	6	131	15,541	143	15,684
Loss on impairment	—	—	—	—	—	—	—	—
Capital expenditure	17,247	42	6,319	7	92	23,707	(164)	23,543

	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

	Thousands of U.S. dollars							
	Department Store	Contract & Design	Real Estate	Finance	Other	Total	Elimination and corporate	Consolidated
Year ended February 28, 2010								
Sales and other operating revenue:								
Outside customers	$ 8,800,034	$ 175,981	$ 328,771	$ 122,062	$ 388,225	$ 9,815,073	—	$ 9,815,073
Intersegment	63,961	57,811	62,820	48,429	350,855	583,876	(583,876)	—
Total	8,863,995	233,792	391,591	170,491	739,080	10,398,949	(583,876)	9,815,073
Operating expenses	8,807,000	239,405	318,987	152,454	728,592	10,246,438	(581,516)	9,664,922
Operating income (loss)	$ 56,995	$ (5,613)	$ 72,604	$ 18,037	$ 10,488	$ 152,511	$ (2,360)	$ 150,151
Assets	$ 5,644,828	$ 200,291	$ 1,209,438	$ 967,203	$ 223,426	$ 8,245,186	$ 533,736	$ 8,778,922
Depreciation	129,621	805	41,820	67	1,465	173,778	1,599	175,377
Loss on impairment	—	—	—	—	—	—	—	—
Capital expenditure	192,855	470	70,658	78	1,029	265,090	(1,834)	263,256

(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.

20 PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

The partial offsetting of goodwill by negative goodwill at February 28, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Goodwill	¥ 1,877	¥ 2,065	$ 20,988
Negative goodwill	1,018	1,110	11,383
Goodwill, net	¥ 859	¥ 955	$ 9,605

21 SUBSEQUENT EVENT

(a) Cash dividends

On May 25, 2010, the shareholders of the Company approved the following appropriations:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥ 1,650	$ 18,450

(b) Significant Debt Financing

The Company made loan contracts and drew funds as follows:

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 18, 2010
5. Draw-down date	March 21, 2010
6. Amount	¥20 billion
7. Repayment terms	Lump-sum repayment on March 21, 2015
8. Assets provided as collateral	None

(c) Suspension of Merger with H_2O Retailing Corporation and Establishment of New Business Tie-up

At the meeting held on March 25, 2010, the Board of Directors resolved to suspend the merger with H_2O Retailing Corporation, and to form a new business alliance.

(1) Reasons for the Suspension of the Merger

On October 10, 2008, Takashimaya Company, Limited and H_2O Retailing Corporation reached agreement on a business and capital alliance. Both companies established business alliance committees, and each company acquired 10% of the other's shares. They also began to implement the business alliance, primarily in the area of department store operations.

However, business conditions for the department store industry were subsequently affected by the stagnation of consumer spending as a result of the financial crisis that began in 2008, and by the sudden acceleration of changes in consumer spending patterns. This situation required a transition to a new business model.

After intensive discussions, Takashimaya and H_2O Retailing concluded that instead of expending the vast energies required to align their differing management strategies, their first priority in a rapidly changing business environment should be to achieve a qualitative improvement in their business structures by building new business models. The two companies agreed to suspend their merger, and to abandon the concept of a business and capital alliance leading to a merger.

(2) New Business Alliance

During their deliberations, both companies recognized that a business alliance would produce significant benefits, and on this basis they agreed to form a new business alliance. On March 25, 2010, they signed a business alliance agreement based on the continued reciprocal utilization of management resources and expertise on an expanded scale.

Initiatives

- Joint development of merchandise
  (starting in the fall of 2009)
- Joint purchasing of equipment and materials
  (starting in the fall of 2009)
- Integration of summer and year-end gift business
  (starting in the summer of 2010)
- Joint development of sales floors
  (starting in the spring of 2011)

(3) Resolution date

March 25, 2010

(4) Effect on future financial performance

The effect on future financial performance will be immaterial.

INDEPENDENT AUDITORS' REPORT

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, 2010 and 2009, 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, 2010 and 2009, 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 28, 2009, Takashimaya Company, Limited changed the translation method of revenues and expenses of foreign subsidiaries and affiliates.

(2) As discussed in Note 2(t)(4) to the consolidated financial statements, effective from the year ended February 28, 2010,Takashimaya Company, Limited and domestic subsidiaries adopted the new accounting standards for inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2010 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 25, 2010

Takashimaya

Takashimaya Company, Limited
1-5, Namba 5-chome, Chuo-ku, Osaka 542-8510, Japan
URL: http://www.takashimaya.co.jp/