TAKASHIMAYA

FINANCIAL STATEMENTS 2019

Years ended February 28, 2019 and 2018

すばらしい日々

A miniature of the Nihombashi Takashimaya S.C., which held its grand opening in March 2019.
The spring-time blossom-viewing scene was created using Takashimaya's symbol pink roses.

Takashimaya

CONSOLIDATED BALANCE SHEETS

Takashimaya Company, Limited and Consolidated Subsidiaries
February 28, 2019 and 2018

ASSETS	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2019
Current assets:			
Cash and deposits (Notes 3,4 and 5)	¥97,090	¥99,541	$875,710
Notes and accounts receivable:			
Trade (Note 4)	116,185	139,193	1,047,939
Non-consolidated subsidiaries and affiliated companies (Note 4)	923	845	8,325
Other	17,612	15,158	158,853
Less: Allowance for doubtful accounts (Note 4)	(335)	(306)	(3,022)
	134,385	154,890	1,212,095
Inventories (Note 7)	45,521	44,746	410,580
Deferred tax assets (Note 8)	10,444	10,164	94,201
Other current assets (Note 4)	20,128	18,161	181,546
Total current assets	307,568	327,502	2,774,132
Investments and advances:			
Investment securities (Notes 4 and 6)	33,330	42,955	300,623
Investments in and advances to:			
Non-consolidated subsidiaries and affiliated companies (Note 4)	49,393	53,076	445,504
Other	4,321	11,245	38,973
Less: Allowance for doubtful accounts	(2,250)	(1,939)	(20,294)
	51,464	62,382	464,183
Total investments and advances	84,794	105,337	764,806
Property, plant and equipment:			
Land (Notes 9 and 10)	411,508	361,362	3,711,626
Buildings and structures (Notes 11 and 27)	428,215	403,320	3,862,316
Equipment and fixtures (Note 27)	39,751	35,792	358,537
Lease assets	6,516	6,005	58,772
Construction in progress	6,892	9,658	62,163
	892,882	816,137	8,053,414
Less: Accumulated depreciation	(271,654)	(265,379)	(2,450,203)
Total property, plant and equipment	621,228	550,758	5,603,211
Other assets:			
Leasehold and other deposits (Notes 4,5 and 12)	29,486	29,227	265,951
Goodwill (Note 13)	1,546	98	13,944
Deferred tax assets (Note 8)	6,102	4,947	55,038
Other (Note 27)	27,406	17,938	247,190
Total other assets	64,540	52,210	582,123
Total assets (Note 14)	¥1,078,130	¥1,035,807	$9,724,272

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2019	2018	Thousands of U.S. dollars (Note 1) 2019
Current liabilities:			
Short-term bank loans (Notes 4 and 15)	¥5,800	¥5,800	$52,314
Current portion of long-term debt (Notes 4, 15, 16 and 27)	7,619	44,583	68,720
Notes and accounts payable:			
Trade (Notes 4 and 16)	102,334	96,600	923,009
Non-consolidated subsidiaries and affiliated companies (Note 4)	6,226	5,829	56,156
Other	23,280	22,802	209,975
	131,840	125,231	1,189,140
Accrued income taxes	5,053	6,237	45,576
Accrued expenses	3,020	3,254	27,239
Allowance for directors' and corporate auditors' bonuses	47	54	424
Gift certificates outstanding	52,503	52,663	473,555
Advances received	100,594	96,102	907,315
Employees' saving deposits (Note 4)	15,691	15,415	141,526
Allowance for Point Gift Certificates	2,530	2,561	22,819
Allowance for loss on repair construction of building	3,208	2,744	28,935
Other current liabilities (Note 4)	21,311	16,245	192,216
Total current liabilities	349,216	370,889	3,149,779
Long-term liabilities:			
Long-term debt (Notes 4, 15, 16 and 27)	181,364	123,880	1,635,826
Deposits from tenants	21,253	23,389	191,693
Net defined benefit liability (Note 17)	50,891	54,616	459,015
Allowance for directors' and corporate auditors' retirement benefits	287	297	2,589
Deferred tax liabilities (Note 8)	1,300	287	11,725
Deferred tax liabilities related to land revaluation (Notes 8 and 10)	6,812	6,879	61,441
Long-term accounts payable	762	973	6,873
Asset retirement obligations	2,028	1,908	18,292
Allowance for environmental measures	283	342	2,552
Allowance for loss on repair construction of building	6	1,910	54
Other long-term liabilities	2,343	911	21,133
Total long-term liabilities	267,329	215,392	2,411,193
Total liabilities	616,545	586,281	5,560,972
Contingent liabilities (Note 18)			
Net assets (Note 19)			
Shareholders' equity:			
Common stock	66,025	66,025	595,517
Authorized:300,000 thousand shares			
issued: 177,759,481 shares in 2019 and 2018*			
Capital surplus	55,026	55,025	496,311
Retained earnings	296,977	284,321	2,678,606
Less: Treasury stock, at cost: 3,025,884 shares in 2019			
3,027,702 shares in 2018*	(6,177)	(6,170)	(55,714)
Total shareholders' equity	411,851	399,201	3,714,720
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	10,822	17,837	97,610
Deferred gains or losses on hedges	(0)	(3)	(0)
Revaluation reserve for land (Note 10)	6,993	7,146	63,074
Foreign currency translation adjustment	8,724	11,605	78,687
Remeasurements of defined benefit plans	5,529	3,386	49,869
Total accumulated other comprehensive income	32,068	39,971	289,240
Non-controlling interests in consolidated subsidiaries:	17,666	10,354	159,340
Total net assets (Note 20)	461,585	449,526	4,163,300
Total liabilities and net assets	¥1,078,130	¥1,035,807	$9,724,272

*The company consolidated its common shares at a ratio of 1 for 2 on September 1, 2018.

CONSOLIDATED STATEMENTS OF INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Sales and other operating revenue (Note 14):			
Net sales	**¥846,895**	¥844,934	**$7,638,631**
Other operating revenue	**65,954**	62,871	**594,877**
	912,849	907,805	**8,233,508**
Operating expenses:			
Cost of sales	**629,491**	626,528	**5,677,740**
Selling, general and administrative expenses	**256,696**	245,958	**2,315,288**
	886,187	872,486	**7,993,028**
Operating income (Note 14)	**26,662**	35,319	**240,480**
Other income (expenses):			
Interest and dividend income	**2,135**	1,686	**19,257**
Interest expenses	**(697)**	(649)	**(6,287)**
Gain (Loss) on sales and disposal of property, plant and equipment, net	**(7,084)**	(4,611)	**(63,895)**
Gain (Loss) on sales of investment securities, net	**2,813**	2,627	**25,372**
Gain (Loss) on liquidation of gift certificates outstanding, net	**(235)**	(407)	**(2,120)**
Equity in gain of affiliated companies	**2,988**	2,719	**26,951**
Impairment loss (Note 21)	**(1,259)**	(1,598)	**(11,356)**
Exchange gain (loss), net	**(400)**	(391)	**(3,608)**
Other, net	**(447)**	315	**(4,031)**
	(2,186)	(309)	**(19,717)**
Income before income taxes	**24,476**	35,010	**220,763**
Income taxes (Note 8):			
Current	**7,151**	10,396	**64,499**
Deferred	**274**	494	**2,471**
	7,425	10,890	**66,970**
Net income	**17,051**	24,120	**153,793**
Net income attributable to non-controlling interests	**(608)**	(461)	**(5,484)**
Net income attributable to owners of parent (Note 20)	**¥16,443**	¥23,659	**$148,309**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Net income	**¥17,051**	¥24,120	**$153,793**
Other comprehensive income			
Valuation difference on available-for-sale securities	**(6,369)**	1,325	**(57,446)**
Deferred gains or losses on hedges	**3**	(4)	**27**
Foreign currency translation adjustment	**(1,955)**	2,067	**(17,633)**
Remeasurements of defined benefit plans, net of tax	**2,122**	2,666	**19,139**
Share of other comprehensive income of entities accounted for using equity method	**(1,601)**	1,728	**(14,440)**
Total other comprehensive income (Note 22)	**(7,800)**	7,782	**(70,353)**
Comprehensive income	**9,251**	31,902	**83,440**
Comprehensive income attributable to:			
Owners of parent	**8,666**	31,389	**78,164**
Non-controlling interests	**585**	513	**5,276**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2019 and 2018

		Millions of yen				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance, February 28, 2017	355,518,963	¥66,025	¥55,086	¥265,033	¥(6,160)	¥379,984
Cumulative effects of changes in accounting policies						—
Restated balance	355,518,963	66,025	55,086	265,033	(6,160)	379,984
Dividends of surplus				(4,193)		(4,193)
Profit attributable to owners of parent				23,659		23,659
Purchase of treasury stock and disposal of treasury stock					(10)	(10)
Reversal of revaluation reserve for land						—
Change of scope of consolidation				(178)		(178)
Change in ownership interest of parent due to transactions with non-controlling interests			(61)			(61)
Net changes of items other than shareholders' equity						—
Share consolidation						
Balance, February 28, 2018	355,518,963	¥66,025	¥55,025	¥284,321	¥(6,170)	¥399,201
Cumulative effects of changes in accounting policies				**645**		**645**
Restated balance	**355,518,963**	**66,025**	**55,025**	**284,966**	**(6,170)**	**399,846**
Dividends of surplus				**(4,194)**		**(4,194)**
Profit attributable to owners of parent				**16,443**		**16,443**
Purchase of treasury stock and disposal of treasury stock			**1**		**(7)**	**(6)**
Reversal of revaluation reserve for land				**153**		**153**
Change of scope of consolidation				**(391)**		**(391)**
Change in ownership interest of parent due to transactions with non-controlling interests						**—**
Net changes of items other than shareholders' equity						**—**
Share consolidation*	**(177,759,482)**					
Balance, February 28, 2019	**177,759,481**	**¥66,025**	**¥55,026**	**¥296,977**	**¥(6,177)**	**¥411,851**

* The company consolidated its common shares at a ratio of 1 for 2 on September 1, 2018.

	Millions of yen							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive Income	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance, February 28, 2017	¥15,921	¥1	¥7,146	¥8,511	¥662	¥32,241	¥9,665	¥421,890
Cumulative effects of changes in accounting policies								—
Restated balance	15,921	1	7,146	8,511	662	32,241	9,665	421,890
Dividends of surplus						—		(4,193)
Profit attributable to owners of parent						—		23,659
Purchase of treasury stock and disposal of treasury stock						—		(10)
Reversal of revaluation reserve for land						—		—
Change of scope of consolidation						—		(178)
Change in ownership interest of parent due to transactions with non-controlling interests						—		(61)
Net changes of items other than shareholders' equity	1,916	(4)	—	3,094	2,724	7,730	689	8,419
Share consolidation								
Balance, February 28, 2018	¥17,837	¥(3)	¥7,146	¥11,605	¥3,386	¥39,971	¥10,354	¥449,526
Cumulative effects of changes in accounting policies								**645**
Restated balance	**17,837**	**(3)**	**7,146**	**11,605**	**3,386**	**39,971**	**10,354**	**450,171**
Dividends of surplus						**—**		**(4,194)**
Profit attributable to owners of parent						**—**		**16,443**
Purchase of treasury stock and disposal of treasury stock						**—**		**(6)**
Reversal of revaluation reserve for land								**153**
Change of scope of consolidation						**—**		**(391)**
Change in ownership interest of parent due to transactions with non-controlling interests						**—**		**—**
Net changes of items other than shareholders' equity	**(7,015)**	**3**	**(153)**	**(2,881)**	**2,143**	**(7,903)**	**7,312**	**(591)**
Share consolidation								
Balance, February 28, 2019	**¥10,822**	**¥(0)**	**¥6,993**	**¥8,724**	**¥5,529**	**¥32,068**	**¥17,666**	**¥461,585**

The accompanying notes are an integral part of these statements.

	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
		Thousands of U.S. dollars (Note 1)				
Balance, February 28, 2018	355,518,963	$595,517	$496,302	$2,564,454	$(55,651)	$3,600,622
Cumulative effects of changes in accounting policies				**5,818**		**5,818**
Restated balance	**355,518,963**	**595,517**	**496,302**	**2,570,272**	**(55,651)**	**3,606,440**
Dividends of surplus				**(37,828)**		**(37,828)**
Profit attributable to owners of parent				**148,309**		**148,309**
Purchase of treasury stock and disposal of treasury stock			**9**		**(63)**	**(54)**
Reversal of revaluation reserve for land				**1,380**		**1,380**
Change of scope of consolidation				**(3,527)**		**(3,527)**
Change in ownership interest of parent due to transactions with non-controlling interests						**—**
Net changes of items other than shareholders' equity						**—**
Share consolidation*	**(177,759,482)**					
Balance, February 28, 2019	**177,759,481**	**$595,517**	**$496,311**	**$2,678,606**	**$(55,714)**	**$3,714,720**

* The company consolidated its common shares at a ratio of 1 for 2 on September 1, 2018.

	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests in consolidated subsidiaries	Total net assets
				Thousands of U.S. dollars (Note 1)				
Balance, February 28, 2018	$160,882	$(27)	$64,454	$104,672	$30,540	$360,521	$93,389	$4,054,532
Cumulative effects of changes in accounting policies								**5,818**
Restated balance	**160,882**	**(27)**	**64,454**	**104,672**	**30,540**	**360,521**	**93,389**	**4,060,350**
Dividends of surplus						**—**		**(37,828)**
Profit attributable to owners of parent						**—**		**148,309**
Purchase of treasury stock and disposal of treasury stock						**—**		**(54)**
Reversal of revaluation reserve for land								**1,380**
Change of scope of consolidation						**—**		**(3,527)**
Change in ownership interest of parent due to transactions with non-controlling interests						**—**		**—**
Net changes of items other than shareholders' equity	**(63,272)**	**27**	**(1,380)**	**(25,985)**	**19,329**	**(71,281)**	**65,951**	**(5,330)**
Share consolidation								
Balance, February 28, 2019	**$97,610**	**$(0)**	**$63,074**	**$78,687**	**$49,869**	**$289,240**	**$159,340**	**$4,163,300**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Takashimaya Company, Limited and Consolidated Subsidiaries
Years ended February 28, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	**2019**
Cash flows from opearating activities:			
Income before income taxes	**¥24,476**	¥35,010	**$220,763**
Depreciation	**19,947**	19,058	**179,913**
Impairment loss	**1,259**	1,598	**11,356**
Amortization of goodwill	**95**	95	**857**
Increase (decrease) in allowance for doubtful accounts	**341**	(547)	**3,076**
Increase (decrease) in net defined benefit liability	**(687)**	160	**(6,197)**
Increase (decrease) in provision for directors' retirement benefits	**(11)**	32	**(99)**
Increase (decrease) in provision for point card certificates	**(29)**	49	**(262)**
Increase (decrease) in allowance for loss on repair construction of building	**(1,441)**	(1,274)	**(12,997)**
Interest and dividend income	**(2,135)**	(1,686)	**(19,257)**
Interest expenses	**697**	649	**6,287**
Share of (profit) loss of entites accounted for using equity method	**(2,988)**	(2,719)	**(26,950)**
Loss (gain) on sales of property, plant and equipment, net	**14**	2	**126**
Loss on retirement of property, plant and equipment	**4,015**	2,479	**36,214**
Loss (gain) on sales of investment securities	**(2,813)**	(2,627)	**(25,372)**
Decrease (increase) in notes and accounts receivable-trade	**24,178**	(17,503)	**218,075**
Decrease (increase) in inventories	**(829)**	347	**(7,477)**
Increase (decrease) in notes and accounts payable-trade	**6,516**	977	**58,771**
Other	**4,252**	10,266	**38,351**
Subtotal	**74,857**	44,366	**675,178**
Interest and dividend income received	**3,559**	2,542	**32,100**
Interest expenses paid	**(679)**	(705)	**(6,124)**
Income taxes paid	**(9,824)**	(9,333)	**(88,608)**
Net cash provided by (used in) operating activities	**67,913**	36,870	**612,546**
Cash flows from investing activities:			
Payments into time deposits	**(2,513)**	(5,536)	**(22,666)**
Proceeds from withdrawal of time deposits	**4,836**	4,670	**43,619**
Purchase of marketable securities and investment securities	**(13)**	(2,563)	**(117)**
Proceeds from sales and redemption of marketable securities and investment securities	**6,347**	11,113	**57,247**
Purchase of property, plant and equipment and intangible assets	**(93,130)**	(69,437)	**(839,993)**
Proceeds from sales of property, plant and equipment and intangible assets	**285**	20	**2,570**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(1,467)**	—	**(13,232)**
Other	**(160)**	(553)	**(1,443)**
Net cash provided by (used in) investing activities	**(85,815)**	(62,286)	**(774,015)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**—**	(148)	**—**
Proceeds from long-term loans payable	**4,500**	22,320	**40,588**
Repayment of long-term loans payable	**(4,520)**	(3,075)	**(40,769)**
Proceeds from issuance of bonds	**60,300**	—	**543,880**
Redemption of bonds	**(40,000)**	—	**(360,783)**
Purchase of treasury shares	**(8)**	(10)	**(72)**
Cash dividends paid	**(4,194)**	(4,193)	**(37,828)**
Proceeds from share issuance to non-controlling shareholders	**1,869**	—	**16,858**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**—**	(60)	**—**
Other	**(720)**	(648)	**(6,494)**
Net cash provided by (used in) financing activities	**17,227**	14,186	**155,380**
Effect of exchange rate changes on cash and cash equivalents	**(2,227)**	2,193	**(20,086)**
Net decrease (increase) in cash and cash equivalents	**(2,902)**	(9,037)	**(26,175)**
Cash and cash equivalents at beginning of year	**95,120**	103,765	**857,942**
Increase in cash and cash equivalents from newly consolidated subsidiaries	**2,474**	392	**22,314**
Cash and cash equivalents at end of year (Note 3)	**¥94,692**	¥95,120	**$854,081**

The accompanying notes are an integral part of these statements.

1 BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Takashimaya Company, Limited (hereafter,the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (hereafter, “Japanese GAAP”) which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.
The accounts of consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified four items as applicable. Japanese GAAP requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should be unified for the preparation of the consolidated financial statements. Japanese GAAP, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries’ financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following four items are required in the consolidation process so that their impacts on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.
(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside of profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company, prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at February 28, 2019, which was ¥110.87 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 non-controlling interests, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.
The differences between the cost and underlying net equity of investments in consolidated subsidiaries ("Goodwill" and "Negative goodwill" which arose prior to March 31, 2010) are amortized on a straight line basis over mainly 20 years with the exception of minor differences, which are charged or credited to income in the period of acquisition.
From the year ended February 28, 2019, the following companies have been included in the scope of consolidation:
(a) Siam Takashimaya (Thailand) Co., Ltd., due to increased materiality;
(b) RTD Co., Ltd., due to its establishment;
(c) A&B Development CORP., due to additional acquisition of its shares by the Company; and
(d) T & T CO., Ltd., due to new acquisition of its shares by the Company.
For A&B Development CORP. and T & T CO., Ltd., only their balance sheets were consolidated for the year ended February 28, 2019.
All the Company's non-consolidated subsidiaries are of a limited scale in terms of total assets, sales and other operating revenue, profit, retained earnings and other indicators, and taken together they do not have a significant impact on the consolidated financial statements.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the current exchange rate at the balance sheet date, and translation gains and losses are charged to income.
The balance sheets of 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 securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.
Available-for-sale securities with available fair market value are stated at fair market value.
Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of the net assets section in the balance sheets.
Realized gains and losses on sale of such securities are computed using moving-average cost.
Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

(e) Derivatives and hedging transactions

Derivative financial instruments are stated at fair value and changes in the fair value as gains or losses are charged to income unless the derivative financial instruments are used for hedging purposes.
If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in the fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.
However, in cases where forward exchange contracts are used as hedges and meet certain

hedging criteria, forward exchange contracts and hedged items are accounted for in the following manner:

(1) If a forward exchange contract is executed to hedge an existing foreign currency receivable or payable,
   (i) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable or payable translated using the spot rate at the inception date of the contract and the book value of the receivable or payable is recognized in the 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 exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward exchange contract are recognized.
   Also,if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.
   In addition,special treatment is applied to interest rate swaps if they meet the requirements for special treatment.

The Companies use forward exchange contracts, currency swaps and interest rate swaps as derivative financial instruments only for the purpose of mitigating future risks of fluctuation in foreign exchange and increases in the interest rate and loans.
The related hedged items are trade receivables, trade payables, loans payable and interest on foreign currency bonds.

(f) Allowance for doubtful accounts

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

(g) Inventories

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

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

(h) Property, plant and equipment

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

(i) Intangible assets (except lease assets)

Intangible assets are stated at cost and depreciated by using mainly the straight line method

over the estimated useful lives of the assets as prescribed by Japanese tax laws.
The Companies amortize capitalized software using the straight line method over its estimated useful life (five years).

(j) Lease assets

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

(k) Allowance for Point Gift Certificates

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

(l) Employees' retirement benefit liability

(1) Attribution method for projected retirement benefits
The Companies account for the liabilities for retirement benefits based on the defined benefit obligation and plan assets at the balance sheet date. The defined benefit obligation is attributed to period on a benefit formula basis.
(2) How to recognize the prior service cost and the actuarial gains or losses
The unrecognized prior service cost obligation is recognized as expense and recorded in equal amounts mainly 9 years from their recognition, which is less than the average remaining years of employment of the employees.
Actuarial gains or losses incurred during the year are amortized by using the straight line method over a certain period of time (mainly 9 years), which is less than the average remaining years of employment of the employees, commencing from the succeeding fiscal year.
(3) Adoption of simplified method in some consolidated subsidiaries
Some consolidated subsidiaries adopt the simplified method which assumes retirement benefit obligation to be equal to the benefits payable, if all eligible employees voluntarily terminated their employment at the end of the fiscal year, for the calculation of net defined liability and retirement benefit costs.

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

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

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

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

(o) Allowance for environmental measures

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

(p) Allowance for loss on repair construction of building

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

(q) Income taxes

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

(r) Per share information

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

(s) Changes in Accounting Poicies

IFRS 15 "Revenue from Contracts with Customers"
(Revenue Recognition for Uncollected Gift Certificates of Consolidated Overseas Subsidiaries)
Due to the adoption of IFRS 15 "Revenue from Contracts with Customers" effective for fiscal years beginning on or after January 1, 2018, the Company's consolidated overseas subsidiaries which prepare their financial statements in accordance with IFRS have recognized the unexecuted portion of uncollected gift certificates as revenue based on the rate of the amount of gift certificates used by customers. Following this change in accounting policies, the cumulative effect of the adoption of IFRS 15 has been reflected in retained earnings at the beginning of the year ended February 28, 2019 in accordance with the transitional requirements of IFRS 15. As a result, retained earnings at the beginning of the year ended February 28, 2019 increased by ¥645 million. The effect of this change in accounting policies on the Group's consolidated operating income and income before income taxes for the year ended February 28, 2019 was immaterial.

(Accounting Treatment for Net Sales Relating To Consignment Buying Transactions of Consolidated Overseas Subsidiaries)
As for transactions in which products are purchased from suppliers at the same time when they are sold to customers (the so-called "consignment buying" transactions), the Group recorded the transaction amount in each of "net sales" and "cost of sales." However, from the year ended February 28, 2019, the accounting treatment for the consignment buying transactions of consolidated overseas subsidiaries of the Company has been changed to record the amount equivalent to gross profit for these transactions in "net sales."

As a result, the income from these transactions, which had previously been presented on a gross basis, has been changed to be presented on a net basis.

This change has been made by considering all relevant facts and circumstances including the current economic substance for the consignment buying transactions of consolidated overseas subsidiaries whose financial statement are prepared in accordance with IFRS in adopting IFRS 15 "Revenue from Contracts with Customers" effective for fiscal years beginning on or after January 1, 2018.

This change in accounting policies has been applied retrospectively to the consolidated financial statements for the year ended February 28, 2018. As a result, each amount of net sales and cost of sales for the year ended February 28, 2018 decreased by ¥41,766 million compared with that prior to the retrospective application; however, consolidated operating income and income before income taxes for the year ended February 28, 2018 were not affected by this change. For the effects of this change on the segment information, see "Segment Information" below.

(t)Accounting standards not yet adopted

(1) The Company and domestic consolidated subsidiaries

(Implementation Guidance on Accounting Standards for Tax Effect Accounting, etc.)

"Implementation Guidance on Accounting Standards for Tax Effect Accounting" (ASBJ Guidance No. 28, issued February 16, 2018)Guidance No. 28)

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued February 16, 2018)

(i) Overview

In the transfer of the practical accounting guidelines and auditing guidelines on tax effect accounting stipulated by the Japanese Institute of Certified Public Accountants ("JICPA") to the Accounting Standards Board of Japan (ASBJ), the following revisions have been made as needed to the guidance such as "Implementation Guidance on Accounting Standards for Tax Effect Accounting", maintaining the contents.

(Main accounting treatments that were revised)

- Treatment of temporary taxable differences associated with stock of subsidiaries in their respective financial statements
- Treatment of recoverability of deferred tax assets in the Company that fall under (Classification 1)

(ii) Schedule date of adoption

The guidance will be adopted from the beginning of the fiscal year ending February 28, 2020.

(iii) Effects of adoption of the guidance

The effect of adopting the guidance such as "Implementation Guidance on Accounting Standards for Tax Effect Accounting" on the Company's consolidated financial statements is under evaluation.

(Accounting Standard for Revenue Recognition, etc.)

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

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

(i) Overview

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

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

(ii) Scheduled date of adoption

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

(iii) Effects of adoption of these accounting standards

The effect of adopting these accounting standards on the Company's consolidated financial statements is under evaluation.

(2) Consolidated overseas subsidiaries

IFRS 16 "Lease"

(i) Overview

This accounting standard mainly requires lessees to recognize assets and liabilities for all leases, with some exceptions.

(ii) Scheduled date of adoption

This accounting standard will be adopted from the beginning of the fiscal year ending February 29, 2020.

(iii) Effects of adoption of this accounting standard

As a result of adopting this accounting standard, the Company estimates that a right-of-use asset and a related lease liability will each increase by approximately ¥100 billion on the consolidated balance sheets at the beginning of the fiscal year.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents on February 28, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥97,090	¥99,541	$875,710
Time deposits with maturities exceeding three months	(2,398)	(4,421)	(21,629)
Cash and cash equivalents at end of year	¥94,692	¥95,120	$854,081

Main assets and liabilities of companies that became consolidated subsidiaries due to acquisition of shares for the year ended February 28, 2019

The following is a breakdown of the assets acquired and liabilities assumed resulting from the consolidation of A&B Development CORP. due to the additional acquisition of its shares and shows a reconciliation from the purchase consideration to net consideration paid.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥184	$1,660
Non-current assets	7,998	72,138
Goodwill	1,311	11,825
Current liabilities	(270)	(2,435)
Long-term liabilities	(2,753)	(24,831)
Non-controlling interests in consolidated subsidiaries	(3,317)	(29,918)
Acquisition cost	3,153	28,439
Acquisition-date fair value of the equity interest in the acquiree held by the Company immediately before the acquisition date	(1,653)	(14,910)
Cash and cash equivalents of A&B Development CORP.	(170)	(1,533)
Net: Acquisition-related payments	¥1,330	$11,996

4 FINANCIAL INSTRUMENTS

1. Matters related to financial instruments

(1) Policies for financial instruments

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

(2) Financial instruments and their risks

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

(3) Risk management systems relating to financial instruments

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

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

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

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

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

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

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

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

2. Matters related to fair value of financial instruments

The book value recorded in the Consolidated Balance Sheets for the years ended February 28, 2019 and 2018, and fair value and their differences are as follows. Figures for which fair value is not readily recognized are not included in the following tables(See Note.2).

	Millions of yen		
	2019		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥97,090	¥97,090	¥—
(2) Notes and accounts receivable -trade	117,108		
Allowance for doubtful accounts (*1)	(327)		
	116,781	118,032	1,251
(3) Securities and investment securities			
1) Held-to-maturity securities	8	8	—
2) Available-for-sale securities	31,558	31,558	—
	31,566	31,566	—
(4) Guarantee deposits paid (*2)	6,293	6,317	24
Total assets	¥251,730	¥253,005	¥1,275
(1) Notes and accounts payable-trade	¥108,560	¥108,560	¥—
(2) Short-term bank loans	5,800	5,800	—
(3) Deposits received	31,693	31,693	—
(4) Long-term debt (*3)	188,983	190,070	1,087
Total liabilities	¥335,036	¥336,123	¥1,087
Derivatives (*4)			
Amounts not subject to hedge accounting	¥(12)	¥(12)	¥—
Amount subject to hedge accounting	(0)	(0)	—
Total derivatives	¥(12)	¥(12)	¥—

	Millions of yen		
	2018		
	Book Value	Fair Value	Difference
(1) Cash and deposits	¥99,541	¥99,541	¥—
(2) Notes and accounts receivable -trade	140,038		
Allowance for doubtful accounts (*1)	(306)		
	139,732	140,738	1,006
(3) Securities and investment securities			
1) Held-to-maturity securities	8	8	—
2) Available-for-sale securities	41,167	41,167	—
	41,175	41,175	—
(4) Guarantee deposits paid (*2)	7,290	7,287	(3)
Total assets	¥287,738	¥288,741	¥1,003
(1) Notes and accounts payable-trade	¥102,429	¥102,429	¥—
(2) Short-term bank loans	5,800	5,800	—
(3) Deposits received	26,725	26,725	—
(4) Long-term debt (*3)	168,463	170,186	1,723
Total liabilities	¥303,417	¥305,140	¥1,723
Derivatives (*4)			
Amounts not subject to hedge accounting	¥35	¥35	¥—
Amount subject to hedge accounting	(4)	(4)	—
Total derivatives	¥31	¥31	¥—

	Thousands of U.S. dollars		
	2019		
	Book Value	Fair Value	Difference
(1) Cash and deposits	$875,710	$875,710	$—
(2) Notes and accounts receivable -trade	1,056,264		
Allowance for doubtful accounts (*1)	(2,949)		
	1,053,315	1,064,598	11,283
(3) Securities and investment securities			
1) Held-to-maturity securities	72	72	—
2) Available-for-sale securities	284,640	284,640	—
	284,712	284,712	—
(4) Guarantee deposits paid (*2)	56,760	56,977	217
Total assets	$2,270,497	$2,281,997	$11,500
(1) Notes and accounts payable-trade	$979,165	$979,165	$—
(2) Short-term bank loans	52,314	52,314	—
(3) Deposits received	285,857	285,857	—
(4) Long-term debt (*3)	1,704,546	1,714,350	9,804
Total liabilities	$3,021,882	$3,031,686	$9,804
Derivatives (*4)			
Amounts not subject to hedge accounting	$(108)	$(108)	$—
Amount subject to hedge accounting	(0)	(0)	—
Total derivatives	$(108)	$(108)	$—

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

*2 The figures includes guarantee deposits paid with repayment due dates of one year or less.

*3 The figures includes long-term loans with repayment due dates of one year or less.

*4 Net receivables and payables arising from derivative transactions are shown as a net amount.

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

Assets

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

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

(3) Securities and investment securities

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

(4) Guarantee deposits paid

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

Liabilities

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

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

(4) Long-term debt

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

Derivatives

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

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
(a) Stock of subsidiaries	¥2,160	¥4,312	$19,482
(b) Stock of affiliates	46,253	47,964	417,182
(c) Unlisted stocks	1,765	1,780	15,920
(d) Guarantee deposits paid	24,216	23,204	218,418

[a] Stock of subsdiaries and [b] Stcok of affiliates

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

[c] Unlisted stocks

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

[d]Guarantee deposits paid

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

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

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

	Millions of yen			
	2018			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	¥99,541	¥—	¥—	¥—
Notes and accounts receivable-trade	137,455	2,210	313	61
Securities and investment securities				
1) Held-to-maturity securities	—	8	—	—
2) Available-for-sale securities with maturity dates	—	—	—	—
Guarantee deposits paid	1,029	2,979	2,518	764
Total	¥238,025	¥5,197	¥2,831	¥825

	Thousands of U.S. dollars			
	2019			
	Within 1 year	Over 1 year but within 5 years	Over 5 years but within 10 years	Over 10 years
Cash and deposits	**$875,710**	**$—**	**$—**	**$—**
Notes and accounts receivable-trade	**1,032,470**	**21,115**	**2,327**	**352**
Securities and investment securities				
1) Held-to-maturity securities	**—**	**72**	**—**	**—**
2) Available-for-sale securities with maturity dates	**—**	**—**	**—**	**—**
Guarantee deposits paid	**7,739**	**24,975**	**20,204**	**3,842**
Total	**$1,915,919**	**$46,162**	**$22,531**	**$4,194**

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

	Millions of yen					
	2019					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt—Corporate bonds	**¥99**	**¥25,099**	**¥10,099**	**¥32**	**¥—**	**¥ 60,000**
Long-term debt—Long-term loans	**7,520**	**36,025**	**13,041**	**3,041**	**1,541**	**32,162**
Total	**¥7,619**	**¥ 61,124**	**¥ 23,140**	**¥3,073**	**¥1,541**	**¥92,162**

	Millions of yen					
	2018					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt—Corporate bonds	¥40,000	¥—	¥25,000	¥10,000	¥—	¥—
Long-term debt—Long-term loans	4,520	7,520	36,025	13,041	41	32,203
Total	¥44,520	¥7,520	¥61,025	¥23,041	¥41	¥32,203

	Thousands of U.S. dollars					
	2019					
	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Long-term debt—Corporate bonds	$893	$226,382	$91,089	$289	$—	$541,174
Long-term debt—Long-term loans	67,827	324,930	117,624	27,429	13,899	290,088
Total	$68,720	$551,312	$208,713	$27,718	$13,899	$831,262

5 DEPOSITED ASSETS

The deposited assets required by the Installment Sales Laws at February 28 ,2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥1,372	¥1,429	$12,375
Leasehold and other deposits	10	10	90
Total	¥1,382	¥1,439	$12,465

6 SECURITIES

The following tables summarize acquisition costs, book value and fair value of securities with available fair value as of February 28, 2019 and 2018 :

(1) Held-to-maturity securities:

	Millions of yen					
	2019			2018		
type	Book value	Fair value	Difference	Book value	Fair value	Difference
Securities with available fair value exceeding book value:						
Government bonds	¥—	¥—	¥—	¥—	¥—	¥—
Corporate bonds	—	—	—	—	—	—
Securities with available fair value exceeding book value	—	—	—	—	—	—
Securities with available fair value not exceeding book value:						
Government bonds	—	—	—	—	—	—
Corporate bonds	8	8	—	8	8	—
Securities with available fair value not exceeding book value	8	8	—	8	8	—
Total held-to-maturity securities	¥ 8	¥ 8	¥—	¥ 8	¥ 8	¥—

	Thousands of U.S. dollars		
	2019		
type	Book value	Fair value	Difference
Securities with available fair value exceeding book value			
Government bonds	$—	$—	$—
Corporate bonds	—	—	—
Securities with available fair value exceeding book value	—	—	—
Securities with available fair value not exceeding book value			
Government bonds	—	—	—
Corporate bonds	72	72	—
Securities with available fair value not exceeding book value	72	72	—
Total held-to-maturity securities	$72	$72	$—

(2) Available-for-sale securities

type	Millions of yen					
	2019			2018		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:						
Equity securities	¥15,525	¥29,679	¥14,154	¥15,951	¥38,540	¥22,589
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	125	144	19	143	174	31
Securities with book value exceeding acquisition cost	15,650	29,823	14,173	16,094	38,714	22,620
Securities with book value not exceeding acquisition cost:						
Equity securities	2,640	1,735	(905)	2,590	2,453	(137)
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Securities with book value not exceeding acquisition costs:	2,640	1,735	(905)	2,590	2,453	(137)
Total available-for-sale securities	¥18,290	¥31,558	¥13,268	¥18,684	¥41,167	¥22,483

type	Thousands of U.S. dollars		
	2019		
	Acquisition cost	Book value	Difference
Securities with book value exceeding acquisition cost:			
Equity securities	$140,029	$267,692	$127,663
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	1,127	1,299	172
Securities with book value exceeding acquisition cost	141,156	268,991	127,835
Securities with book value not exceeding acquisition cost:			
Equity securities	23,812	15,649	(8,163)
Government bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Securities with book value not exceeding acquisition costs:	23,812	15,649	(8,163)
Total available-for-sale securities	$164,968	$284,640	$119,672

(3) Available-for-sale securities sold

type	Millions of yen					
	2019			2018		
	Amount sold	Gain on sales	Loss on sales	Amount sold	Gain on sales	Loss on sales
Equity securities	¥3,204	¥2,813	¥—	¥4,100	¥2,627	¥—
Corporate bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
Total available-for-sale securities	¥3,204	¥2,813	¥—	¥4,100	¥2,627	¥—

type	Thousands of U.S. dollars		
	2019		
	Amount sold	Gain on sales	Loss on sales
Equity securities	$28,899	$25,372	$—
Corporate bonds	—	—	—
Others	—	—	—
Total available-for-sale securities	$28,899	$25,372	$—

(4) Impairment losses on securities

The Companies recognized a loss of ¥172 million ($1,551 thousand) on its securities for the year ended February 28, 2019.

7 INVENTORIES

Inventories as of February 28,2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Merchandise	¥43,773	¥43,484	$394,814
Products	29	29	262
Work in process	478	112	4,311
Raw materials	28	19	252
Supplies	1,213	1,102	10,941
Total	¥45,521	¥44,746	$410,580

8 INCOME TAXES

The Companies are subject to a number of taxes based on income.The aggregate statutory tax rate in Japan was approximately 30.9% for the year ended February 28, 2019.

A reconciliation between the statutory tax rate and the Companies' effective tax rate for the years ended February 28, 2019 and 2018 is omitted because the difference is 5% or less of the effective statutory tax rate.

Significant components of the Companies' deferred tax assets and liabilities as of February 28, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets (current):			
Accrued enterprise tax	¥534	¥681	$4,817
Accrued bonuses	68	66	613
Undeductible allowance for doubtful accounts	120	105	1,083
Allowance for Point Gift Certificates	1,449	1,414	13,070
Undeductible write-down of inventories	413	553	3,725
Adjustment of gift certificates	7,309	6,959	65,924
Others	1,238	1,106	11,166
Gross deferred tax assets	11,131	10,884	100,398
Less:Valuation allowance	(40)	(35)	(361)
Total deferred tax assets	11,091	10,849	100,037
Net deferred tax liabilities	(647)	(685)	(5,836)
Net deferred tax assets	¥10,444	¥10,164	$94,201
Deferred tax liabilities (current):			
Adjustments of allowance for doubtful accounts	34	¥40	307
Adjustment of gift certificates	613	645	5,529
Total deferred tax liabilities	647	685	5,836
Net deferred tax assets	(647)	(685)	(5,836)
Net deferred tax liabilities	¥—	¥—	$—
Deferred tax assets (non-current):			
Unrealized intercompany profits	¥1,543	¥1,568	$13,917
Tax loss carryfoward	6,746	6,028	60,846
Undeductible amortization of software costs	94	89	848
Undeductible net defined benefit liability	15,660	16,809	141,247
Undeductible allowance for doubtful accounts	631	513	5,691
Allowance for environmental measures	86	105	776
Undeductible write-down of securities	654	533	5,899
Devaluation of property, plant and equipment resulting from spin-off	714	718	6,440
Impairment loss of property, plant and equipment	1,244	1,185	11,220
Allowance for loss on repair construction of building	2	584	18
Others	536	743	4,835
Gross deferred tax assets	27,910	28,875	251,737
Less: Valuation allowance	(9,107)	(8,510)	(82,141)
Total deferred tax assets	18,803	20,365	169,596
Net of deferred tax liabilities	(12,701)	(15,418)	(114,558)
Net deferred tax assets	¥6,102	¥4,947	$55,038
Deferred tax liabilities (non-current):			
Reserve for deferred capital gains of property	¥8,913	¥8,923	$80,392
Valuation difference on available-for-sale securities	3,798	6,490	34,256
Others	1,290	292	11,635
Gross deferred tax liabilities	14,001	15,705	126,283
Net of deferred tax assets	(12,701)	(15,418)	(114,558)
Net deferred tax liabilities	¥1,300	¥287	$11,725

9 RENTAL PROPERTY

The Company and certain of its consolidated subsidiaries own some rental properties,such as office buildings and commercial properties principally in areas where they conduct operations. Certain domestic commercial properties are not recognized as rental propeties but as real estate including spaces used as rental properties since the Company or certain consolidated subsidiaries use some of the floor space of these properties.
The book value of these properties in the Consolidated Balance Sheets, their changes during the current fiscal year, their fair value, and the method for calculating the fair value at February 28, 2019 and 2018 were as follows:

Amounts on the Consolidated Balance Sheets

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

	Millions of yen			
	2018			
	Book value			Fair value
	March 1, 2017	Increase (decrease)	February 28, 2018	February 28, 2018
Rental property	¥49,306	¥7,055	¥56,361	¥69,853
Real estate including spaces used as rental properties	358,175	19,485	377,660	551,114

	Thousands of U.S. dollars			
	2019			
	Book value			Fair value
	March 1, 2018	Increase (decrease)	February 28, 2019	February 28, 2019
Rental property	**$508,352**	**$74,691**	**$583,043**	**$709,786**
Real estate including spaces used as rental properties	**3,406,332**	**314,341**	**3,720,673**	**5,749,274**

Notes
1.The amounts presented on the consolidated balance sheets are the acquisition costs minus accumulated depreciation
2.Rental property:the increase during the year ended February 28, 2019 is primarily for the acquitision of rental properties,and the decrease is for the depreciation.
3.Real estate including spaces used as rental properties:the increase during the year ended February 28, 2019 is primarily for the acquitision,and the decrease is for the depreciation.
4.The fair value as of the end of the fiscal year was calculated by the Company based on Real Estate Appraisal and Valuation Standards (including adjustments made using indicators and other information).

Profit (loss) on rental property and the portion of real estate including spaces used as rental properties during the years ended February 28, 2019 and 2018 were as follows:

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

	Millions of yen			
	2018			
	Rental income	Rental expenses	Difference	Other,net
Rental property	¥14,591	¥10,639	¥3,952	¥—
Real estate including spaces used as rental properties	27,385	21,993	5,392	—

	Thousands of U.S. dollars			
	2019			
	Rental income	Rental expenses	Difference	Other,net
Rental property	**$128,322**	**$92,460**	**$35,862**	**$(1,660)**
Real estate including spaces used as rental properties	**254,081**	**200,929**	**53,152**	**—**

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

10 LAND REVALUATION

In accordance with the Law Concerning Revaluation of Land, land used for business owned by the Company and two consolidated subsidiaries was revalued. The unrealized gains, net of deferred tax, was excluded from earnings and reported as "Revaluation reserve for land" in net assets, and the relevant deferred tax was included as "Deferred tax liabilities related to land revaluation" in long-term liabilities.
Related information is shown as follows:

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

11 REDUCTION ENTRY

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Buildings and structures	**¥160**	¥160	**$1,443**
Total	**¥160**	¥160	**$1,443**

12 LEASEHOLD AND OTHER DEPOSITS

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

13 PRESENTATION OF GOODWILL AND NEGATIVE GOODWILL

The offsetting of goodwill by negative goodwill at February 28, 2019 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Goodwill	**¥1,731**	¥375	**$15,613**
Negative goodwill	**185**	277	**1,669**
Goodwill, net	**¥1,546**	¥98	**$13,944**

14 SEGMENT INFORMATION

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

1. General information about reportable segments

The Companies' reportable segments are components of the Companies whose operating results are regularly reviewed by the Board of Directors when making resource allocation and performance assessment decisions, and for which discrete financial information is available.
The Companies consist of segments identified by services based on Department store, and four major business segments, "Department Store," "Real Estate," "Finance" and "Contract & Design" are identified as reportable segments.
The Department Store segment is engaged in retailing operations of clothing, accessories, home furnishings, foods and others.
The Real Estate segment is engaged in property management and operating shopping malls.
The Finance segment is engaged in credit card and lease business in the Companies.
The Contract & Design segment is engaged in making plans for furnishings of houses and shops, and carrying out the plans.

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

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

Note: As stated in "Changes in Accounting Policies," the accounting treatment for consignment purchase transactions of the Company's consolidated overseas subsidiaries has been changed from the year ended February 28, 2019 to record the amount equivalent to gross profit for these transactions in "net sales." This change has been retrospectively applied to the consolidated financial statements for the year ended February 28, 2018.
As a result, the income from these transactions, which had previously been presented on a gross basis, has been changed to be presented on a net basis. The amount of sales and other operating revenue to outside customers in the Department Store segment for the year ended February 28, 2018 decreased by ¥41,767 million compared with that prior to the retrospective application. Segment income was not affected by this change.

(a) Business segment information

Business segment information for the years ended February 28, 2019 and 2018 was as follows:

	Millions of yen								
FY ended February 28, 2019	Departmant Store	Real Estate	Finance	Contract & Design	Total of Reportable Segments	Others	Total	Adjustments	Consolidated
Sales and other operating revenue:									
Outside customers	¥792,045	¥43,682	¥14,945	¥24,795	¥875,467	¥37,382	¥912,849	¥—	¥912,849
Intersegment	10,255	11,098	4,194	7,200	32,747	18,368	51,115	(51,115)	—
Total	802,300	54,780	19,139	31,995	908,214	55,750	963,964	(51,115)	912,849
Segment income	¥8,692	¥9,410	¥4,881	¥728	¥23,711	¥2,938	¥26,649	¥13	¥26,662
Segment assets	¥682,521	¥195,461	¥100,021	¥18,990	¥996,993	¥27,644	¥1,024,637	¥53,493	¥1,078,130
Goodwill amortization	—	188	—	—	188	—	188	—	188
Investment expenditures for affiliated company accounted for by equity method	16,478	26,470	—	—	42,948	—	42,948	—	42,948
Depreciation	15,430	4,130	21	117	19,698	236	19,934	13	19,947
Increase in property ,plant and equipment,and intangible assets	36,333	9,097	66	437	45,933	288	46,221	52,684	98,905

	Millions of yen								
FY ended February 28, 2018	Departmant Store	Real Estate	Finance	Contract & Design	Total of Reportable Segments	Others	Total	Adjustments	Consolidated
Sales and other operating revenue:									
Outside customers	¥784,795	¥47,476	¥14,188	¥25,916	¥872,375	¥35,430	¥907,805	¥—	¥907,805
Intersegment	9,105	15,783	4,255	3,708	32,851	22,639	55,490	(55,490)	—
Total	793,900	63,259	18,443	29,624	905,226	58,069	963,295	(55,490)	907,805
Segment income	¥13,509	¥11,394	¥4,563	¥1,208	¥30,674	¥3,331	¥34,005	¥1,314	¥35,319
Segment assets	¥668,273	¥185,692	¥109,117	¥17,133	¥980,215	¥26,440	¥1,006,655	¥29,152	¥1,035,807
Goodwill amortization	—	188	—	—	188	—	188	—	188
Investment expenditures for affiliated company accounted for by equity method	15,309	27,683	—	—	42,992	—	42,992	—	42,992
Depreciation	14,501	4,040	66	73	18,680	247	18,927	131	19,058
Increase in property ,plant and equipment,and intangible assets	58,901	10,500	3	230	69,634	284	69,918	(432)	69,486

	Thousands of U.S. dollars								
FY ended February 28, 2019	Departmant Store	Real Estate	Finance	Contract & Design	Total of Reprtable Segments	Others	Total	Adjustments	Consolidated
Sales and other operating revenue:									
Outside customers	$7,143,907	$393,993	$134,798	$223,640	$7,896,338	$337,170	$8,233,508	$—	$8,233,508
Intersegment	92,496	100,099	37,828	64,941	295,364	165,671	461,035	(461,035)	—
Total	7,236,403	494,092	172,626	288,581	8,191,702	502,841	8,694,543	(461,035)	8,233,508
Segment income	$78,398	$84,874	$44,025	$6,566	$213,863	$26,500	$240,363	$117	$240,480
Segment assets	$6,156,047	$1,762,975	$902,147	$171,282	$8,992,451	$249,337	$9,241,788	$482,484	$9,724,272
Goodwill amortization	—	1,696	—	—	1,696	—	1,696	—	1,696
Investment expenditures for affiliated company accounted for by equity method	148,625	238,748	—	—	387,373	—	387,373	—	387,373
Depreciation	139,172	37,251	189	1,055	177,667	2,129	179,796	117	179,913
Increase in property, plant and equipment, and intangible assets	327,708	82,051	595	3,942	414,296	2,598	416,894	475,187	892,081

(b) Related information

Amortization of goodwill and unamortized balance by reportable segment

	Millions of yen							
As of and for the year ended February 28, 2019	Department Store	Real Estate	Finance	Construct & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	¥—	¥188	¥—	¥—	¥188	¥—	¥—	¥188
Unamortized balance	¥—	¥1,731	¥—	¥—	¥1,731	¥—	¥—	¥1,731
Negative goodwill:								
Amortization	¥—	¥—	¥—	¥93	¥93	¥—	¥—	¥93
Unamortized balance	¥—	¥—	¥—	¥185	¥185	¥—	¥—	¥185

	Millions of yen							
As of and for the year ended February 28, 2018	Department Store	Real Estate	Finance	Construct & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	¥—	¥188	¥—	¥—	¥188	¥—	¥—	¥188
Unamortized balance	¥—	¥375	¥—	¥—	¥375	¥—	¥—	¥375
Negative goodwill:								
Amortization	¥—	¥—	¥—	¥93	¥93	¥—	¥—	¥93
Unamortized balance	¥—	¥—	¥—	¥277	¥277	¥—	¥—	¥277

	Thousands of U.S. dollars							
As of and for the year ended February 28, 2019	Department Store	Real Estate	Finance	Construct & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Goodwill:								
Amortization	$—	$1,696	$—	$—	$1,696	$—	$—	$1,696
Unamortized balance	$—	$15,613	$—	$—	$15,613	$—	$—	$15,613
Negative goodwill:								
Amortization	$—	$—	$—	$839	$839	$—	$—	$839
Unamortized balance	$—	$—	$—	$1,669	$1,669	$—	$—	$1,669

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

	Millions of yen							
As of and for the year ended February 28, 2019	Department Store	Real Estate	Finance	Construct & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment loss	¥1,067	¥192	¥—	¥—	¥1,259	¥—	¥—	¥1,259

	Millions of yen							
As of and for the year ended February 28, 2018	Department Store	Real Estate	Finance	Construct & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment loss	¥1,598	¥—	¥—	¥—	¥1,598	¥—	¥—	¥1,598

	Thousand of U.S. dollars							
As of and for the year ended February 28, 2019	Department Store	Real Estate	Finance	Construct & Design	Total of Reportable Segments	Others	Adjustments	Consolidated
Impairment loss	$9,624	$1,732	$—	$—	$11,356	$—	$—	$11,356

15 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 0.35% and 0.33% at February 28, 2019 and 2018, respectively.
Long-term debt as of February 28, 2019 and 2018 was as follows

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
0.0% convertible bonds due 2018	**¥—**	¥40,063	**$—**
0.0% convertible bonds due 2020	**25,031**	25,050	**225,769**
0.0% convertible bonds due 2028	**60,293**	—	**543,817**
0.451% bonds due 2021	**10,000**	10,000	**90,196**
8.1% one hundred and seven (107) secured non-convertible Vietnam Dong bonds	**329**	—	**2,967**
Loans from banks, insurance companies and others due serially to 2024:			
Unsecured (bearing interest at rates from 0.23% to 1.00% at February 28,2019)	**93,330**	93,350	**841,797**
	188,983	168,463	**1,704,546**
Less:Current portion of Long-term debt	**(7,619)**	(44,583)	**(68,720)**
Total	**¥181,364**	¥123,880	**$1,635,826**

The current convertion price of 0.0% convertible bonds due 2020 issued by the Company is ¥2674.8 ($24.15). On February 28, 2019, the convertible bonds were convertible into approximately 9,346 thousand shares of common stock.
The current convertion price of 0.0% convertible bonds due 2028 issued by the Company is ¥2180.0($19.66). On February 28, 2019, the convertible bonds were convertible into approximately 27,523 thousand shares of common stock.

Years ending February 28 (29)	Millions of yen	Thousands of U.S. dollars
2020	**¥7,619**	**$68,720**
2021	**61,124**	**551,312**
2022	**23,140**	**208,713**
2023	**3,073**	**27,718**
2024 and thereafter	**93,703**	**845,161**
Total	**¥188,659**	**$1,701,624**

16 DERIVATIVE TRANSACTIONS

1. Derivatives to which hedge accounting is not applied

(1) Currency related derivatives

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

		Millions of yen			
		2018			
Classification	Type of derivatives	Contract amount	Contract amount due after one year	Fair value	Valuation loss
Non-market transactions	Swaps				
	Buy:U.S. dollars				
	Sell:JP yen	¥3,290	¥—	¥35	¥35
Total		¥3,290	¥—	¥35	¥35

		Thousands of U.S. dollars			
		2019			
Classification	Type of derivatives	Contract amount	Contract amount due after one year	Fair value	Valuation loss
Non-market transactions	Swaps				
	Buy:U.S. dollars				
	Sell:JP yen	**$29,620**	**$—**	**$(108)**	**$(108)**
Total		**$29,620**	**$—**	**$(108)**	**$(108)**

2. Derivatives to which hedge accounting is applied

(1) Currency related derivatives

			Millions of yen		
			2019		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable-trade			
	To buy U.S. dollars		**¥75**	**¥—**	**¥0**
	To buy Euros		**34**	**—**	**(1)**
	To buy G.B. pounds		**1**	**—**	**0**
	To buy Swiss francs		**0**	**—**	**0**
Total			**¥110**	**¥—**	**¥(1)**

			Millions of yen		
			2018		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable-trade			
	To buy U.S. dollars		¥122	¥—	¥(4)
	To buy Euros		31	—	(0)
	To buy G.B. pounds		1	—	(0)
Total			¥154	¥—	¥(4)

			Thousands of U.S. dollars		
			2019		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Forward contracts	Accounts payable-trade			
	To buy U.S. dollars		**$676**	**$—**	**$0**
	To buy Euros		**307**	**—**	**(9)**
	To buy G.B. pounds		**9**	**—**	**0**
	To buy Swiss francs		**0**	**—**	**0**
Total			**$992**	**$—**	**$(9)**

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

(2) Interest rate related derivatives

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

			Millions of yen		
			2018		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Interest expenses on long-term debt	¥29,000	¥26,000	¥—
Total			¥29,000	¥26,000	¥—

			Thousands of U.S. dollars		
			2019		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate swaps	Interest rate swaps Receive floating rate Pay fixed rate	Interest expenses on long-term debt	$234,509	$225,489	$—
Total			$234,509	$225,489	$—

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

(3) Interest rate and currency related derivatives

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

			Millions of yen		
			2018		
Hedge accounting method	Type of derivatives	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps	Long-term debt	¥10,000	¥10,000	¥—
Total			¥10,000	¥10,000	¥—

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars		
			2019		
			Contract amount	Contract amount due after one year	Fair value
Specified treatment for interest rate and currency swaps	Interest rate and currency swaps	Long-term debt	$90,196	$90,196	$—
Total			90,196	90,196	$—

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

17 EMPLOYEES' RETIREMENT BENEFITS

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

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

2. Defined benefit obligation

(1) The changes in defined benefit obligation for the years ended February 28, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of the year	¥108,124	¥111,047	$975,232
Service cost	2,645	2,748	23,857
Interest cost	691	707	6,233
Actuarial gains or losses	(4,024)	(37)	(36,295)
Benefit paid	(5,310)	(4,721)	(47,894)
Amount of prior service cost incurred	—	(1,620)	—
Balance at end of the year	¥102,126	¥111,048	$921,133

(2) The changes in plan assets for the years ended February 28, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of the year	¥54,857	¥54,288	$494,787
Expected return on plan assets	1,371	1,357	12,366
Actuarial gains or losses	(1,166)	1,271	(10,517)
Contribution from the employer	647	1,063	5,836
Benefit paid	(3,088)	(3,121)	(27,853)
Balance at end of the year	¥52,621	¥54,858	$474,619

(3) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as of February 28, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded definded benefit obligation	¥56,761	¥57,526	$511,960
Plan assets	(52,621)	(54,858)	(474,619)
	4,140	2,668	37,341
Unfunded defined benefit obligation	45,365	50,598	409,173
Net liability for defined benefit obligation	¥49,505	¥53,266	$446,514
Net defined benefit liabilities	49,505	53,266	446,514
Net liability for defined benefit obligation	¥49,505	¥53,266	$446,514

(4) The components of periodic benefit costs for the years ended February 28, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥2,645	¥2,748	$23,857
Interest cost	691	707	6,233
Expected return on plan assets	(1,371)	(1,357)	(12,366)
Amortization of actuarial gains and losses	363	935	3,274
Amounts of prior service cost recognized	(182)	(68)	(1,642)
Total	¥2,146	¥2,965	$19,356

(5) The components of other comprehensive income on defined retirement benefits plans, before tax, on February 28, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service cost	¥(182)	¥1,552	$(1,642)
Actuarial gains and losses	3,221	2,243	29,052
Total	¥3,039	¥3,795	$27,410

(6) Accumulated other comprehensive income on defined retirement benefits plans, before tax, on February 28, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost	¥1,370	¥1,552	$12,357
Unrecognized actuarial gains and losses	6,700	3,479	60,431
Total	¥8,070	¥5,031	$72,788

(7) Plan assets

1) Components of plan assets are as follows:

	%	
	2019	2018
Debt investments	65%	64%
Equity investments	24	26
General accounts with life insurance companies	9	9
Cash and deposits	2	1
Total	100%	100%

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

(8) The assumptions used for the years ended February 28, 2019 and 2018 are as follows:

Discount rate	
Relating to defined benefit obligation	Mainly 0.8%
Relating to unfunded defined benefit obligation	Mainly 0.5%
Expected rate of return on plan assets	2.5%
Assumed salary increase rate	1.5%

3. Defined benefit obligation of the simplified method

(1) The changes in defined benefit obligation of the simplified method for the years ended February 28, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of the year	¥1,350	¥1,492	$12,176
Employees' retirement benefit cost	165	216	1,488
Benefit paid	(129)	(358)	(1,163)
Balance at end of the year	¥1,386	¥1,350	$12,501

(2) Reconciliation between the liability recorded in the Consolidated Balance Sheets and the balance of benefit obligation and plan assets as of February 28, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded defined benefit obligation	¥—	¥—	$—
Plan assets	—	—	—
	—	—	—
Unfunded defined benefit obligation	1,386	1,350	12,501
Net liability for defined benefit obligation	¥1,386	¥1,350	$12,501
Defined benefit liability	1,386	1,350	12,501
Net liability for defined benefit obligation	¥1,386	¥1,350	$12,501

(3) Employees' benefit cost of the simplified method are ¥165 million ($1,488 thousand) for the year ended February 28, 2019 and ¥216 million for the year ended February 28, 2018.

4. Defined contribution pension plan

The Companies paid ¥679 million ($6,124 thousand) as defined contribution pension costs for the year ended February 28, 2019 and ¥674 million for the year ended February 28, 2018.

18 CONTINGENT LIABILITIES

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	**2019**
Guarantees on loans from financial institutions:			
Keppel Land Watco II Co.,Ltd.	**¥5,207**	¥5,028	**$46,965**
Keppel Land Watco III Co.,Ltd.	**1,602**	1,552	**14,449**
Loan guarantees made for employees and others	**52**	83	**469**
Total	**¥6,861**	¥6,663	**$61,883**

Note: ¥707 million ($6,377 thousand) of ¥6,810 million ($61,423 thousand) for guarantees on loans from financial institutions for the fiscal year under review have been counter-guaranteed from Keppel Land Limited.

19 NET ASSETS

Net assets consist of shareholders' equity, valuation and translation adjustments, and non-controlling interests in consolidated subsidiaries. Under Japanese laws and regulations, the entire amount paid for new shares must be designated as common stock.
However, by resolution of the Board of Directors, a company can designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is then included in the capital surplus. It is a requirement under Japanese Corporate Law ("the Law") that, in cases where the surplus is distributed among shareholders as a dividend, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and the legal earnings reserve is set aside as additional paid-in capital or the legal earnings reserve.
The legal earnings reserve is included in retained earnings in the accompanying Consolidated Balance Sheets. Under the Law, appropriations of the legal earnings reserve and additional paid-in capital generally require a resolution by a General Meeting of Shareholders. Although additional paid-in capital and the legal earnings reserve may not be distributed as dividends, the Law allows all additional paid-in capital and all legal earnings reserves to be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can return to shareholders as dividends is calculated based on the non-consolidated financial statements in accordance with the Law.

20 PER SHARE INFORMATION

Reconciliation of the difference between basic and diluted net income attributable to owners of parent per share("EPS")for the years ended February 28, 2019 and 2018 were as follows:

	Milllions of yen		Thousands of U.S. dollars
	2019	2018	2019
Basic net income attributable to owners of parent per share			
Income (numerator):			
Net income available attributable to owners of parent	¥16,443	¥23,659	$148,309
Amounts not belonging to common shareholders	—	—	—
Net income attributable to owners of parent concerning common stock	16,443	23,659	148,309
Shares, thousands (denominator):			
Weighted average number of shares	174,735	174,739	—
Basic EPS (yen and U.S. dollars)	¥94.10	¥135.39	$0.85
Diluted net income attributable to owners of parent per share			
Income (numerator):			
Net income attributable to owners of parent	¥16,443	¥23,659	$148,309
Amounts not belonging to common shareholders	—	—	—
Net income attributable to owners of parent concerning common stock	16,443	23,659	148,309
Effect of dilutive securities — convertible bonds	(60)	(68)	(541)
Adjusted net income attributable to owners of parent	16,383	23,591	147,768
Shares, thousands (denominator):			
Weighted average number of shares	174,735	174,739	—
Assumed conversion of convertible bonds	26,405	23,226	—
Adjusted weighted average number of shares	201,140	197,965	—
Diluted EPS (yen and U.S. dollars)	¥81.44	¥119.16	$0.73

Note: The Company consolidated its common shares at a ratio of 1 for 2 on September 1, 2018. Net assets per share, basic and diluted net income per share are calculated assuming that the consolidation of shares occurred at the beginning of the previous fiscal year.

Net assets per share as of February 28, 2019 and 2018 were calculated as follows:

	Milllions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net assets per share			
Net assets (numerator):			
Total net assets	¥461,585	¥449,526	$4,163,300
Non-controlling interests in consolidated subsidiaries	(17,666)	(10,354)	(159,340)
Adjusted net assets	443,919	439,172	4,003,960
Common stock, thousands (denominator):			
Issued number of shares	177,759	177,759	—
Treasury stock	(3,026)	(3,023)	—
Outstanding number of shares	174,733	174,736	—
Net assets per share (yen and U.S. dollars)	¥2,540.54	¥2,513.34	$22.91

Note: The Company consolidated its common shares at a ratio of 1 for 2 on September 1, 2018. Net assets per share, basic and diluted net income per share are calculated assuming that the consolidation of shares occurred at the beginning of the previous fiscal year.

21 IMPAIRMENT LOSS

	Location	Category by use	Assets	Millions of yen 2019	Thousands of U.S. dollars 2019
				Impairment loss	
The Company Konandai store	Yokohama, Japan	Stores	Buildings	¥122	$1,100
			Others	99	893
The Company	Tottori, Japan	Idle properties	Lands	31	280
			Others	767	6,918
R.T. Corporation Ltd.	Tokyo, Japan	Stores	Buildings	45	406
			Others	3	27
Toshin Development Co., Ltd.	Yokohama, Japan	Commercial properties	Buildings	171	1,542
			Others	21	190
Total				¥1,259	$11,356

Impairment loss is recognized for the following asset groups.
The Company and its subsidiaries group their assets mainly by stores as a basic and minimum unit that generates cash flows.
The book value of the asset group that is expected to post consecutive losses from operating activities has been reduced to the recoverable amount, and such reduction was recorded as an impairment loss of ¥461 million ($4,158 thousand) under other expenses.
The recoverable amount is based on the value in use. The recoverable amounts for those asset groups are assessed as zero, as no future cash flow is expected to be generated from the asset groups.
In addition, idle assets are grouped by each asset. The book value of the relevant asset group was reduced to the net realizable value, and an impairment loss of ¥798 million ($7,198 thousand) was recorded as an impairment loss for the year ended February 28, 2019. The net realizable value of the idle assets is assessed as zero.

	Location	Category by use	Assets	Millions of yen 2018
				Impairment loss
Shanghai Takashimaya Co.,Ltd.	Shanghai, China	Stores	Buildings	¥1,572
			Others	¥26
Total				¥1,598

Impairment loss is recognized for the following asset groups.
The Company and its consolidated subsidiaries identify each store as the smallest cash generating unit.
* Impairment loss:the book value of the asset group that is expected to continue to post a loss from operating activities is reduced to fair value, and such reduction is recorded as an impairment loss of ¥1,598million under other expense. Fair values are measured using the cost approach.

22 OTHER COMPREHENSIVE INCOME

The recycling and effect of deferred income taxes on the other comprehensive income for the years ended February 28, 2019 and 2018 are summarized as follows:

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars 2019
Valuation difference on available-for-sale securities			
Occurrence amount	¥(6,420)	¥4,262	$(57,906)
Recycling	(2,641)	(2,252)	(23,821)
Before tax effect	(9,061)	2,010	(81,727)
Tax effect	2,692	(685)	24,281
Valuation difference on available-for-sale securities	(6,369)	1,325	(57,446)
Deferred gains or losses on hedges			
Occurrence amount	4	(6)	36
Tax effect	(1)	2	(9)
Deferred gains or losses on hedges	3	(4)	27
Foreign currency translation adjustments realized for the year	(1,955)	2,067	(17,633)
Remeasurements of defined benefit plans, net of tax			
Occurrence amount	2,858	2,860	25,788
Recycling	181	935	1,632
Before tax effect	3,039	3,795	27,410
Tax effect	(917)	(1,129)	(8,271)
Remeasurements of defined benefit plans , net of tax	2,122	2,666	19,139
Share of other comprehensive income of entities accounted for using equity method			
Occurrence amount	(1,601)	1,730	(14,440)
Recycling	—	(2)	—
Share of other comprehensive income of entities accounted for using equity method	(1,601)	1,728	(14,440)
Total other comprehensive income	¥(7,800)	¥7,782	$(70,353)

23 CASH DIVIDENDS

On May 21, 2019, the shareholders of the Company approved the following appropriations.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥2,097	$18,914

24 LEASES

Operating leases

Future minimum lease payments subsequent to February 28, 2019 for noncancellable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending February 28 (29)	2019	2019
2019	¥13	$117
2020 and thereafter	18	163
Total	¥31	$280

25 SIGNIFICANT SUBSEQUENT EVENTS

Significant transfer of assets

The Company resolved to transfer a non-current asset owned by the Company at the Board of Directors meeting held on February 15, 2019, signed a sale and purchase agreement on February 25, 2019, and transferred the asset on March 29, 2019.

1. Reason for the transfer

The Company decided to transfer the following asset in an effort to improve its asset efficiency and strengthen its financial position through effective use of management resources.

2. Overview of the transferred asset

Location	2-12-7 Nihombashi-Kayabacho, Chuo-ku, Tokyo
Details of the asset	Land (652.15m^2), Surface right (470.44m^2), Building (8,365.14m^2)
Current status	Offices of the Company and group companies
Gain from the transfer	Approximately ¥9.7 billion ($87 million)

3. Overview of the transferee

The transferee is a general business corporation. The Company refrains from providing any information due to a confidentiality obligation.

There are no capital, personal or transactional relationships between the Company or its consolidated subsidiaries and the transferee, and therefore the transferee is not considered a related party of the Company or its consolidated subsidiaries.

4. Schedule of the transfer

Board resolution date:	February 15, 2019
Conclusion date of the sale and purchase agreement:	February 25, 2019
Transfer date:	March 29, 2019

5. Impact on profit and loss

As a result of the transfer of the non-current asset, a gain on sales of non-current assets of approximately ¥9.7 billion ($87 million) is expected to be recorded as an other income for the fiscal year ending February 29, 2020.

26 BUSINESS COMBINATIONS

Business combinations through acquisitions

1. A&B Development CORP.

(1) Overview of the business combination

(a) Name of the acquired company and its business
Name: A&B Development CORP.
Description of business: Real estate leasing

(b) Main reason for the business combination
It is aimed at accumulating the know-how of the non-commercial sector, achieving early stabilization of the revenue base for the Vietnam operations, and implementing area management through proactive involvement in the office business.

(c) Date of the business combination
February 28, 2019 (deemed acquisition date)

(d) Legal form of the business combination
Acquisition of shares for cash consideration

(e) Percentage of voting rights acquired
70%

(f) Main grounds for determining the acquired company
Toshin Development Co., Ltd. made VN AB Holding Pte. Ltd. a subsidiary for cash consideration, which owns 70.0% of A&B Development CORP.

(2) Period for which the acquired company's operating results are included in the consolidated financial statements

The acquired company's operating results are not included since only its balance sheet is consolidated for the year ended February 28, 2019.

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

	Millions of yen	Thousands of U.S. dollars
Acquisition-date fair value of the equity interest in the aquiree held by the Company immediately before the acquisition date	¥1,653	$14,910
Cash and deposits paid for additional acquisition	1,500	13,529
Acquisition cost	¥3,153	$28,439

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

	Millions of yen	Thousands of U.S. dollars
Advisory fees and commissions	¥21	$189

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

(a) Amount of goodwill recognized

	Millions of yen	Thousands of U.S. dollars
Amount of goodwill recognized	¥1,311	$11,825

(b) Reason for recognition of goodwill
Excess earning power is expected from future business development.

(c) Method and period for amortization of goodwill
Straight line basis over 13 years

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥184	$1,660
Non-current assets	7,998	72,138
Total assets	8,182	73,798
Current liabilities	270	2,435
Long-term liabilities	2,753	24,831
Total liabilities	¥3,023	$27,266

(7) Approximate amount of impact of the business combination on the Company's consolidated statements of income for the year ended February 28, 2019, assuming that the business combination had been completed on the first day of the fiscal year, and its calculation method

Information is omitted, as it is difficult to calculate the approximate amount for the year ended February 28, 2019.

27.ASSETS PLEDGED AS COLLATERAL AND SECURED LIABILITIES

The assets pledged as collateral for debts mainly from banks and certain other obligations on February 28, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Buildings and structures	¥2,238	¥—	$20,186
Other (property, plant and equipment)	7	—	63
Leasehold right	5,723	—	51,619
Total	¥7,968	¥—	$71,868

The secured liabilities on February 28, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current portion of long-term debt	¥99	¥—	$893
Long-term debt	230	—	2,074
Total	¥329	¥—	$2,967

KPMG

Independent Auditor's Report

To the Board of Directors of Takashimaya Company, Limited:

We have audited the accompanying consolidated financial statements of Takashimaya Company, Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at February 28, 2019 and 2018, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Takashimaya Company, Limited and its consolidated subsidiaries as at February 28, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 2(s) to the consolidated financial statements. The accounting policies regarding consignment buying of the Company's consolidated overseas subsidiaries have been changed with effect from the year ended February 28, 2019. Our opinion is not modified in respect of this matter.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 24, 2019
Tokyo, Japan

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